

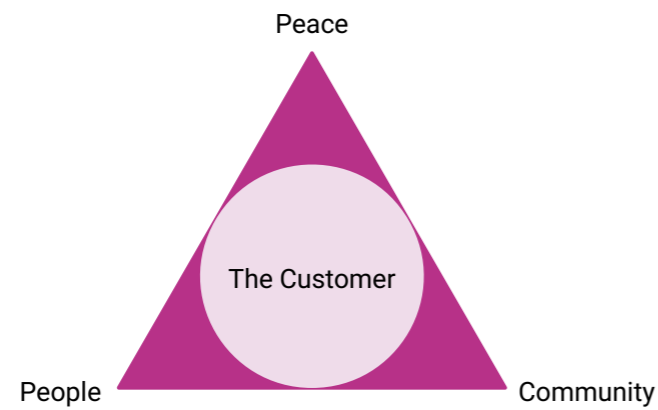


AEON REPORT 2018

AEON

Aeon Basic Principles

Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.



The word (Aeon) has its origins in a Latin root meaning "eternity." The customers' beliefs and desires comprise the central core of our philosophy. At Aeon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

- "Peace" Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
- "People" Aeon is a corporate group that respects human dignity and values personal relationships.
- "Community" Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the Aeon Basic Principles, Aeon practices its "Customer-First" philosophy with its everlasting innovative spirit.



Front Cover

Okada, one of Aeon's predecessors, was founded in the city of Yokkaichi, Mie Prefecture, in 1758. In 1887, the store relocated to a bustling new area of the city. This period saw the formation of the family motto "give wheels to the central pillar." Comparing a store to the central pillar of a house, the motto implies that businesses should respond to changes in customer needs by moving the "central pillar," in other words, by moving things that would never normally be moved. The design of this report's cover incorporates the wheel of a large *daihachiguruma* wagon. These wagons were used to transport goods from the Edo period (17th century) to the beginning of the Showa period (20th century).

Editorial Policy

We believe that our business activities contribute to the formation of a sustainable society. To further stakeholders' understanding of its business activities, since 2017 Aeon has been issuing the *Aeon Report*, which includes the *Aeon Environmental and Social Report*.

As well as introducing Aeon's business management direction, strategies, and initiatives, the first half of the *Aeon Report* presents the different facets of Aeon's business management. In addition, the first half includes comprehensive non-financial information on our corporate social responsibility (CSR) activities.

The second half focuses on Aeon's environmental and social sustainability initiatives, which center on pure holding company Aeon Co., Ltd., the General Merchandise Store (GMS) Business, and the Supermarket Business.

Further, this report was prepared by a project team comprising personnel from each of our in-house divisions in consultation with external specialists and with reference to the *International Integrated Reporting Framework* of the International Integrated Reporting Council (IIRC).

Note: For the purposes of this report, "Aeon" is used to refer to Aeon Co., Ltd. and the approximately 300 companies that comprise the Aeon Group.

Reporting Period

FY2017 (March 1, 2017–February 28, 2018)*

* For operating companies with different fiscal years and for certain initiatives, the relevant time periods for each item reported are stated.

Reporting Scope

This report covers pure holding company Aeon Co., Ltd. and its 291 consolidated subsidiaries and 31 equity-method affiliates as of the end of February 2018. If the scope of reporting differs from the aforementioned, this is stated for each item reported. In addition, the report includes information on the social contribution activities of the AEON 1% Club Foundation, which is funded by donations equivalent to 1% of pretax profits from major Aeon Group companies, and the AEON Environmental Foundation, which advances initiatives to protect the Earth's environment.

Target Audience

Customers, shareholders, investors, students, local residents of neighborhoods with Group stores, business partners, NPOs, NGOs, governments, and Aeon People (Aeon employees).

Guidelines Used

- *International Integrated Reporting Framework*, International Integrated Reporting Council (IIRC)
- *G4 Sustainability Reporting Guidelines*, Global Reporting Initiative (GRI)
- *Environmental Reporting Guidelines* (FY2012 version), Ministry of the Environment of Japan
- *Environmental Reporting Guidelines* (FY2005 version), Ministry of the Environment of Japan
- *Guidance on Social Responsibility*, ISO 26000

Disclaimer

Forward-looking statements in this report concerning Aeon's plans, strategies, and performance are judgments based on information available to the Group at the present juncture.

Regarding Fiscal Year Periods

Until FY2007: February 21–February 20 of following year
 FY2008: February 21–February 28 of following year
 Since FY2009: March 1–end of February of following year



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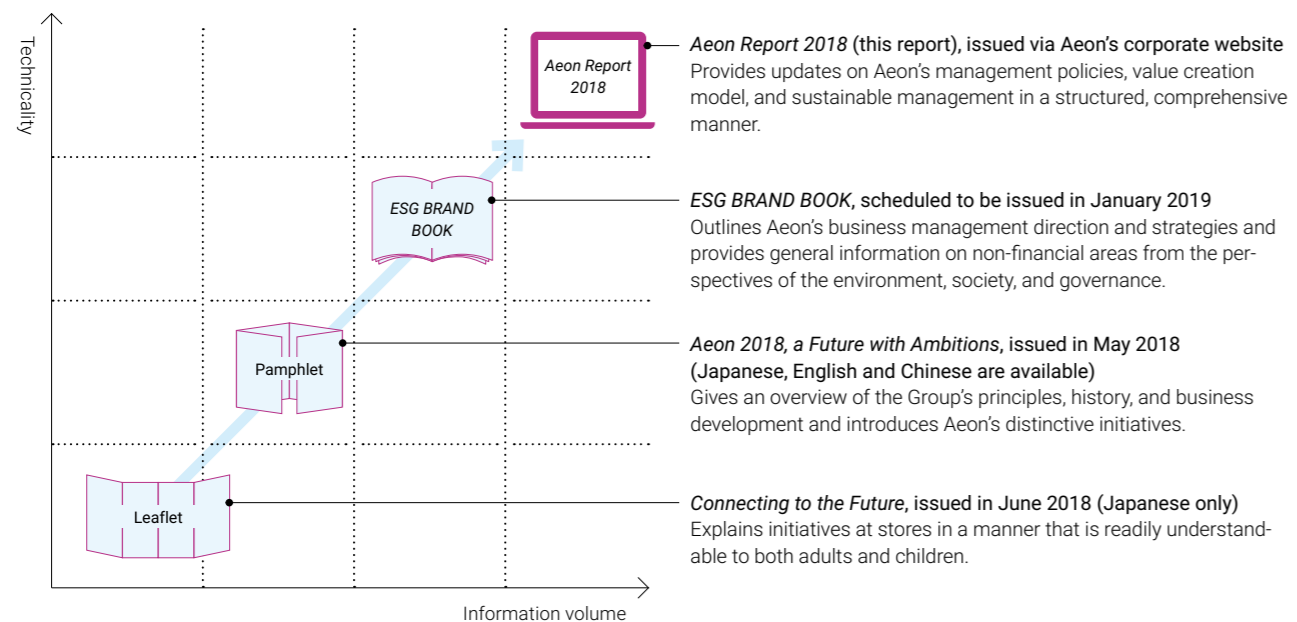
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Aeon's Communication Tools



A variety of information is also provided on our website.

“Everything we do, we do for our customers.” This sums up the mind-set that has enabled us to innovate in step with society's evolution.



Establishment of JUSCO and introduction of federated approach to management

Business management diversification and internationalization

Transition from JUSCO to Aeon and growth through shopping centers and M&As

Advancement of four transformations in response to macro trends

1970s

Japan's Consumption Structure Changes and the Status of the Retailing Industry Rises

Leading the transition from the era of mom-and-pop stores, Aeon modernized retailing by expanding its stores and operations and establishing chain stores. Against a backdrop of rapid motorization, Aeon was also one of the first to develop shopping centers and offer one-stop shopping.

1980s

Consumption Rises and Living Standards Improve

In response to Japan's economic expansion, Aeon began developing convenience store and specialty store businesses. At the same time, we diversified our operations in Japan and overseas with a focus on the retail industry. For example, we established the Financial Services business, which provides new payment methods, and we used the modern retailing know-how we had cultivated in Japan to develop businesses in Asia.

1990s

Deflation Emerges and Society's Aging Accelerates

We rebuilt business formats from scratch in response to dramatic changes in business conditions stemming from an economic slump and from the deregulation that accompanied the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment. These measures included implementing a scrap-and-build strategy for existing stores and developing large Maxvalu supermarkets. Also, in light of changes in business conditions such as the aging of society, we advanced development of the drugstore business.

2000s

Lifestyles Diversify

Aiming to become a world-class retail group, Aeon focused on mergers with major retailers in each region and the expansion of the Group's store network. Furthermore, responding to changes in customer needs, we took on a range of initiatives, including the development of small urban supermarkets that cater to Japan's growing urban population and the introduction of WAON electronic money cards.

2010s

Consumption Diversifies

To enable concerted Groupwide efforts to advance multiformat development in Asia, Aeon established the Aeon ASEAN Headquarters and the Aeon China Headquarters in 2011. In Japan, we have developed a distinctive general merchandise store (GMS) model to reflect the diversification of lifestyles resulting from increases in the senior population, single-person households, and working women. Further, Aeon has responded to the diversification of consumption by becoming the first in Japan to introduce the Picard frozen food supermarket and Bio c' Bon organic food supermarket formats from France.

Four transformations [FY2011-]
Shift to senior markets
Shift to urban markets
Shift to Asian markets
Shift to digital markets

[FY2018-]
Shift to regional markets
Shift to Asian markets
Shift to digital markets
Shift in investments

Through sustainable management that simultaneously meets the needs of businesses, the environment, and society, we will help realize a sustainable society.

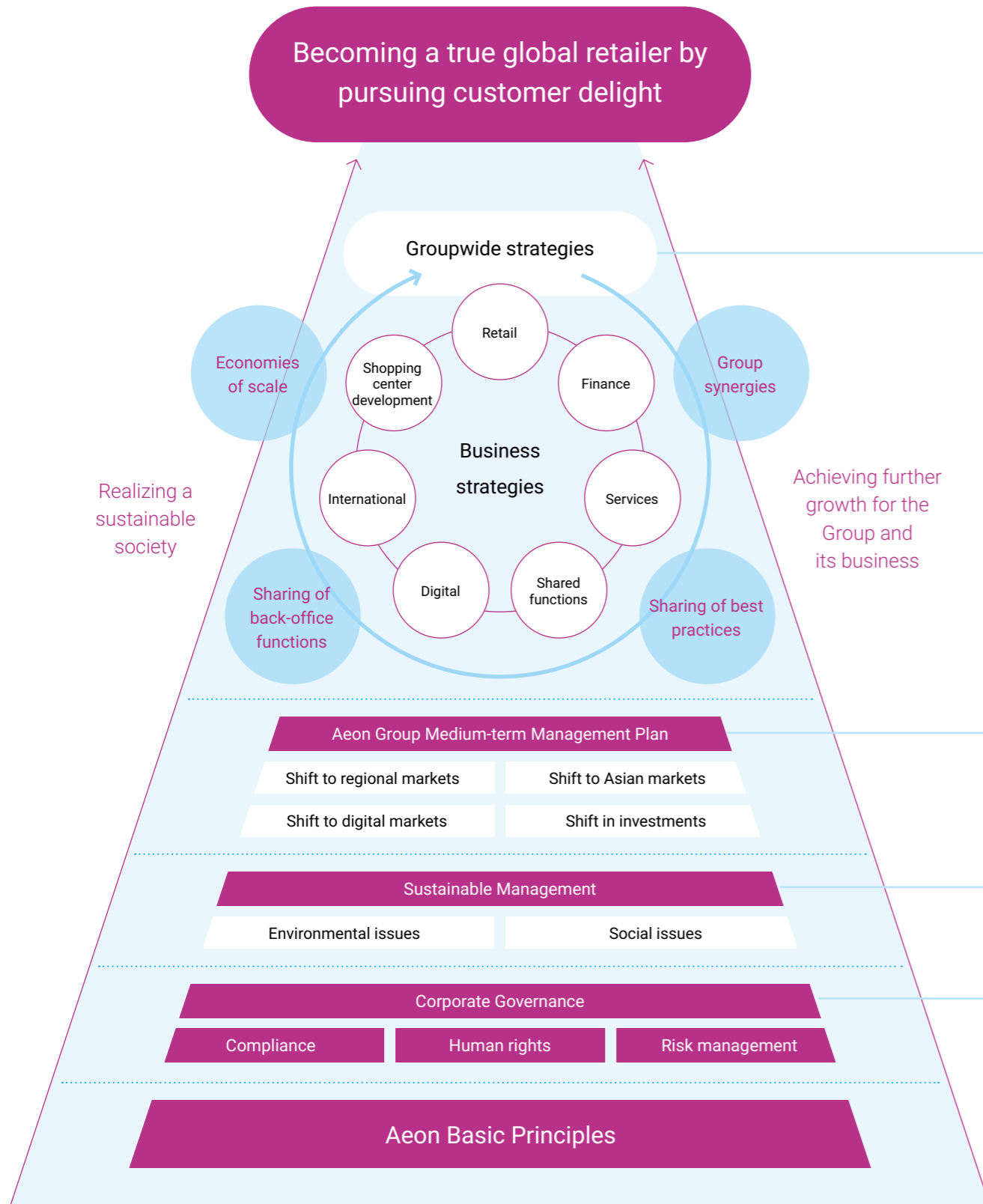
With the retail business as its starting point, Aeon has ventured into new business fields. Today, we operate a range of businesses that enhance the convenience and richness of daily life. These include the Shopping Center Development Business, developing and managing shopping centers; the Financial Services Business, integrating credit card, banking, insurance, and WAON electronic money services; the Health & Wellness Business, developing and managing drugstores; and the International Business, developing and managing stores in China and the ASEAN region. Moreover, we organically link the components of our diverse business portfolio to generate powerful synergistic benefits.

In addition, we not only provide products and services but also work with many stakeholders to help address a range of social issues through our business activities. With a focus on important environmental issues, in 2017 and 2018 we set medium- to long-term goals under three ambitious initiatives: [Aeon Decarbonization Vision 2050](#), [Aeon Sustainable Procurement Policy and 2020 Sustainable Procurement Goals](#), and [Aeon Food Waste Reduction Targets 2025](#).

Aeon will continue taking on ambitious transformation initiatives that simultaneously meet the needs of businesses, the environment, and society. In this way, we will grow our businesses while helping realize a sustainable society.



Aeon will implement sustainable management as a corporate group that has an uncompromising commitment to customer satisfaction.



● Groupwide Strategies

With the aim of becoming No. 1 in its business field, each business segment will prepare business strategies based on the Groupwide strategies.

Business fields where Aeon is No. 1

GMS operating revenue: ¥**3.1** trillion,
 Supermarket operating revenue: ¥**3.2** trillion,
 Domestic shopping center operating revenue: ¥**288** billion, etc.

● Aeon Group Medium-term Management Plan

Aeon will anticipate changes in conditions and advance transformations aimed at sustaining Group growth.

Targets for 2020

Operating revenue: ¥**10** trillion
 Operating income: ¥**340** billion

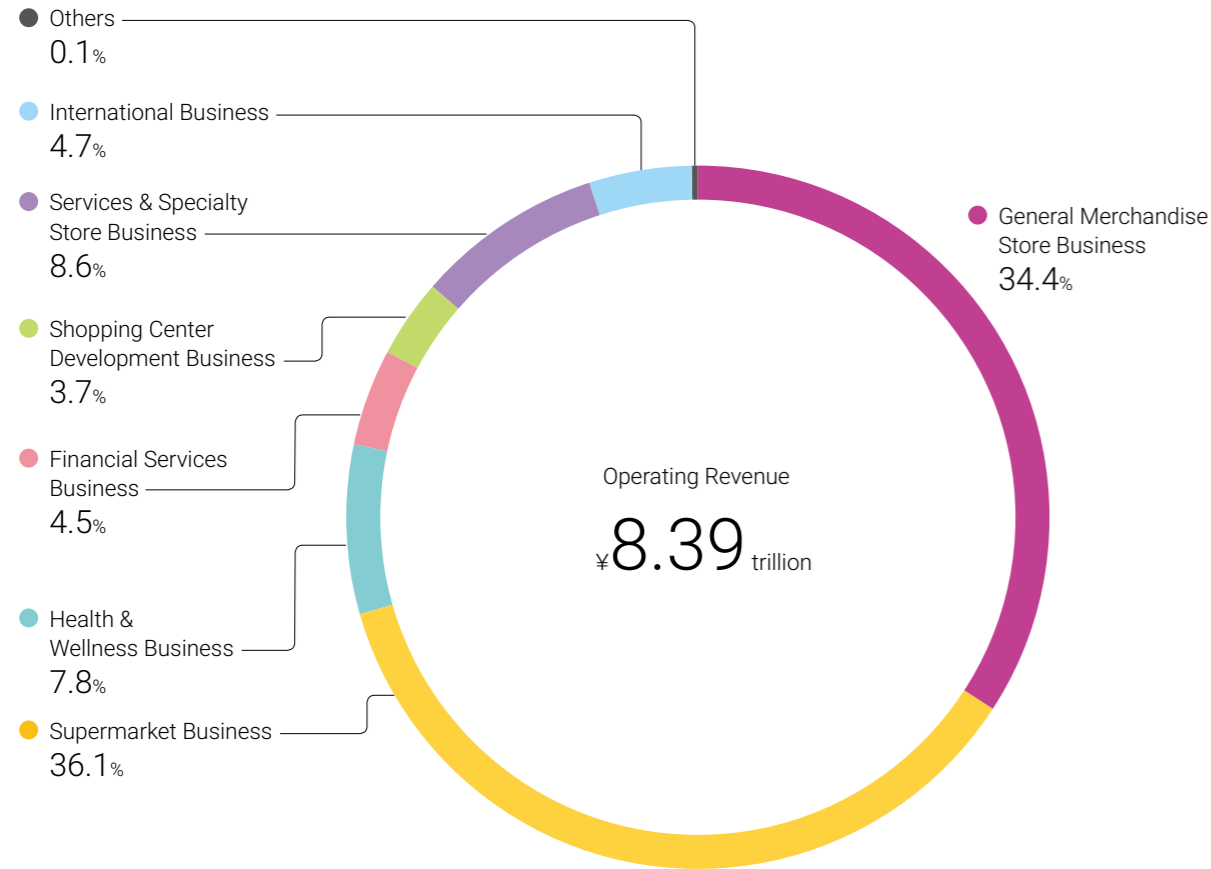
● Sustainable Management

Based on the Aeon Basic Principles, the Group has established the Aeon Sustainability Principle. In accordance with this principle, we will implement sustainable management that achieves Group growth while helping to create a sustainable society. With stakeholders, we are advancing environmental and social activities that are both global and rooted in respective regions.

● Corporate Governance

We have established our Basic Stance on Corporate Governance, which sets out our values, management attitude, and overall approach in relation to corporate governance. This basic stance forms the core of our Basic Policy on Corporate Governance. Our goal is to realize business management that will endure across different generations because it is founded on long-term perspectives, the Aeon Basic Principles, and our innovative DNA.

Throughout 14 countries, Aeon operates seven retail-based businesses that support everyday life.



Based on FY2017 results by business segment

Operating Revenue by Business Segment (Billions of yen)

Business Segment	Operating Revenue	Operating Income
General Merchandise Store Business	3,084.2	10.5
Supermarket Business	3,240.9	30.7
Health & Wellness Business	696.3	27.7
Financial Services Business	408.0	69.7
Shopping Center Development Business	335.6	51.5
Services & Specialty Store Business	774.2	20.2
International Business	418.8	0.2
Consolidated Total	8,390.0	210.2

Note: The consolidated total does not include Other Businesses and consolidated adjustments.

Operating Revenue by Region (Billions of yen)

Region	Operating Revenue	Operating Income
Japan	7,674.4	187.0
ASEAN	334.9	24.8
China	262.0	(1.5)
Others	118.5	(0.1)
Total	8,390.0	210.2

General Merchandise Store Business

This segment operates general merchandise stores that enrich the everyday lives of customers with specialized lineups of products and services.



Supermarket Business

This segment operates community-rooted supermarkets, discount stores, small-sized stores, and convenience stores. It is enhancing its lineup of essential products and services that are used every day, with a focus on food products.



Health & Wellness Business

This segment operates drugstores and dispensing pharmacies that help support the health of local residents. It is working to enhance its product lineup, which includes pharmaceuticals, health food products, and daily necessities, and is expanding its services to include dispensing for home care patients.



Financial Services Business

This segment offers integrated financial services that combine credit, banking, insurance, and WAON e-money cards. It also operates the credit card business and other businesses in Asian countries.



Shopping Center Development Business

This segment develops and operates community-friendly shopping centers in Japan, Asian countries and other regions. In cooperation with other Group segments, it is working to provide services and enhance facilities in accordance with the times and the needs of society.



Services & Specialty Store Business

This segment provides services that make everyday life more convenient and comfortable, and also operates a diverse array of specialty stores tailored to a wide range of customer needs.



International Business

This segment operates general merchandise stores, supermarkets, discount stores, and other businesses in China and ASEAN countries. It offers products and services that are tailored to the varying needs and lifestyles of the respective countries and regions.



Shared Function Companies / Others

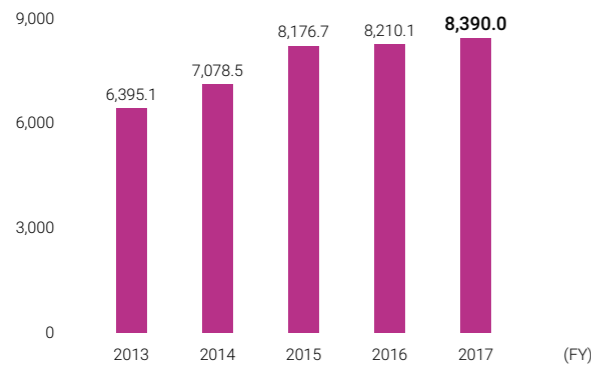
This segment develops products for Aeon's TOPVALU brand and builds infrastructure in such areas as quality control, logistics, systems, and IT.

(As of the end of February 2018)

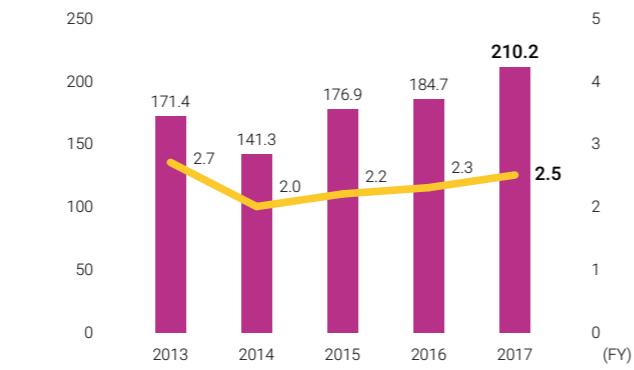
Financial and Non-Financial Highlights

Financial Highlights

Operating Revenue
(Billions of yen)

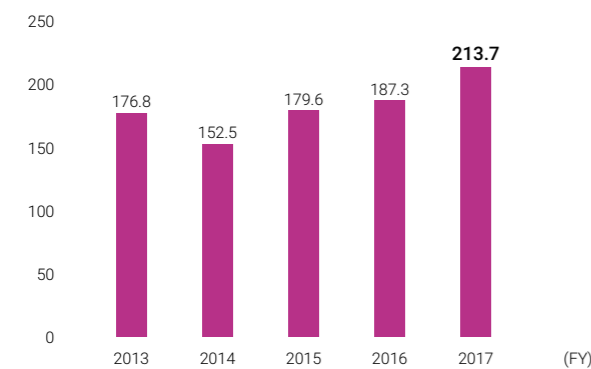


Operating Income / Ratio of Operating Income to Operating Revenue
(Billions of yen) (%)

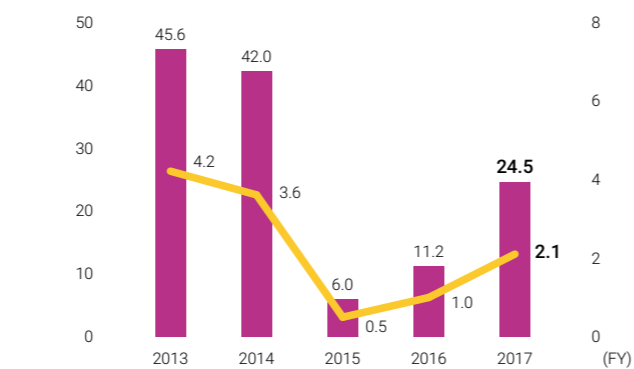


■ Operating income ● Ratio of operating income to operating revenue

Ordinary Income
(Billions of yen)

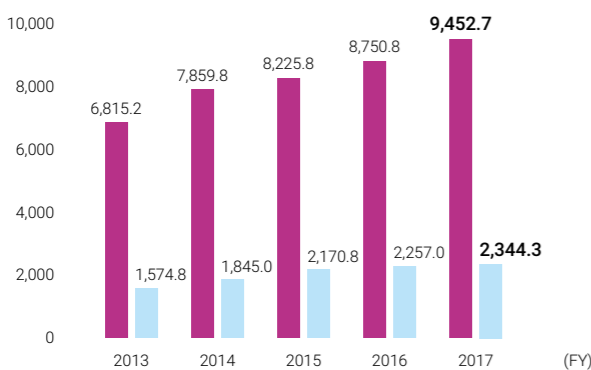


Net Income Attributable to Owners of Parent / Return on Equity (ROE)
(Billions of yen) (%)



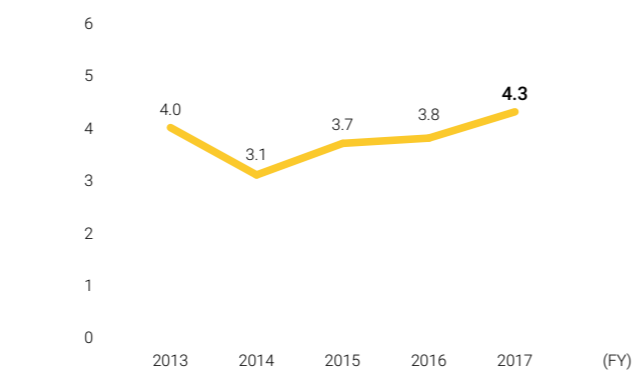
■ Net Income attributable to owners of parent ● ROE

Total Assets / Interest-Bearing Debt
(Billions of yen)



■ Total Assets ■ Interest-Bearing Debt

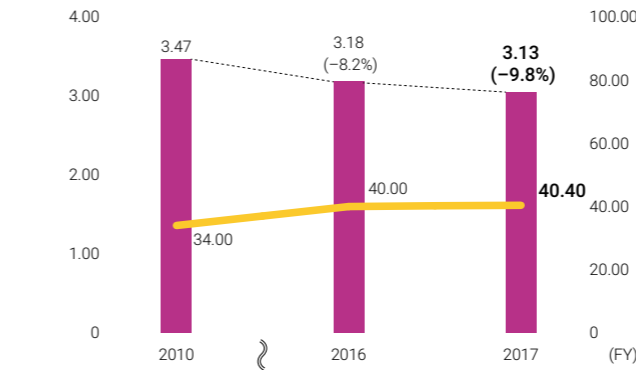
Return on Invested Capital (ROIC)*
(%)



* ROIC = NOPAT ÷ Invested capital
NOPAT = Operating income × (1 - tax rate)
Invested capital = Average of shareholders' equity during the period + Average of interest-bearing debt during the period

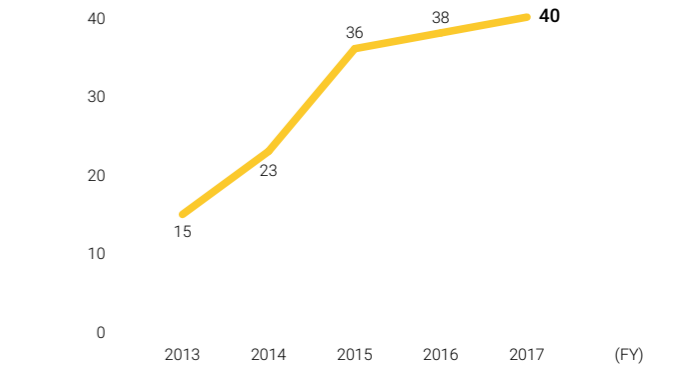
Non-Financial Highlights

CO₂ Emissions (Gross emissions) *
(Millions of t-CO₂)

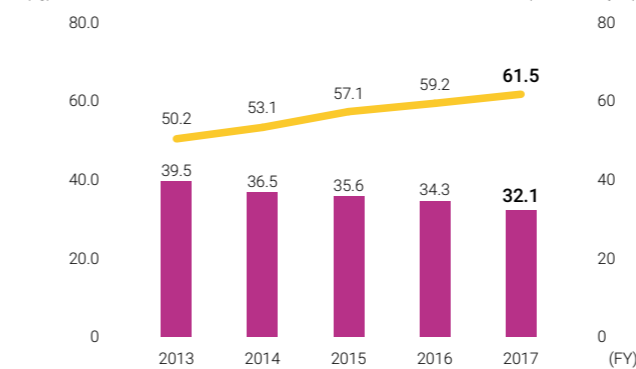


■ CO₂ Emissions ● Total floor area
* The CO₂ emissions coefficient has been fixed at 0.350 kg-CO₂/kWh, which is the value for FY2010.

Number of MSC-Certified Products Handled
(Products)

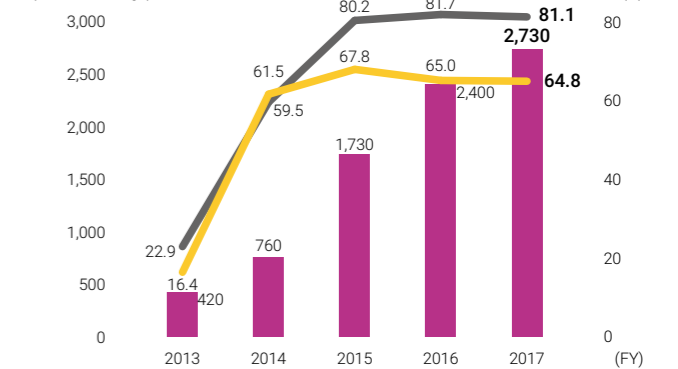


Food Waste Recycling Rate*1 / Food Waste Recycling Implementation Rate*2
(kg)



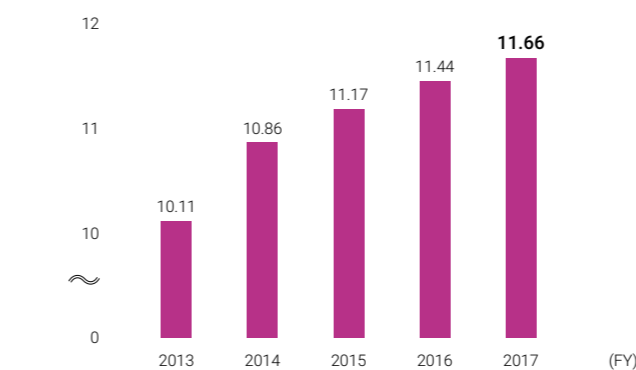
*1 Calculated on a unit basis (food waste generation per ¥1 million in net sales). Aiming to reduce 50% by FY2025 versus the level of FY2015.
*2 Calculated by using the estimation method for food waste recycling implementation rates stipulated by the Food Recycling Law

Reduction of Plastic Bags Used at Cash Registers / Percentage of Customers Who Declined Shopping Bags at Cash Registers
(Millions of bags) (%)

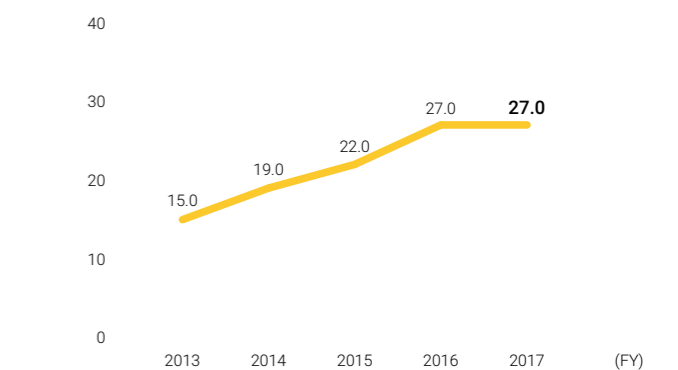


■ Reduction of plastic bags used at cash registers ● Percentage of customers who declined shopping bags at cash registers
● Reference: Percentage of customers who declined shopping bags at cash registers of stores of Aeon Retail Co., Ltd.*
* Aeon Retail Co., Ltd. stopped providing free shopping bags at cash registers at all of its stores in FY2013.

Number of Trees Planted
(Millions of trees)



Ratio of Female Managers
(%)



Continuing Reform to Become the Leading Contributor to Customers and Local Communities

Motoya Okada
Director, President and Representative
Executive Officer, Group CEO



Setting Out Long-Term, Innovative Strategies

In 2019, Aeon will reach two milestones: the 50th anniversary of its predecessor JUSCO Co., Ltd. and the 30th anniversary of the Aeon Group. Aeon has built its current corporate profile by consistently putting customers first, anticipating changes in market and customer needs, and setting out sustainable growth strategies for the Group based on long-term viewpoints.

As a result, in FY2017, the year ended February 28, 2018, operating revenue was more than triple that of FY2000, reaching ¥8,390 billion and placing Aeon among Japan's 10 leading companies across all industries in terms of revenue.

However, conditions in Japan's retail industry are changing at an unprecedented speed. In fact, the dramatic changes in economic society due to the Internet of Things (IoT), artificial intelligence (AI), robotics, and other technological innovations are being dubbed the "Fourth Industrial Revolution." Among customers, notable changes include a decrease in meal preparation as the number of aged households, dual-income households, and single-person households increases. Also, demand is growing for time-saving options due to the reluctance of customers to spend time on daily shopping. Further, the coming of an era in which more people will reach the age of 100 is likely to boost interest in health among those who want to maintain an active lifestyle for as long as possible. Also, a marked strengthening of the preference for low-priced products is expected as consumers curb spending during retirement. Meanwhile, competition is intensifying among business formats due to the growing presence of convenience stores, drugstores, discount stores, and Internet-based companies.

In response to these changes in conditions, I think we must transform into a truly leading corporate group that anticipates such changes in social structures and markets and that reflects shifts in customer's lifestyles, values, and needs.

With a view to achieving further growth in many different facets of the Group, Aeon established the Aeon Group Medium-term Management Plan. In December 2017, we

incorporated into the Plan of a roadmap through FY2020, which sets operating revenue of ¥10,000 billion and operating income of ¥340 billion as targets. Aiming to reach these targets, the Group will make a concerted effort to implement the Plan and become the leading corporate group in each region and business.

Realizing Four Transformations to Grow Even Further

Setting its sights on 2020, the Aeon Group Medium-term Management Plan identifies four types of transformation, calling on the Group to shift to regional markets, shift to digital markets, shift to Asian markets, and to shift in investments to enable the other transformations.

As part of efforts to shift to regional markets, we have been discussing how best to make operating companies that offer food products—including supermarket operating companies—capable of staking out the leading market share in regions nationwide.

In recent years, customer preferences have been transitioning toward local, natural, organic, and traditional food products. To cater to these changes rapidly and accurately, I believe that we need to establish the food equivalent of a specialty store retailer of private label apparel. In other words, we have to integrate everything from product planning through to raw material procurement, manufacturing, and sales. With this in mind, Aeon will build a supply chain that can provide logistics support to such integrated operations by establishing efficient distribution centers and delivery networks in each region. We view these efforts as part of the reform to our food product operations. In October 2018, we announced the division of our domestic business into six regions with the aim of rooting business management even more firmly in regions and reforming our business model. At the same time, we announced that the companies operating in these regions had concluded basic agreements on management integration in each region. Going forward, we will formulate growth strategies that share and integrate the management resources within

each region and create synergies focused on leveraging the unique identities of the respective regions to offer them an even richer variety of food products.

As for our initiatives to Shift to digital markets, as well as expanding our existing online supermarkets and e-commerce businesses, we will implement reforms that seamlessly incorporate ICT (information and communications technology) into the operations of our stores. More specifically, we will accelerate the construction of common platforms for distribution, IT, payment, customer data systems and other infrastructure that underpins growth in respective business fields. In addition, plans call for investment in IT venture companies and the formation of alliances with advanced companies with a view to acquiring skills and expertise in the development of advanced technologies. In conjunction with these efforts, the Group will form the Aeon digital platform that consolidates a range of knowledge from inside and outside the Group and use this platform to offer customers shopping experiences that exceed their expectations.

Aeon has been proactively investing in Asian countries for more than 30 years. These efforts began in 1984 when we established a subsidiary in Malaysia and opened our first overseas store. In the meantime, Asia has become the world's largest and most dynamic market, with the region's GDP overtaking that of North America in FY2017. To establish a position of superiority in this market, we will continue advancing measures to shift to Asian markets—which are important growth drivers—while speeding up the development of regionally rooted business management in Asian countries.

Achieving plans to shift to regional markets, shift to digital markets, and shift to Asian markets will require the renewal and establishment of IT-enabled operational infrastructure and efficient distribution systems optimized for each business and region. In addition, we will need to address various social issues—including declines in working age population and labor productivity due to Japan's aging society—by taking advantage of AI and other new technologies to develop stores, digitize back-office work, and introduce cashless systems. To ensure the realization of these initiatives, we will significantly revamp our approach to investment allocation.

Pursuing Sustainable Management to Address Environmental and Social Issues

Based on the Aeon Basic Principles, Aeon is implementing sustainable management with the aim of simultaneously growing the Group while helping to realize a sustainable society. If they want to continue growing, companies need to adopt viewpoints that take into account environmental, social, and governance (ESG) factors; prepare management strategies that incorporate global initiatives for environmental and social issues; and implement these strategies over the long term. Based on the belief that it

must contribute to the realization of a sustainable society through business activities, Aeon has been leveraging the distinctive attributes of its retail businesses to move forward with a range of environmental and social measures since the era of predecessor JUSCO.

With a view to achieving sustainable management, we have been continuously strengthening foundations that support efforts to fulfill global corporate social responsibility (CSR). For example, in 2004 we announced that we had become the first Japanese retailer to join the United Nations Global Compact and took such measures as establishing the Aeon Supplier Code of Conduct. Further, in 2018 the Group revised its Aeon Human Rights Policy to better reflect the needs of suppliers and all other stakeholders.

In 2015, new international goals and frameworks were established, including the Sustainable Development Goals (SDGs) and the Paris Agreement, which was adopted by the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). Ahead of such international initiatives, however, Aeon implemented a variety of measures. In 2006, we became the first domestic retailer to develop and market Marine Stewardship Council (MSC)-certified products. Similarly, with the 2008 announcement of the Aeon Manifesto on the Prevention of Global Warming we became the first retailer in Japan to set specific reduction targets for CO₂ emissions. Moreover, we are stepping up the pace of such initiatives. Also, we launched ambitious new goals by establishing and announcing the Sustainable Procurement Goals for 2020 in April 2017 followed by the Aeon Group Food Waste Reduction Goals in October of the same year. In addition, March 2018 we made an announcement of Aeon Decarbonization Vision 2050, which declares our commitment to working with customers, business partners, and all other stakeholders to realize a decarbonized society. I am confident that we can earn the endorsement of numerous stakeholders by addressing environmental and social issues through our businesses and working with customers, governments, and local communities to advance regionally rooted activities in this way.

By remaining a corporate group where every employee tackles reforms, leveraging the advantages of a store network that encompasses Japan and other Asian countries, and giving top priority to customer satisfaction, Aeon will continue to realize sustainable management going forward.

Director, President and Representative
Executive Officer, Group CEO

岡田元也



Aiming for Sustainable Growth by Transforming Our Business Portfolio to Meet Society's Needs

Akinori Yamashita

Executive Vice President and Executive Officer
Chief Financial Officer

Transforming Our Business Portfolio to Meet Society's Needs

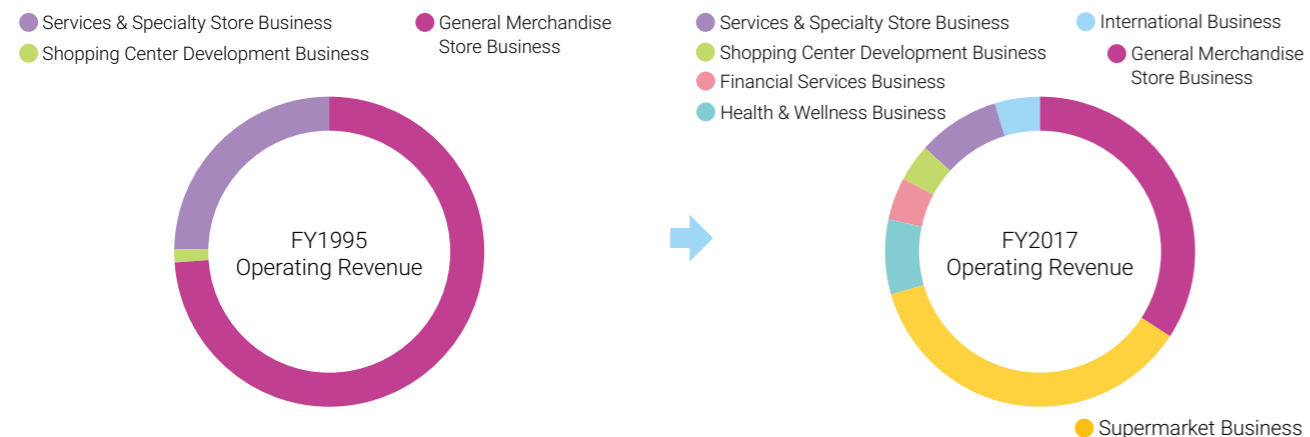
The fundamental aims of Aeon's financial strategies are to enhance corporate value over the medium to long term and to achieve profitability while balancing assets and liabilities. A distinctive feature of these financial strategies setting them apart from those of other companies is that they reflect the "give wheels to the central pillar" family motto of our predecessor Okada—a mind-set that has become part of the Group's DNA. Just as if we were moving a central pillar that is a store's mainstay, the motto calls on us to innovate constantly to meet the changing needs of society and customers. Based on this mind-set, Aeon has transformed its business portfolio to meet changes in demand in each era.

Indeed, the business portfolio of the Aeon Group has changed significantly since its establishment approximately 30 years ago. We have achieved this evolution through the further development of our retail businesses. While keeping the GMS Business and its convenient one-stop shopping as the core of our business portfolio, we have developed the Supermarket Business, which specializes in food; the Specialty Store Business within the apparel and sports fields; and the Drugstore Business, which is focused on the

theme of health and wellness. Moreover, businesses that create mutual synergies with these retail businesses, including the Financial Services and Shopping Center Development Businesses as well as the Services Business, have become firmly embedded sources of earnings that add to Aeon's distinctive strengths. Aiming to reinforce these strengths even further and change the profile of our business portfolio so that it better reflects society's needs, we will continue to reform our business structure within each segment.

The current Aeon Group Medium-Term Management Plan calls for optimization of our business portfolio in line with changes in social conditions so that we can deploy investments to markets with growth potential. First, we will shift focus from conventional investment in stores toward investment in such infrastructure as e-commerce, IT, and logistics as well as from Japan-centered investment toward overseas investment. Investment in infrastructure is needed to strengthen Group companies in regions around Japan. Also, overseas businesses have grown and will soon account for approximately 20% of the Group's operating income. We aim to improve overseas earnings even further by stepping up investment in Asia, which has particularly strong growth potential.

Changes in Our Business Portfolio



Placing Greater Emphasis on Coexistence with Local Communities

Over the years, Aeon has achieved growth through mergers with the leading companies of each region. Dialogue and the fusion of values are essential for mergers because a merger is a union of the "hearts and minds" of two corporations. By working at the forefront of the rehabilitation of Yaohan Co., Ltd. and Mycal Corporation, I learned firsthand that mergers should not be about imposing the Aeon way on partners. If we do not respect and incorporate the values of the employees who are involved in the day-to-day operations of the company, we cannot achieve a true merger. I still feel that the employees of Yaohan and Mycal who worked with me to rehabilitate the companies are my comrades in arms.

Thus, throughout its history Aeon has grown by emphasizing the values of respective companies in accordance with its approach of "merging hearts and minds." Against this backdrop, we felt that the 50th anniversary of the establishment of JUSCO Co., Ltd. in 1969 was an appropriate juncture at which to begin a new chapter of this history by establishing a plan for the reorganization of supermarkets on a regional basis. To respond to changes in Japan's "food" environment and in customers' lifestyles, we must build new value chains by establishing distribution centers, food processing centers, and other facilities in each region. We will conduct infrastructural investment appropriate to each region with the aim of making Aeon the No. 1 or a strong No. 2 company in each region.

Establishing robust foundations for growth is important not only in Japan but also overseas. The Aeon Group Medium-Term Management Plan sets out *shift to Asian markets* as a priority measure. Aeon's prior investment in China and the ASEAN region is bearing fruit, and earnings in this country and region have transitioned onto a growth trajectory. For example, in fiscal 2017 the Financial Services Business generated more than 40% of its operating income overseas, while the Shopping Center Development Business moved into the black in the ASEAN region. To achieve further growth overseas, the Aeon Group will accelerate earnings growth by strengthening the local development of *TOPVALU* products and developing new store formats.

Focusing on Investment in Growth Fields and Cash Flow Creation

Given that its business portfolio is centered on retail, Aeon uses inventory turnover and cash turnover, in other words the cash-to-cash cycle, as a benchmark for its financial strategy. Concentrating on inventory efficiency, we are enhancing management of average inventory

amounts and inventory days at Group companies to improve the cash-to-cash cycle. As for real estate investment, we are optimizing resource allocation by improving investment efficiency and focusing investment on growth fields while balancing fixed assets and fixed liabilities. I believe that it is important to use the aforementioned approaches to improve cash flows and control interest-bearing debt.

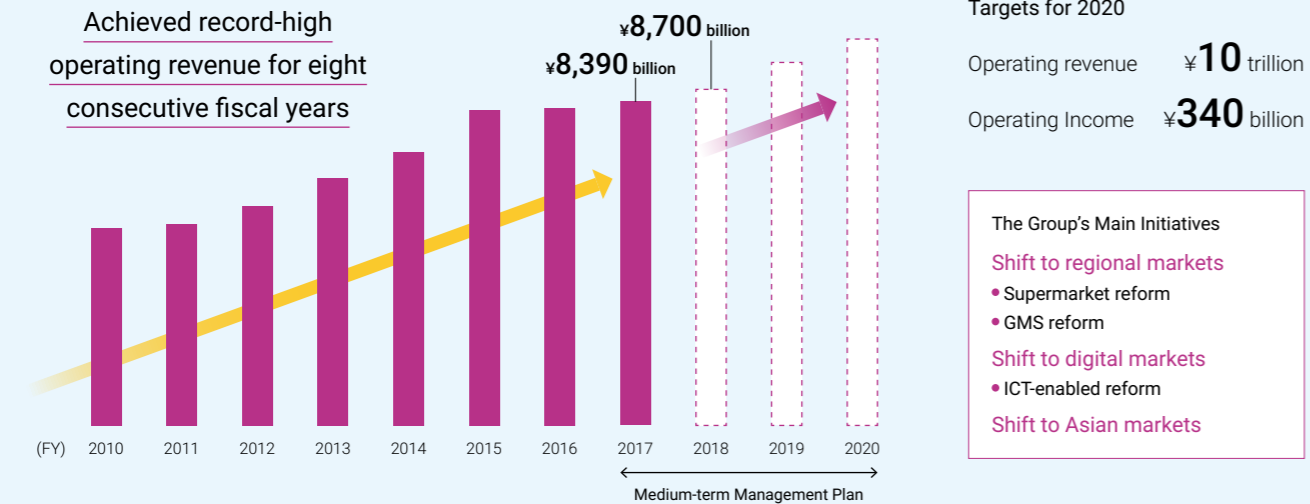
With respect to funding, as a retailer with stores throughout Japan, we emphasize cooperation with local financial institutions for such services as the establishment of sales-related accounts and fund settlement. We conduct borrowings and other transactions with 160 local banks and other financial institutions. Going forward, Aeon will continue working with regional financial institutions to strengthen measures that contribute to regional revitalization. In addition, developing innovative funding methods is part of the Aeon Group's DNA. Representative examples of this innovativeness are the hybrid bonds that we issued in 2006 and our use of a special purpose company to securitize real estate development in 2000. I regard using this innovative DNA to facilitate our growth in the coming generation as one of my missions.

Strengthening Global Governance for Further Growth

Through an array of such initiatives, Aeon has created a diverse and increasingly global portfolio of businesses that have different cash flow characteristics. With Groupwide governance and monitoring becoming more important, managing the finances of the holding company calls for detailed insight into the operations and business management of each Group company. Accordingly, the Group will reform its structure and become more involved with companies undergoing rehabilitation as well as with newly established companies that need support from the holding company. Similarly, as businesses grow overseas, the holding company will manage its finances with greater emphasis on governance and monitoring from a global perspective.

As well as structural reform measures, we will heighten soundness by strengthening financial discipline and build financial foundations that support the Group's growth. Also, we will enhance ROE by increasing the level of net income attributable to owners of parent and optimizing our capital structure through improved asset efficiency. While respecting the autonomous business management of operating companies, the Group will continue growing as a whole by conducting appropriate financial management that places a greater emphasis on investment in growth markets.

In December 2017, we announced an updated version of the Aeon Group Medium-term Management Plan that includes a road map for the period through 2020. The Plan sets out four transformations—calling on the Group to shift to regional markets, shift to digital markets, and shift to Asian markets as well as shift in investments in order to lay the foundations for further growth.



Changes in the Aeon Group's Environment and Business Structure

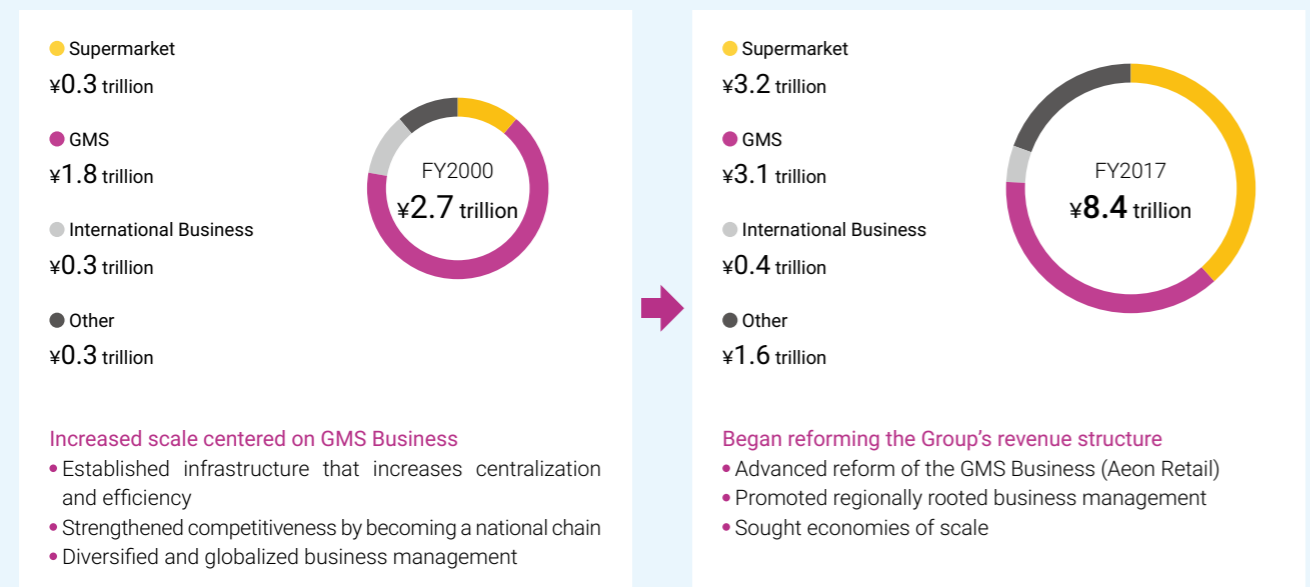
In FY2017, we achieved operating revenue of ¥8,390.0 billion—posting a record high for the eighth straight fiscal year. Moreover, operating income surpassed the ¥200.0 billion level for the first time, reaching ¥210.2 billion. The drivers of this performance were the continuing growth of the Financial Services, Health & Wellness, and Shopping Center Development businesses; the improved profits of the GMS Business; and the realization of profits by the International Business; which meant that all business segments were in the black.

To continue growth, we must take steps in response to significant changes in business conditions and customer needs. For example, consumer demand is growing for time-saving

options due to a decrease in meal preparation with the increasing number of aged and dual-income households. Further, consumers are showing greater preference for low-priced and healthy products. Also, business conditions are becoming very challenging as the emergence of Internet-based companies and other factors diversify consumer demand and intensify competition.

Aeon has a long tradition of anticipating changes in business conditions and reforming its business structure accordingly. Aiming to continue dramatic reform of the Group's aspect reflecting society's evolution, Aeon will concentrate on four main measures: supermarket reform, GMS reform, ICT-enabled reform, and efforts to shift to Asian markets.

Reforming Aeon's Business Structure



01 Reforming Supermarkets

1 Reforming for Growth

In FY2017, the Supermarket Business surpassed the GMS Business in scale and accounted for 35% of operating revenue. Meanwhile, food product trends and preferences are changing significantly and diversifying. For example, with incomes stagnating and average longevity rising consumers are opting for low-priced products. Also, many consumers are becoming increasingly focused on health and prefer natural, organic food products. In a related trend, there is a growing number of customers who value the freshness and tastiness of local food.

With our sights set on responding to these changes, in October 2018 we announced that our regional supermarket businesses and GMS operating companies had concluded basic agreements on management integration in each region. Together these Group companies aim to form business entities that can capture the leading market share in their respective regions. By integrating all stages, from product planning through to raw material procurement, manufacturing, and sales in each region, we will create the food retail equivalent of a specialty store retailer of private label apparel. At the same time, plans call for building optimal value chains for each region through the use of the latest technologies, the construction of efficient distribution networks, and the deployment of food processing centers.

Main Measures

● **Distribution Reform**

Through the use of robotics and AI technology, we will realize labor-saving initiatives and enhance productivity and quality at processing centers. Also, we will rebuild and integrate food distribution networks on a regional basis.

● **Establishment of Regionally Rooted Operations**

We will provide stable supplies of fresher and tastier products, discover and foster local products, create local private brand products, establish facilities rapidly, and step up regional development efforts with business partners and local communities.

● **Development of New Business Formats**

We will establish business formats suited to small trade areas, and create new information and communications technology (ICT)-enabled supermarket models, including online supermarkets and cashierless store.

● **Reduction of Overlapping Costs**

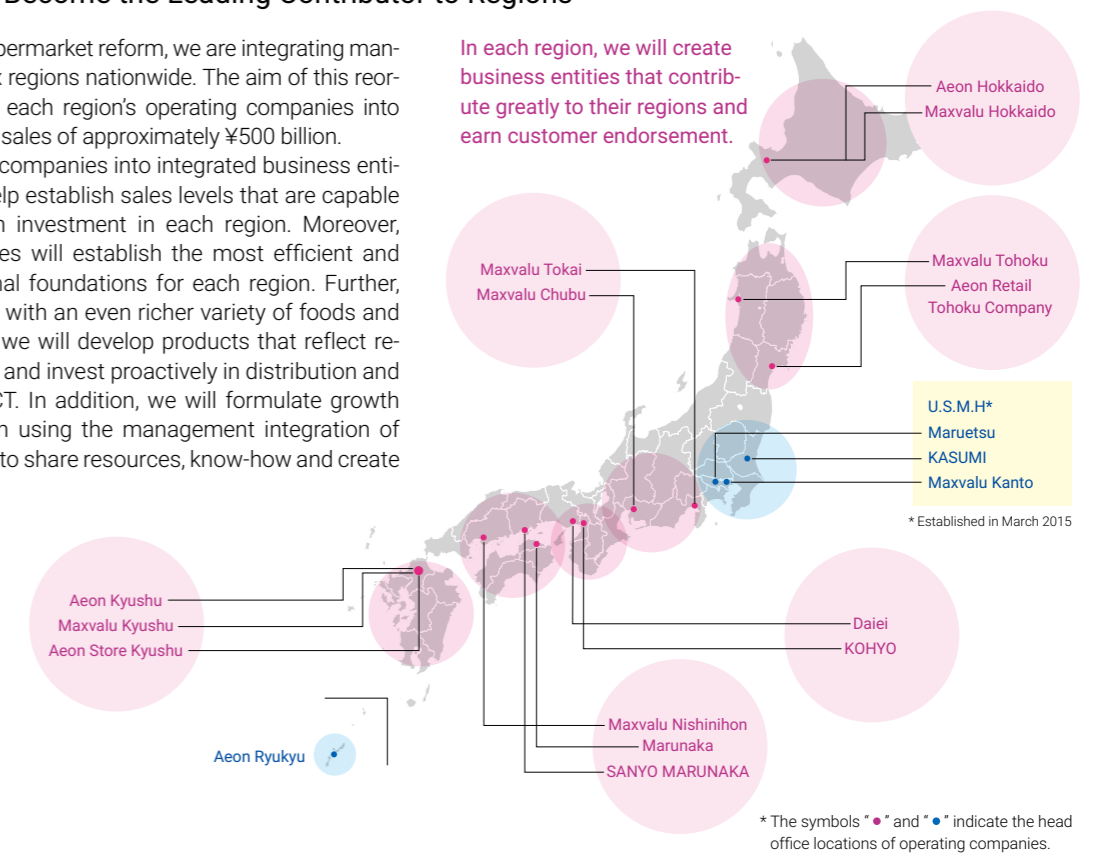
We will consolidate the common functions of our headquarters and operating divisions and reform cost structures.

2 Aiming to Become the Leading Contributor to Regions

Under our ongoing supermarket reform, we are integrating management based on six regions nationwide. The aim of this reorganization is to form each region's operating companies into business entities with sales of approximately ¥500 billion.

Forming operating companies into integrated business entities in this way will help establish sales levels that are capable of supporting growth investment in each region. Moreover, these business entities will establish the most efficient and appropriate operational foundations for each region. Further, to provide customers with an even richer variety of foods and greater convenience, we will develop products that reflect regional characteristics and invest proactively in distribution and the introduction of ICT. In addition, we will formulate growth strategies focused on using the management integration of operating companies to share resources, know-how and create synergies.

In each region, we will create business entities that contribute greatly to their regions and earn customer endorsement.



02 Reforming Aeon Retail (Reforming GMS)

Evolving Aeon Style Stores with a View to 2020

Based on Group strategies for the period through 2020, Aeon Retail Co., Ltd. has prepared a medium-term management plan, which began in FY2018, and is reforming the GMS Business to meet the plan's goals. In particular, Aeon Retail is rolling out its differentiated Aeon Style stores, which feature distinctive food sections and highly specialized sales areas that cater to the needs of market environments.

Further, the company aims to fulfill its corporate social responsibility while sustaining growth by responding promptly to changes in the social environment and coexisting with local communities.

1 Becoming Even Closer to Local Communities

Aeon Retail has grown as a retailer thanks to the support of its local customers. In developing stores, we always consider the expectations of our local customers and the role our stores should play in each community. We will work tirelessly to ensure our stores continue to earn the trust of local communities.

1 The Aeon Style Toyota Store

In developing the Aeon Style Toyota store, which opened in Aichi Prefecture in September 2017, we sought to realize a store that would cater to the needs of customers in the area with "creating the future of families and local communities hand in hand" as our overall concept. Mindful that the area is home to many three-generation families, we included an enlarged sales area for children's products, a food court with a reserved seat system that allows families or groups of friends to sit together, tables at which both adults and infants can sit, and a range of other features. The new store has become a topic on social media, a testament to the support it has been earning from its customers.



A food court designed for adults and infants A children's play area

2 The Aeon Style Iwaki Onahama Store

Opened in Fukushima Prefecture in June 2018, the Aeon Style Iwaki Onahama store collaborates with local producers to offer an extensive lineup of fresh food. The Fukushima Fresh Fish Delivery Section is proving particularly popular with customers. Through collaboration with Fukushima Prefecture and Fukushima Prefectural Federation of Fisheries Co-operative Associations, we are able to bring fresh fish from Onahama Port to the store with industry-leading rapidity. Moreover, by extending this initiative to include the South Kanto area, the store



Fukushima Fresh Fish Delivery Section

has become a hub for promoting the appeal of products from Fukushima Prefecture. Symbolizing the restoration efforts that have been under way in the Tohoku area since the Great East Japan Earthquake, the store will work with local residents in its efforts to contribute to regional revitalization.

3 The Aeon Suwa Station Park Store

We are actively transforming our stores in step with the changes in customers' lifestyles. The Aeon Suwa store in Nagano Prefecture is an example of such efforts. Aiming to garner further endorsement from customers in the area, we decided to rebuild the store and closed it temporarily in August 2018. To be able to continue supporting the day-to-day lives of the local community while the Aeon Suwa store is closed, we opened the Aeon Suwa Station Park store in September on an adjacent lot. Our employees are working hard to preserve the lifestyles of customers in the area. Loyal customers of the old store feel at ease in the new store and enjoy chatting with store personnel. In addition, we are revising our products and services. This has resulted in the launch of a mobile sales service that focuses on areas with many residents who find everyday shopping a challenge. Our efforts to facilitate the day-to-day lives of the local community will also involve tie-ups with the municipal authority.



Aeon Style Kamatori store's mobile sales truck supporting daily lives in the local community

2 Becoming Even More Specialized

1 Realizing Differentiated Food Sections

A competitive advantage that helps advance the development of Aeon Style stores is their highly specialized sales areas. Reflecting changes in customers' lifestyles, these sales areas provide products and services that enrich daily life. In particular, *Kokode Deli* is a major differentiating factor of our food sections. We provide casual snacking areas that cater to customers who want to buy food and consume it in stores. Until recently, *Kokode Deli* has mainly been an area where customers consume food and beverages purchased at the food court or delicatessen counters. However, the Aeon Style Seifushinto store, which opened in April 2018 in Hiroshima Prefecture, has debuted a new type of *Kokode Deli* area that provides food and beverage services within the sales area.



Offering food and beverage services within sales area of Aeon Style Seifushinto store

2 iC

The *iC* (inner casual) sales area offers comfortable everyday underwear and casual clothing based on the concept of "meeting customers' everyday underwear needs." The *iC* sales area is shifting the focus of its product lineups from general apparel to offerings that are used more frequently in daily life. At the same time, we are increasing our lineup of quality, value-for-money products in this sales area. With a view to advancing these changes and developing products and services that enrich customers' lifestyles, we will reform supply chains and increase efficiency from planning and manufacturing through to sales.



iC lineup of quality, value-for-money products

By extending the rollout of specialized products and services in this way while fostering and utilizing expert personnel, we will realize even greater differentiation.

3 Becoming Even More Responsive to Social Change

As a company closely involved with customers, Aeon must meet their expectations by always being among the first to identify and react to the signs of dramatic social shifts. For this reason, we are stepping up measures that cater to changing lifestyles and initiatives that leverage ICT.

1 Mainichi Yoruichi and Easily Prepared Meals

Recent years have seen marked changes in family structures, with single-person and dual-income households becoming predominant. To cater to the needs resulting from these changes, we are advancing our *Mainichi Yoruichi* (daily night market) and *Kanben Chori* (easy meal preparation) initiatives. Targeting the large number of customers who visit our stores on their way home from work, the *Mainichi Yoruichi* initiative coordinates sales efforts and product lineups. Under this initiative, in the evening we maximize the number of products on display, increase the number of small volume products, and adjust the deployment of sales promotions and personnel. In addition, we have developed the *TOPVALU Cookit* series of kits for the easy preparation of meals to provide those with busy schedules a helping hand with their household chores. This product series has become a hit, with customers commenting that they visit Aeon specifically to buy these products or that they had been waiting for just this type of product.



Mainichi Yoruichi, catering to customers on their way home from work



TOPVALU Cookit easy meal preparation kit

2 Aeon Shopping App

As part of our ICT initiatives, we are using the *Aeon Shopping App* to increase points of contact with customers and distribute discount coupons, product explanations, and other information appropriate to each individual and season. Also, we are taking store-centered omnichannel measures. In a related measure, we have made the ordering pages of our online supermarket easier to browse and operate. Meanwhile, we are expanding the *Touch Get* service, which allows customers to order products that are not available at our stores and then pick them up in store.



In-store pickup service for products purchased from our online shop



Screenshot of Aeon Shopping App

03 Reforming by Leveraging ICT

Conditions in Japan's retail market are becoming extremely challenging due to the intensification of competition as the presence of Internet-based companies increases and consumer demand diversifies.

Aeon is the largest food retailer in Japan. In our home market, we have 17,000 stores connected by a nationwide distribution network, food sales of ¥5.0 trillion, and 15% market share. Moreover, we have customer data derived from *Aeon Card* and *WAON* electronic money. By combining our know-how and the advantages that such assets give us with our leading technology, we will further accelerate the development of our online supermarket and other e-commerce businesses.

Also, Aeon will enhance its services and productivity by making ICT an integral part of brick-and-mortar stores. At the same time, in each business field we will evolve distribution systems, IT systems, payment systems, and other infrastructure that underpins growth by moving forward decisively with the introduction of ICT.

With the aim of developing leading technologies and acquiring the know-how essential for this ICT-enabled reform, we will invest in IT venture companies and form alliances with companies that are in the vanguard of technological progress. Further, Aeon will draw on a range of expertise inside and outside the Group to form an ICT-enabled platform that provides customers with new value.

Aeon's Advantages and Initiatives

Advantages

- Nationwide network of 17,000 stores and distribution centers
- *Aeon Card*, electronic money, and customer data
- Food sales of ¥5.0 trillion and 15% market share

Initiatives

- Constructing a new online supermarket model
- Establishing marketplaces
- Making ICT an integral part of stores

04 Shift to Asian Markets to Drive Group Growth

Aeon has been globalizing its operations since the 1980s. In 1984, we established a subsidiary in Malaysia, Jaya Jusco Stores Sdn. Bhd. (currently Aeon Co. (M) Bhd., also known as Aeon Malaysia). In June of the following year, we opened our inaugural overseas store in downtown Kuala Lumpur.

Since the 1990s and 2000s, China and ASEAN countries, respectively, have been realizing stable economic growth exceeding the average of the global economy. On a GDP basis, Asia overtook the United States to become the world's largest market in 2017. Given its current annual growth rates, Asia is set to become the center of the global economy.

GDP by Region

(Billions of US dollars)

	2017	2025 Outlook
Asia	24,700	35,300
U.S.	23,600	27,900
Europe	16,500	18,700
Central Asia and Africa	2,700	3,500
Oceania	1,500	1,800

GDP Outlook for Asian Countries and Regions

(Billions of US dollars)

	2025 Outlook	Versus 2017
China	16,240	160%
Japan	6,680	108%
Indonesia	1,620	149%
Thailand	550	130%
Malaysia	530	148%
Hong Kong	340	124%
Vietnam	280	163%

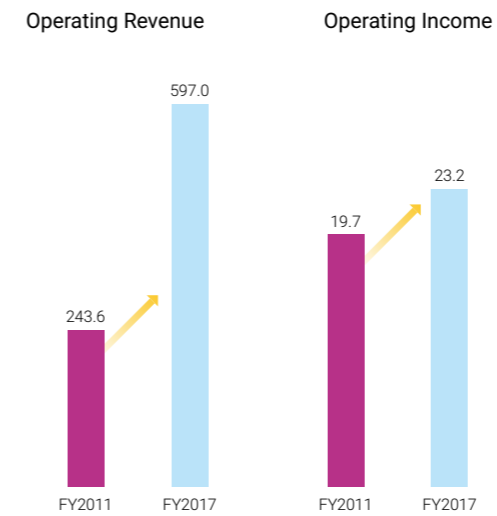
Source: Global Insight, McKinsey analysis

Aiming to achieve business management that is both global and rooted in local communities, Aeon established "Glocal" (global and local) Management as a corporate goal in 2012. To this end, we established a three-pronged headquarters system comprising our headquarters in China, the ASEAN region, and Japan. In FY2013, we began local development and sales of *TOPVALU* products in China to cater to consumers' increasing focus on safety and peace of mind. In the same fiscal year, we began rolling out locally planned and developed products in Malaysia.

As a result of such concerted efforts by the Group to meet the needs of consumers in each Asian country, the operating revenue of Group companies in China and the ASEAN region grew roughly 2.5 times between FY2011 and FY2017. Moreover, these companies now account for more than 20% of the Group's operating income.

Operating Revenue and Operating Income in China and ASEAN Region

(Billions of yen)



Recent Examples of Measures to Shift to Asian markets

- Vietnam** 2013 Began offering financial (credit) services
- 2014 Opened first Aeon Mall
- Cambodia** 2014 Opened first Aeon Mall
- Indonesia** 2015 Opened first Aeon Mall
- Myanmar** 2016 Established Aeon Orange Co., Ltd. and launched supermarket business
- China** 2016 Remodeled flagship store of Aeon Stores (Hong Kong) Co., Ltd. to create first Aeon Style store overseas
- Malaysia** 2016 Opened Aeon Mall Shah Alam, one of the largest shopping centers in Malaysia



AEON SEN SOK CITY, opened on June 20, 2018 as our second store in Cambodia



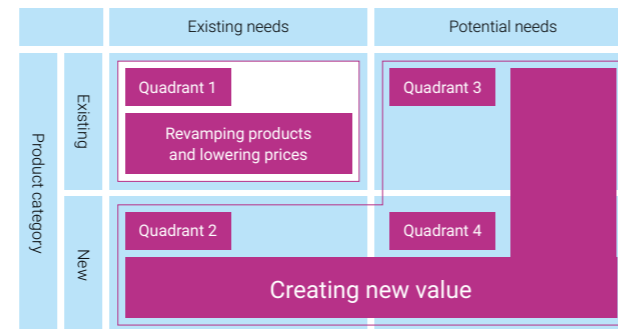
Reforming TOPVALU

Providing Distinctive Value through the TOPVALU Brand

The Aeon Code of Conduct emphasizes that “everything we do, we do for our customers.” We believe that TOPVALU products embody this commitment and communicate it to our customers.

Since 2016, we have been going back to the fundamental approach of reflecting customer feedback in product development and implementing rebranding. We develop products on a quadrant-by-quadrant basis. The quadrants are formed by a horizontal axis that represents customer needs and a vertical axis that represents product categories. In quadrant one, which represents existing customer needs for existing product categories, we develop TOPVALU Best Price reasonably priced products with quality surpassing that of equivalent national brand products. Further, in quadrants two through four, which include potential needs and new product categories, we develop differentiated products that are unique to TOPVALU. In quadrant one, our strategy is to grow sales per item while

reducing the total number of items. Meanwhile, in quadrants two through four our strategy focuses on increasing the number of items—and thereby catering precisely to customer needs—and on growing sales.



TOPVALU products provide customer satisfaction and enrich daily life.



TOPVALU Select features exclusive, premium-quality products.



TOPVALU Best Price realizes product quality that exceeds customer expectations while offering the lowest prices in each trading area.



TOPVALU Gurinai offers safety and peace of mind through products that are good for health and the natural environment.

Strengthening TOPVALU Best Price

Based on our commitment to putting customers first, we believe that providing them with value-for-money products is the mission of a retailer. Also, customers pay a great deal of attention to prices when shopping.

We will cater to the needs of a broad customer group by realizing TOPVALU Best Price products with unmatched quality

and pricing through an array of measures. These measures will include maximizing Aeon's economies of scale, increasing the efficiency of production and distribution, and procuring raw materials from the best sources in Japan and overseas.

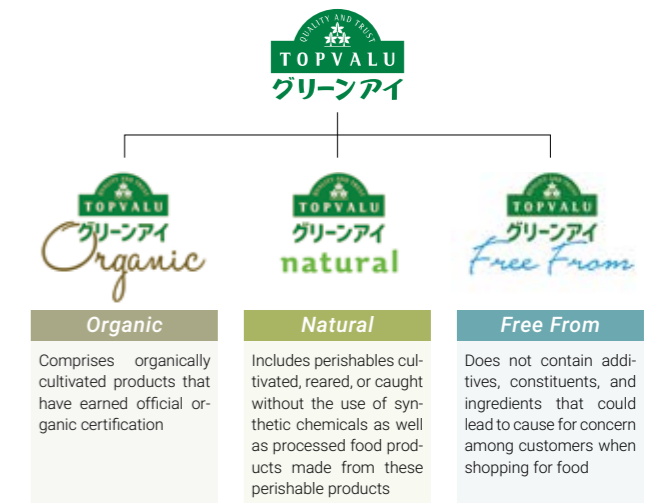


Positioning Health & Wellness as a Priority Field

Aeon has identified health & wellness initiatives—which are expanding year by year—as one of the Group's most important themes. Accordingly, we are focusing efforts on creating new value in the health & wellness field through TOPVALU brand products. We not only aim to contribute to physical health but also to mental health and the health of society and the Earth. Under the TOPVALU brand, we are developing products based on the division of the health & wellness field into two categories: self-medication and well-being.

In the wellness field, TOPVALU Gurinai is the flagship for Aeon's development of products that benefit health and the environment and that are derived from sustainable resources.

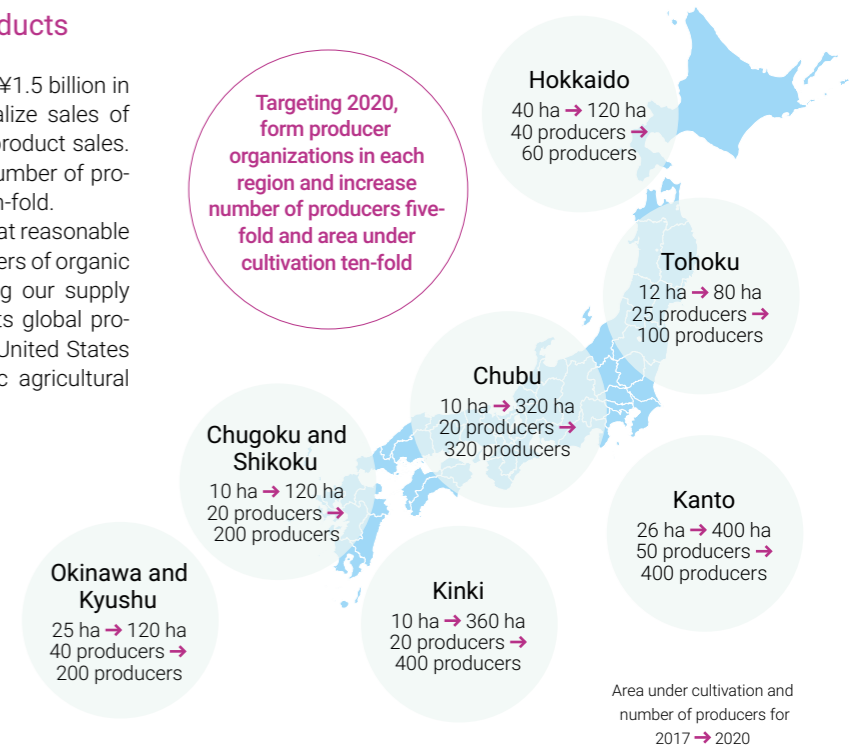
TOPVALU Gurinai



Expanding Our Lineup of Organic Products

Organic agricultural products generated sales of ¥1.5 billion in 2017. By 2020, we want these products to realize sales of ¥10.0 billion and account for 5% of agricultural product sales. To reach these goals, we need to increase the number of producers five-fold and the area under cultivation ten-fold.

We will provide customers with fresh products at reasonable prices by strengthening partnerships with producers of organic agricultural products while drastically revamping our supply chain. Further, Aeon will leverage the reach of its global procurement network to source products from the United States and Europe, which have well-developed organic agricultural product sectors.



Developing TOPVALU Gurinai Free From

We produce TOPVALU Gurinai Free From foods without the use of 109 additives and ingredients that can lead to cause for concern among customers when shopping for food. We not only give consideration to additives and ingredients but also focus on bringing out the natural deliciousness of ingredients. As a result, we have received feedback from customers indicating that the food is very tasty and they can eat it with peace of mind. Customers have also remarked that they were surprised by how delicious simple ingredients can be.

In this way—through development initiatives under private brands that used national brands as their benchmarks—Aeon will continue creating products that it is uniquely qualified to realize and that satisfy customers' new needs.



Directors



Director
Chairman of the Board
Hiroshi Yokoo Date of birth: December 27, 1950
Apr. 1974 Joined Aeon
Apr. 1989 Appointed Director of Ministop Co., Ltd.
May 2000 Appointed Representative Director and President of Ministop Co., Ltd.
May 2008 Appointed Chairman of Ministop Co., Ltd.
Aug. 2008 Appointed Executive Officer of Aeon and CEO of Aeon's Strategic Small-sized Store Business
Mar. 2010 Appointed Executive Officer of Aeon and CEO of Strategic Small-sized Store Business and Group Chief Officer for Merchandising and Merchandising Reform
May 2014 Appointed Director and Chairman of the Board of Aeon (current position)

Number of company shares held: 15,000



Director
President and Representative Executive Officer
Group CEO, Member of Nomination and Compensation Committees
Motoya Okada Date of birth: June 17, 1951
Mar. 1979 Joined Aeon
May 1990 Appointed Director of Aeon
Jun. 1997 Appointed Representative Director and President of Aeon
May 2003 Appointed Director and President and Representative Executive Officer of Aeon (current position)
Mar. 2012 Appointed Group CEO of Aeon (current position)

Number of company shares held: 2,502,000



Director
Executive Vice President and Representative Executive Officer
Group COO
Yoshiki Mori Date of birth: September 16, 1950
Mar. 1973 Joined Aeon
May 1984 Appointed Director of Japan Credit Service Co., Ltd. (currently Aeon Financial Service Co., Ltd.)
May 1995 Appointed President and Representative Director of Aeon Financial Service Co., Ltd.
May 2003 Appointed Director of Aeon (current position)
Apr. 2007 Appointed Chairman of Executive Committee for Aeon's Financial Services Business
Aug. 2008 Appointed Executive Officer of Aeon and CEO of Aeon's Financial Services Business

Number of company shares held: 30,000



Director
Executive Vice President and Executive Officer
CFO, Business Management
Akinori Yamashita Date of birth: January 1, 1954
Apr. 1977 Joined Aeon
May 2004 Appointed Executive Officer of Aeon
May 2007 Appointed Managing Director of The Daiei, Inc.
Sep. 2013 Appointed Group CFO of Aeon
Mar. 2014 Appointed Senior Managing Executive Officer of Aeon
Appointed CEO of Aeon's Financial Services Business and chief officer of E-money Business Officer
Jun. 2014 Appointed Representative Director and President of Aeon Financial Service Co., Ltd.
Appointed Director of Aeon Bank, Ltd. (current position)

Number of company shares held: 15,000



Director
Chairman of Nomination Committee
Audit Committee Member
Yukako Uchinaga Date of birth: July 5, 1946
Jul. 1971 Joined IBM Japan
Apr. 1995 Appointed Director of IBM Japan
Apr. 2000 Appointed Managing Director of IBM Japan
Apr. 2004 Appointed Senior Managing Director of IBM Japan
Apr. 2007 Appointed Technical Advisor of IBM Japan
Appointed President of Japan Women's Innovative Network (current position)
Jun. 2007 Appointed Director of Benesse Corporation
Apr. 2008 Appointed Director and Executive Vice Chair of Benesse Corporation
Appointed Chair of the Board of Directors, President, and CEO of Berlitz Corporation

Number of company shares held: —



Director
Chairman of Compensation Committee
Audit Committee Member
Toru Nagashima Date of birth: January 2, 1943
Apr. 1965 Joined Teijin Limited
Jun. 2000 Appointed Director of Teijin Limited
Jun. 2001 Appointed Managing Director of Teijin Limited
Nov. 2001 Appointed COO of Teijin Limited
Jun. 2002 Appointed CEO of Teijin Limited
Jun. 2008 Appointed Chairman of Teijin Limited
Jun. 2011 Appointed Outside Director of Sekisui Chemical Co., Ltd.
Mar. 2013 Appointed Outside Director of Kao Corporation
Appointed Director and Advisor of Teijin Limited
Jun. 2013 Appointed Senior Advisor of Teijin Limited
Aug. 2015 Appointed Director of Japan Corporate Governance Network (NPO) (current position)

Number of company shares held: —



Director
Compensation Committee Member
Audit Committee Member
Takashi Tsukamoto Date of birth: August 2, 1950
Apr. 1974 Joined The Dai-ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2002 Appointed Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Mar. 2003 Appointed Managing Executive Officer of Mizuho Financial Group, Inc.
Apr. 2004 Appointed Managing Executive Officer of Mizuho Corporate Bank, Ltd.
Mar. 2006 Appointed Executive Managing Director of Mizuho Corporate Bank, Ltd.
Apr. 2007 Appointed Deputy President of Mizuho Corporate Bank, Ltd.
Apr. 2008 Appointed Deputy President & Executive Officer of Mizuho Financial Group, Inc.
Jun. 2008 Appointed Deputy President of Mizuho Financial Group, Inc.
Apr. 2009 Appointed President of Mizuho Financial Group, Inc.
Jun. 2011 Appointed Chairman of Mizuho Financial Group, Inc. and President & CEO of Mizuho Bank, Ltd.

Number of company shares held: —



Director
Chairman of Audit Committee
Nomination Committee Member
Kotaro Ohno Date of birth: April 1, 1952
Apr. 1976 Appointed Public Prosecutor of Tokyo District Public Prosecutors Office
Dec. 2001 Appointed Deputy Secretary-General of Cabinet's Task Force on Judicial Reform
Aug. 2005 Appointed Director-General of the General Affairs Department of Supreme Public Prosecutors Office
Jul. 2007 Appointed Director-General of the Criminal Affairs Bureau of Ministry of Justice
Jul. 2009 Appointed Vice-Minister of Justice
Aug. 2011 Appointed Superintending Prosecutor of Sendai High Public Prosecutors Office
Jul. 2012 Appointed Superintending Prosecutor of Tokyo High Public Prosecutors Office

Number of company shares held: —



Director
Nomination Committee Member
Compensation Committee Member
Peter Child Date of birth: March 25, 1958
Sep. 1976 Joined United Kingdom Atomic Energy Authority
Jun. 1980 Joined Michelin Tyre Company
Jan. 1984 Joined McKinsey & Co., London
Aug. 1987 Appointed Manager of McKinsey & Co., Los Angeles
Aug. 1988 Appointed Partner of McKinsey & Co., London
Aug. 1990 Appointed Senior Partner of McKinsey & Co., Paris
Apr. 2007 Appointed Senior Partner of McKinsey & Co., London
Mar. 2015 Appointed Senior Partner of McKinsey & Co., Hong Kong

Number of company shares held: —

Executive Officers

Motoya Okada
President and Representative Executive Officer
Group CEO

Shinya Wako
Executive Vice President and Executive Officer
Management Strategy

Motohiro Fujita
Executive Officer
SM Business

Masaki Suzuki
Executive Officer
Financial Services Business

Hidehiko Osano
Executive Officer
IT

Yoshiki Mori
Executive Vice President and Representative Executive Officer
Group COO

Akio Yoshida
Executive Officer
Shopping Center Development Business

Yuki Habu
Executive Officer
China Business

Ippei Nakayama
Executive Officer
Services & Specialty Store Business

Hiroyuki Watanabe
Executive Officer
Human Resources and Administration, Administration & Risk Management

Akinori Yamashita
Executive Vice President and Executive Officer
CFO, Business Management

Soichi Okazaki
Executive Officer
GMS Business

Eiji Shibata
Executive Officer
Merchandising

Kahori Miyake
Executive Officer
CSR & Communication

Takehiko Saitoh
Executive Officer
Digital Business

Total number of shares held by Directors: 2,564,000

Notes: 1. Directors Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto, Kotaro Ohno, and Peter Child are Outside Directors. Aeon is a company with committees (the Audit Committee, Nomination Committee, and Compensation Committee).

2. The term of office of Directors is from the conclusion of the regular General Meeting of Shareholders for the fiscal year ended February 2018 to the conclusion of the regular General Meeting of Shareholders for the fiscal year ending February 2019.

* As of September 21, 2018

Basic Approach

The Aeon Basic Principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core” guide all of Aeon’s corporate activities. Our Basic Stance On Corporate Governance outlined below incorporates the values, management stance, and fundamental approach to corporate governance we value as a means to sustaining Aeon from generation to generation, with a long-term management perspective founded on the Aeon Basic Principles and our DNA of innovation. Our Basic Stance on Corporate Governance is the nucleus of our Basic Policy on Corporate Governance, which we announced in April 2016.

<p>Basic Stance on Corporate Governance</p> <p>Creating Value by Focusing on Customers and the Front Lines Customer delight is our most important mission. We create optimal value aligned with changing customer needs by focusing on the front lines of our business, which are our point of contact with customers, and by consistently putting customers first.</p> <p>Respect for People, Our Most Important Asset We believe people are our greatest asset. We therefore respect each individual, emphasize diversity, and provide educational opportunities to help employees’ self-development. Our goal is to be a company that has strong ties with employees who take delight in helping customers.</p> <p>Committed to Developing with Local Communities We are a caring corporate citizen and a member of local communities. We strive to develop the communities we serve in cooperation with their other</p>	<p>members, including customers, employees, shareholders, and business partners, to contribute to community prosperity, environmental sustainability, and peace.</p> <p>A Long-Term Perspective and Incessant Innovation for Sustainable Growth Aeon Group management is committed to constantly increasing Group value. We strive to take on the challenge of successive innovation to sustain growth as we create value with a long-term perspective, which enables us to adapt to the changing operating environment and continue to meet the expectations of customers and communities.</p> <p>Transparent and Disciplined Management We endeavor to achieve transparent and disciplined management by maintaining proactive dialogues with stakeholders, taking their evaluations seriously, and exercising self-discipline at all times.</p>
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Corporate Governance Framework

Aeon management draws on the Aeon Basic Principles, which take a Groupwide perspective. We value transparency, sustainability, stability, and ceaseless innovation based on the customer’s point of view. We put these concepts into practice with an optimal corporate framework structured around the Nomination Committee and other committees.

We have separated management supervision and business execution to largely transfer authority to Executive Officers and construct a framework that enables rapid management decisions. To ensure transparent, objective management, we have three committees—the Nomination Committee, the Audit Committee, and the Compensation Committee—composed of a majority of Outside Directors. In addition, we continuously scrutinize and upgrade this framework with the goal of realizing outstanding corporate governance.

Role and Structure of the Board of Directors

Aeon’s Board of Directors is the decision-making body for all matters pertaining to management. It resolves legal issues and determines and approves basic management policies and key issues concerning business execution. The Board of Directors also supervises the performance of Directors and Executive Officers. In order to heighten its effectiveness, Aeon’s Board of Directors consists of executives with diverse experience, abilities, and expertise. Moreover, to enhance its supervisory function, the Board of Directors consists mainly of Outside Directors.

Outside Directors

Aeon is a company with a nomination committee and other committees that has systematically separated the management supervision function from the business execution function. Aeon’s Board of Directors consists of nine Directors, five of whom are Outside Directors. Management supervision incorporates outside perspectives to enhance the transparency of management decisions. For its Outside Directors, Aeon calls on individuals who represent Japan and share the Aeon Basic Principles and values to fully exercise their respective experience and knowledge from an objective standpoint. Aeon has no special interests with its Outside Directors, and therefore has notified the Tokyo Stock Exchange that all five Outside Directors are designated as independent directors.

The Board of Directors in Action

The Chairperson of the Board of Directors ensures a framework at the board meetings that facilitates lively discussion, appropriate decision-making, and fair supervision. Outside Directors receive the necessary explanation, meeting materials, and information crucial to general management prior to the board meetings so that their thoughts, ideas, knowledge, and objectivity will be relevant. The Directors also have sufficient opportunities and time apart from the board meetings to discuss important issues such as the medium-term management plan and key policies. At the end of each fiscal year, the Board of Directors discusses the activities and results of the most recent fiscal year, shares the results with managers, and presents a summary of the outcomes.

Reasons for Appointment of Outside Directors (As of May 23, 2018)

Name	Responsibilities	Reason for Appointment
Yukako Uchinaga	Director, Chairperson of Nomination Committee, Audit Committee member	Designated independent director to draw on her broad experience and expertise in information technology and extensive knowledge of diversity to provide guidance for sound, efficient management.
Toru Nagashima	Director, Chairperson of Compensation Committee, Audit Committee member	Designated independent director to draw on his extensive experience in global corporate management and his wide-ranging knowledge to provide guidance in support of global management and enhanced corporate governance.
Takashi Tsukamoto	Director, Compensation Committee member, Audit Committee member	Designated independent director to draw on his acute insights and extensive experience as a senior manager at a major financial institution as well as his international excellence in economics and finance to provide guidance in support of continued sound, transparent management and enhanced corporate governance.
Kotaro Ohno	Director, Chairperson of Audit Committee, Nomination Committee member	Designated independent director to draw on his extensive experience as an attorney, Vice Minister of Justice, Superintending Public Prosecutor, and Prosecutor-General, as well as his insights into law and compliance to provide guidance for compliance management.
Peter Child (newly elected)	Nomination Committee member, Compensation Committee member	Designated independent director to draw on his expertise in the retail sector gained primarily from serving as a leader of a consumer goods and retail group at McKinsey & Co. to provide guidance in the promotion of the Company’s global management.

Board of Directors’ Meetings and Committee Meetings (FY2017)

	Times Convened	Main Functions
Board of Directors	7	<ul style="list-style-type: none"> Oversaw the execution of duties by Directors and Executive Officers. Resolved matters to be decided by the Board of Directors as stipulated by Article 416 of Japan’s Companies Act and matters that cannot be delegated to Executive Officers.
Audit Committee	9	<ul style="list-style-type: none"> Audited the execution of duties by Directors and Executive Officers. Resolved matters pertaining to the appointment, dismissal, or reappointment of the Company’s accounting auditor for submission to the General Meeting of Shareholders.
Nomination Committee	3	<ul style="list-style-type: none"> Resolved matters pertaining to the appointment and dismissal of Directors for submission to the General Meeting of Shareholders.
Compensation Committee	3	<ul style="list-style-type: none"> Determined the compensation of each Director and Executive Officer.

Three Committees

The Company appoints Outside Directors to chair the Nomination Committee, Audit Committee, and Compensation Committee in order to further enhance the objectivity and transparency of these committees.

Three of the four members of both the Nomination Committee and the Compensation Committee are Outside Directors.

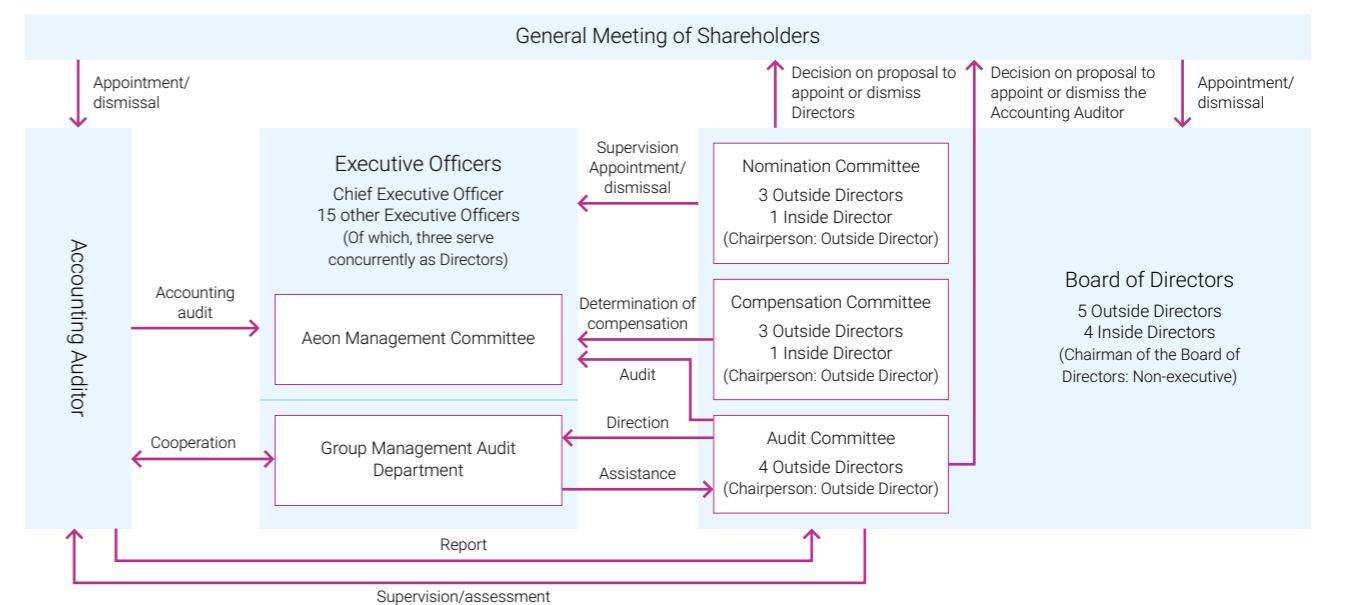
The Audit Committee, which consists entirely of Outside Directors and is therefore completely independent from business execution, monitors the legality and validity of the execution of duties by Directors and Executive Officers. Moreover, we strive to enhance the functions of the Audit Committee through the support of the Internal Audit Department, which is independent of the units conducting business execution, and coordination with the external accounting auditor.

Executive Officers

Representative Executive Officers make decisions on matters delegated by the Board of Directors and are wholly responsible for business execution on behalf of the Company. Executive Officers report to the Representative Executive Officers, make decisions on matters delegated by resolution of the Board of Directors, and conduct business execution.

Corporate Governance System

(As of May 23, 2018)



Business Execution Decisions

The Board of Directors delegates authority to Representative Executive Officers to enable quick decision-making, except for matters for which the Companies Act and the Articles of Incorporation require the Board of Directors to resolve. The Chief Executive Officer leads the Aeon Management Committee,* which consists of Senior Executives and discusses important policies and matters relevant to business execution. The Chief Executive Officer makes decisions pursuant to these discussions, and delineates responsibilities and expedites management decision-making by clarifying the role and authority of each Executive Officer.

* The Aeon Management Committee is a deliberative body chaired by the President and Group CEO, composed of Executive Officers, the Chief Corporate Planning Officer, and other members appointed by the President and Group CEO. The Committee deliberates and decides important matters pertaining to the management of the Aeon Group, including the Group's business strategies and investment plans.

Organization for Internal Audits and Audits by the Audit Committee

The Board of Directors and the Audit Committee are central to management supervision because Aeon is a company with a nomination committee and other committees. The Group Management Audit Office is an organization that is independent of business units and provides the Audit Committee with operational and administrative support. It also coordinates with the full-time corporate auditors of Group companies, the Internal Audit Department, and the accounting auditor to conduct internal audits.

Policies for Director and Executive Officer Compensation

The Compensation Committee is chaired by an Outside Director and consists mainly of Outside Directors to ensure highly transparent, objectively determined policies for compensation of Directors and Executive Officers.

1. Basic Compensation Policies

- 1.1: Compensation shall be linked to Aeon's management strategy and operating performance and shall enhance motivation for the execution of management strategies.
- 1.2: The compensation system shall be visibly fair and transparent in order to gain the understanding and support of customers, shareholders, employees, and other stakeholders.

2. Director Compensation

- 2.1: Directors shall receive base compensation.
- 2.2: Directors concurrently involved in business execution shall not receive Director compensation.

3. Executive Officer Compensation

- 3.1: Base compensation
Base compensation shall reflect the evaluation of each executive officer and fall within the standard compensation for each position.
- 3.2: Performance-based compensation
Performance-based compensation shall account for 30% to 50% of total Executive Officer compensation (base compensation + performance-based compensation), and the percentage of performance-based compensation shall increase as a function of rank. The percentage of performance-based compensation payable to executive officers is based on achievement of goals set at the beginning of the fiscal year.

Performance-based compensation payable to Executive Officers may range from zero to twice the standard amount depending on results for the recently completed fiscal year and the evaluation of the individual Executive Officer. Performance-based executive compensation consists of compensation linked to overall corporate performance and compensation linked to individual performance. However, Representative Executive Officers only receive compensation linked to overall corporate performance.

3.2.1: Compensation linked to overall corporate performance
Standard rank-based compensation is adjusted using a coefficient for the achievement of consolidated performance goals in consideration of overall performance.

3.2.2: Compensation linked to individual performance
Standard rank-based compensation is adjusted using a coefficient for the individual achievement of divisional performance goals and management objectives.

3.3: Equity-based compensation in the form of stock options
This form of compensation allocates stock acquisition rights as equity-based compensation that reflects performance in the form of stock options. It intensifies the link between share price, performance, and compensation because recipients share the benefits of share price increases and the risk of share price decreases. It is therefore designed to increase the will and motivation to consistently improve performance and increase corporate value. The standard number of stock acquisition rights allocable by rank is adjusted according to performance for the recently completed fiscal year.

**Total Director and Executive Officer Compensation
Director Compensation for FY2017**

	Recipients	Amount Paid (Millions of yen)
Base Director compensation determined through deliberation by Compensation Committee	8	121
Base Outside Director compensation determined through deliberation by Compensation Committee	7	75

Executive Officer Compensation as of the end of February 2018

Position	Chief Executive Officer	Other Executive Officers	Total
Number of officers	1	9	10
Base compensation determined through deliberation by Compensation Committee (millions of yen)	36	237	273
Performance-based compensation determined through deliberation by Compensation Committee (millions of yen)	46	179	225
Equity-based compensation in the form of stock options (millions of yen)	13	63	76
Total (millions of yen)	95	480	575

Notes: 1. These are the expected amounts of compensation of Executive Officers through equity-based compensation in the form of stock options. The amounts are scheduled for payment in accordance with decisions taken in light of FY2017 business results at meetings of the Compensation Committee and the Board of Directors, which were convened on May 23, 2018. Further, with respect to equity-based compensation in the form of stock options, stock acquisition rights are scheduled for allocation on June 21, 2018. The aforementioned scheduled payment amounts have been calculated based on the closing price of the Company's shares on the Tokyo Stock Exchange on February 28, 2018.
2. In addition to the aforementioned compensation, base compensation of ¥14 million was paid to three Executive Officers who retired during FY2017.

Assessment of the Effectiveness of the Board of Directors

The Company assesses and analyzes the effectiveness of the Board of Directors.

(1) Assessment method

In FY2017, the Outside Directors' Meeting held an exchange of opinions regarding qualitative enhancement of the discussions of the Board of Directors. After sharing the issues identified, the Company conducted a questionnaire and interviews. In addition to requesting assessments of the management, composition, and responsibilities of the Board of Directors, the questionnaire sought assessments of the extensiveness of discussions on the medium- to long-term issues of the Aeon Group, which were set out in FY2016, and requested feedback on levels of satisfaction in relation to these discussions. The meeting of the Board of Directors in April 2018 confirmed the assessment results and an improvement plan, which were based on the aforementioned exchange of opinions, questionnaire, and interviews.

(2) Main criteria for assessing the Board of Directors

- 1. Whether there were adequate management and supervision of issues identified as important in the previous year
- 2. Whether there were effective discussions based on documents and reports that had clear points for discussion

(3) Summary of assessment results

In FY2017, the effectiveness of the Board of Directors of Aeon Co., Ltd. was appropriate and improved in comparison with that of the previous fiscal year. The following is a more detailed summary.

- 1. The Board conducted focused discussions on the medium- to long-term issues of the Aeon Group, which were set out in FY2016. In these discussions, Outside Directors provided useful advice based on their wealth of knowledge.
- 2. According to the results of the questionnaire, the Board has improved with respect to the succinctness of reports and documents. The Board will continue advancing efforts to prepare reports with clear points for discussion and succinct documents.
- 3. In FY2017, a proposal was submitted at the Outside Directors' Meeting to hold discussions between Outside Directors and the CEO. The meaningful discussions that resulted have enhanced Outside Directors' supervision of business management.

(4) Responses to issues

With a view to strengthening governance and enhancing supervision, in FY2018 the discussions of the Board of Directors and discussions on policies will focus on the following items.

(Regarding the selection of proposals for the enhancement of corporate value)

- The medium- to long-term issues of the Aeon Group (ongoing)
- Management and supervision of the implementation and progress of the Aeon Group Medium-term Management Plan
- Enhancement of capabilities as a holding company and strengthening of governance as a Group

Criteria for evaluating the Board of Directors in FY2018

- (1) Improvement with respect to the Aeon Group's medium- to long-term issues (in terms of both figures and systems)
- (2) Adequacy of the management and supervision of the Aeon Group Medium-term Management Plan's measures
In light of the abovementioned criteria for evaluating its effectiveness, the Board of Directors will take the necessary steps to fully realize supervisory capabilities and further strengthen corporate governance.

Dialogue between Senior Managers and Stakeholders

Aeon considers stakeholders, including customers, communities, shareholders, and investors, as its partners in management, and strives to maintain proactive dialogues with them. We engage in constructive dialogue with a long-term perspective based on appropriate, timely disclosure of information. We help stakeholders understand our management strategies and financial information as well as non-financial information including our environmental and social contributions and our approach to corporate governance.

We have established a department responsible for investor relations (IR) under the Executive Officer in charge of IR as a point of contact to help improve our constructive dialogue with shareholders and investors. We enhance this dialogue by organically linking the department responsible for IR to the relevant sections of our organization including public relations, general affairs, environmental/social contribution, finance, and accounting, as well as Group companies. The department responsible for IR leads this dialogue, and the Directors, Executive Officers, and Senior Managers communicate directly with stakeholders on critical issues.

We also proactively disclose, explain, and carefully answer questions related to our management policies at the General Meeting of Shareholders. We have enhanced this dialogue and its relevant information disclosure to deepen understanding among shareholders and investors through information meetings for institutional investors, tours of business facilities in Japan and overseas, and localized social gatherings and information meetings for individual shareholders.

The Board of Directors and the Aeon Management Committee appropriately discuss the feedback we receive through these channels in a timely manner to reflect it in our dialogue with shareholders and investors.

Response to the Corporate Governance Code
We addressed the Corporate Governance Code in October 15, 2018 and have responded to all of the Tokyo Stock Exchange's rules and regulations as required of listed companies under the Code.
Please refer to our Corporate Governance Report at <https://www.aeon.info/en/investors/policy/governance.html> for more details.

Basic Approach —Aeon Code of Conduct

We established the Aeon Code of Conduct in 2003 to express the Aeon Basic Principles through a specific set of guidelines. We also began providing education and training relevant to the Code, created an Aeon Code of Conduct Hotline as an internal reporting system, and initiated monitoring activities (the Aeon Code of Conduct Survey) in 2003 in conjunction with establishment of the Code. The Aeon Code of Conduct explicitly provides Group employees with criteria for action, consideration, and judgment in line with the Aeon Basic Principles to serve customers. It is a shared set of values for the Aeon Group. In 2004, we began conducting full-fledged training throughout the Group to ensure all employees share and understand the Aeon Code of Conduct.

Meanwhile, Group companies overseas have been providing the same training since 2006. Since FY2011, we have been systematically disseminating and inculcating the Aeon Code of Conduct at Group companies outside of Japan in line with our shift to Asian markets, which is one of the strategies of our Medium-term Management Plan.

Aeon Code of Conduct

1. Aeon People are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.
2. Aeon People value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
3. Aeon People actively seek out ways to exceed customer expectations.
4. Aeon People continually challenge themselves to find new ways to accomplish the Aeon ideals.
5. Aeon People support local community growth, acting as good corporate citizens in serving society.

Promotion Framework

The Corporate Ethics Team is responsible for promoting the Aeon Code of Conduct throughout the Aeon Group, and is under the jurisdiction of the executives responsible for human resource management and risk management. The Corporate Ethics Team develops and executes policies for the entire Aeon Group based on an annual plan, and proposes and recommends specific measures to address various problems and issues facing the Group. The Aeon Management Committee, an Aeon Co., Ltd. executive body, and the Audit Committee (Outside Directors) receive reports on the status of compliance issues, initiatives to resolve them, and Groupwide promotion of the Code of Conduct. The presidents and branch managers of each company in the Group serve as Aeon Code of Conduct Promotion Officers. They assign managers to the Aeon Code of Conduct Promotion Offices to implement the Aeon Code of Conduct training, conduct fact-finding investigations for consultations reported through the Hotline, address revisions, and report to Aeon Co., Ltd. Additionally, each store and business office selects one to three employees to serve as leaders in charge of promoting the Aeon Code of Conduct. They work on initiatives to disseminate and inculcate the Aeon Code of Conduct at their worksites.

Aeon Code of Conduct Hotline

Since 2004, the Aeon Code of Conduct Hotline has served as an internal reporting system for employees to report non-compliance and improprieties, as well as for discussing various workplace issues that employees find troubling or difficult to discuss with their immediate managers. The Hotline handles a wide variety of reports and consultations and is available to all Aeon Group employees. The Hotline consists of two lines: one for internal consultations, and one for reaching out to and consulting with external parties. The Corporate Ethics Team provides reports and consultations to the Group companies concerned as feedback. We rigorously enforce the rule that an investigation shall then take place within two weeks to ascertain the facts associated with each report or consultation. The Corporate Ethics Team receives a report of the results, including corrective measures. In addition, the executive management team of Aeon Co., Ltd. and the presidents of all Group companies receive weekly and monthly reports on all consultation matters.

Education and Training

Aeon conducts training to disseminate and inculcate the Aeon Code of Conduct as the central component of corporate ethics, primarily through four programs: compliance training for Aeon executives, Aeon Code of Conduct training for senior management, Aeon Code of Conduct training for general employees, and training for new employees. Hiring examinations and promotion training also incorporate the content and curricula of the Aeon Code of Conduct.

● Compliance Training for Aeon Executives (since 2014)

All Group executives use case studies and other tools to reconfirm written laws, Aeon's voluntary standards, and judgment and behavior that are illuminated by the Aeon Basic Principles. The objective of this training is to achieve even more customer-oriented management through the highly resolute, ethical, and responsible officers who protect Aeon's reputation.

● Aeon Code of Conduct Training for Senior Management (since 2003)

Senior and mid-level executives from Group companies learn about and share information on internal and external conditions for corporate ethics, risk management, and compliance. The curriculum is designed to empower participants to make their own decisions based on ethical standards.

● Aeon Code of Conduct Training for General Employees (since 2003)

Employees and hourly workers of Group companies receive general training to confirm the basic precepts of the Aeon Code of Conduct, designed to support actual conduct from the perspective of customers.

● Training for New Employees (since 2004)

This training is designed to give new employees of Group companies a fundamental understanding of the Aeon Basic Principles and the Aeon Code of Conduct and a shared identity as "Aeon People."

Sharing and Encouragement at Overseas Companies

Aeon has been conducting the Aeon Code of Conduct training, establishing hotlines, and instituting monitoring systems (the Aeon Code of Conduct Survey) at Group companies overseas since 2006. In FY2017, we provided the training at 68 Group companies overseas. A total of 57,000 employees took part in grade-specific training for management, promotion leaders, general employees, and new employees. In FY2018, we plan to provide training to about 58,000 "Aeon People" at 67 companies, including Group companies where we plan to introduce the Aeon Code of Conduct for the first time.

Implementing the Aeon Code of Conduct Survey

Since 2003, we have conducted our Aeon Code of Conduct Survey of employee awareness annually to ascertain the extent to which the Aeon Code of Conduct has penetrated the organization and to gather information on workplace issues, employee work styles, motivation levels, and the like. This survey is a basis for assessing employee awareness and corporate culture across the entire Aeon Group, including its overseas locations, through evaluation of the visibility of promotional activities, the personal commitment of employees, and workplace conditions. We also compile, analyze, and share survey findings with Group companies and use them to help resolve specific social issues. In FY2017, we conducted the survey at 69 Group companies overseas and received 48,000 responses. In FY2018, we plan to survey 50,000 employees at 69 companies overseas. We will continue to strengthen our response to compliance risk by identifying current conditions at each company based on an analysis of the responses and building systems to draw up and implement measures to improve our corporate culture.

Creating Support and Awareness-Raising Tools

Aeon complements training programs by creating a variety of awareness-raising tools to disseminate and inculcate the Aeon Code of Conduct. For example, the Aeon Code of Conduct Newsletter, published every other month since 2004, presents excerpts from the writings of our founder, issues reported or consulted on via the Aeon Code of Conduct Hotline, reports on the results of training programs, and initiatives of each Group company. Every month, we print and distribute approximately 300,000 copies to employees of Aeon Group companies. Employees have responded well to the newsletter, prompting some to revisit the Aeon Code of Conduct and take advantage of the Hotline.

Aeon uses an illustrated book titled Arigatou no Yakusoku (The Promise of Thank You; text by Masato Ochi with illustrations by Soya Nagashima) as a tool to share and encourage mutual understanding of the Aeon Basic Principles among the employees of new Group companies.

The illustrated book covers the importance of being grateful and saying thank you in any situation and is designed to enhance understanding of the essence of the Aeon Basic Principles in an intuitive manner.

Basic Approach
—Aeon Human Rights Policy

Initiatives focused on respecting human rights are central to the resolution of a range of social issues. In Japan and overseas, laws and guidelines call on companies to play leading roles in addressing human rights issues.

In 2003, Aeon established the Aeon Code of Conduct (please see page 32) to realize business management that is founded on respect for human rights, which is one of Aeon's basic principles. To advance the Aeon Code of Conduct, the Company established Aeon Human Rights Policy in 2014.

Further, given the recent developments in social situations

worldwide, we revised Aeon on Human Rights Policy in October 2018.

The overriding goal of the revised policies is to help realize a society that respects human rights. To this end, the policies clarify Aeon's commitment to implementing human rights measures based on domestic laws, international laws, and international agreements and clarify the policies' applicability to all business partners and other stakeholders involved in Aeon's business activities. Moreover, the policies state the Group's intention to develop a due diligence process for human rights.

Aeon Human Rights Policy

In accordance with this policy, all of Aeon's executives and employees (Aeon People) will further their understanding of human rights and help realize a society that respects these rights.

We will adopt this policy for all Aeon People and share it with all business partners.

1. Our Approach to Human Rights

For everyone affected by our business activities, we will comply with domestic laws on human rights and labor, the International Bill of Human Rights, and the rules on human rights set forth in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work in accordance with the Aeon Basic Principles, the Aeon Code of Conduct, and the United Nations Global Compact, which we joined in 2004. Further, we will support and follow the United Nations Guiding Principles on Business and Human Rights.

2. Respect for Human Rights in Business Activities

We will respect the privacy of individuals as well as their diverse values and personalities and never discriminate against anyone for any reasons, including discriminatory treatment based on race, nationality, ethnicity, gender, age, place of birth, religion, educational background, physical or mental disability, sexual orientation, or gender identity. Further, we will remain mindful of the positions of others and respect them as our equals.

- We will treat all customers in a fair and impartial manner and provide them with safe, reliable products and services as well as related information.
- We will actively communicate with local community members to ensure that we are respecting their human rights.
- We will comply with sound corporate ethics and workplace environment-related laws, regulations, and international standards in our business activities by dealing with business partners fairly. Moreover, we will continually improve our performance in this regard.
- We will listen to our coworkers, respect each coworker's human rights, and create workplace environments that are harassment free, safe, and employee friendly. At the same time, we will train and educate all Aeon People to further their knowledge and understanding of human rights.

3. Implementation of Human Rights Due Diligence

Regarding the impact of our business activities on human rights, we will contribute to the realization of a society in which human rights are respected through the implementation of human rights due diligence.

Revised October 2018

Basic Approach

Aeon regards risk management as a management priority that is the responsibility of each department. Accordingly, the Group companies and departments handle day-to-day risk management, while General Affairs and other departments throughout the Group monitor the status of risk management at each department. The Risk Management Committee, which reports to the Aeon Management Committee, reviews and makes decisions regarding external risk factors, such as new infectious diseases and large-scale earthquakes, which cannot be addressed by individual companies, and risks embedded in products, facilities, and services throughout the entire Aeon Group. We anticipate, predict, and preclude risks with the potential for particularly grave impact by assembling interdivisional task forces. Moreover, Aeon's organizational response to eliminate the influence of antisocial forces includes in-house regulations and close cooperation with law enforcement agencies.

Response to Natural Disasters and Major Incidents and Accidents

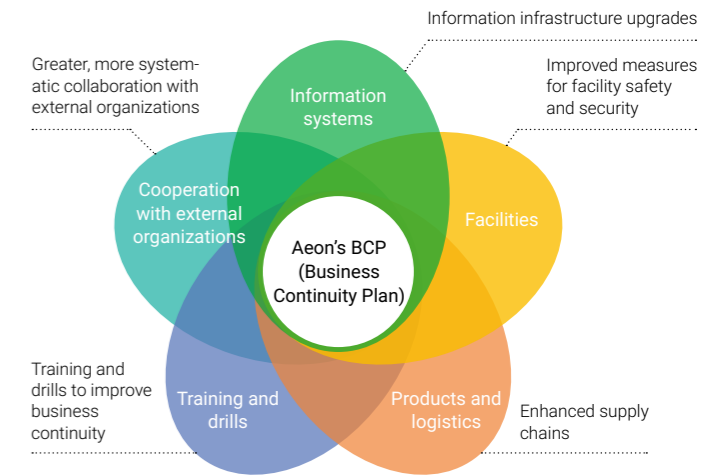
Aeon has created rules and procedural manuals to respond to large-scale natural disasters and major incidents and accidents, as well as providing education and training to ensure swift and accurate responses. Since the Great East Japan Earthquake, we have also introduced disaster prevention measures in each region in Japan, including areas affected by the disaster, based on a Business Continuity Plan (BCP).^{*1} Hypothetical risks have become more diverse in recent years, ranging from an increasing number of natural disasters such as earthquakes and torrential rain due to abnormal weather to terrorist attacks and bombings.

In light of these environmental changes, Aeon has formulated its Aeon Group Five-Year Business Continuity Management (BCM)^{*2} Plan to build a management framework that can enhance the performance of the BCP. With a view to executing this plan, we launched the Aeon BCM Project in March 2016. Aeon aims to establish an operational framework by promoting BCM in five areas: 1) information systems; 2) facilities; 3) products and logistics; 4) training and drills; and 5) cooperation with external organizations.

^{*1} BCP: A strategic business plan to prevent business interruptions or allow key operations to resume within a targeted time frame in the event of disruptions caused by risks including natural disasters.

^{*2} BCM: A comprehensive management process that involves a set of policies for addressing issues relevant to the steady implementation of the BCP. BCM compares progress versus plan to manage initiatives such as the switch to new systems or efficient transportation of supplies to afflicted areas.

Five Focus Areas of the Aeon BCM Project



1. Information Systems (Information infrastructure upgrades)

We will upgrade our information infrastructure to better prepare our 315 Group companies for possible disasters. We will further strengthen collaboration among Group companies by switching to a new Total BCM Aggregation System that centralizes disaster-related information such as disaster information, safety confirmation results, and the status of stores afflicted by disasters.

2. Facilities (Improved measures for facility safety and security)

We will build disaster prevention facilities at 100 locations by FY2020 to enhance safety and security measures at our facilities. We have completed installations at 40 locations since the launch of the program in 2012. We built new disaster-prevention facilities at 13 stores in FY2017.

3. Products and Logistics (Enhanced supply chains)

In March 2016, we launched a new system to be used during disasters that links to approximately 58 companies such as manufacturers of food and daily necessities. We use the BCP Portal, which connects with our partners through cloud computing, to visualize information between each Group company and our partners and conduct centralized management of information such as plants, warehouses, and products ready for shipment.

4. Training and Drills (Training and drills to improve business continuity)

Aeon periodically conducts disaster prevention and safety drills throughout the Group. We will conduct information gathering drills and training at stores and business offices, and improve our present business continuity capabilities to protect our customers and employees from risk.

5. Cooperation with External Organizations (Greater, more systematic collaboration with external organizations)

We are reinforcing our relations with external partners rooted in each community from local government offices, hospitals, and schools to private enterprises, in addition to our relations with energy companies, which are indispensable for business continuity should a disaster occur.

Acquisition of ISO 22301

In February 2017, Aeon Co., Ltd. became the first company in Japan's general merchandise retail industry to acquire certification for its business continuity management system (BCMS) under the international ISO 22301 standard. This initiative encompassed the head office and stores.

ISO 22301 is a certification system published in 2012. It covers natural disasters such as earthquakes, floods, and typhoons, along with system problems and various risks including infectious disease epidemics, blackouts, and fires. It serves as an international standard for BCMS for minimizing the influence of these risks on businesses and responding efficiently and effectively to them. The Aeon Group's goal is to create and operate mechanisms to ensure that activities related to business continuity management (BCM) are closely linked to management, and that these activities are effective and efficient. The scope of registered activities under ISO 22301 encompasses the Group's crisis management operations, operation and management of the shopping center at Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services.

Overview of Certification

Registrant	Aeon Co., Ltd.
Registration number	JQA-BC0031
Certification standard	ISO 22301: 2012/JIS Q 22301: 2013
Certifying institution	Japan Quality Assurance Organization
Accrediting institution	Japan Institute for Promotion of Digital Economy and Community
Date of registration	February 20, 2017
Scope of registered activities	Group crisis management operations, operation and management of the shopping center at Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services Related business facilities • Group General Affairs Department, Aeon Co., Ltd. • Aeon Komaki Crisis Management Center • Aeon Mall Makuhari New City operated by Aeon Mall Co., Ltd. • Aeon Style Makuhari New City operated by Aeon Retail Co., Ltd. • Center Number One, Aeon Mall Makuhari New City operated by Aeon Delight Co., Ltd.



Information Security

Personal Information Protection Policy

Aeon has established a personal information protection policy and a privacy policy to protect personal information properly and safely. We conscientiously handle personal information so that customers can purchase and use our products and services with confidence. Our company, officers, and employees recognize the importance of personal information protection, and work to maintain and improve legal compliance and safe handling of information.

Basic Policy

We recognize the importance of protecting personal information in line with the Aeon Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." We handle personal information with great care to support affluent, confident lifestyles. In addition, personal information forms each person's identity and values, so we respect it in the same way as we respect each person. We will manage the information entrusted to us by communities to build solid, trusting relationships.

1: Initiatives to protect personal information We undertake the following activities to conscientiously implement our basic policy for personal information protection.
1-1: Officers and all employees shall comply with laws and internal regulations pertaining to personal information.
1-2: We shall appoint people responsible for the protection of personal information, assign responsibility and authority concerning the implementation and management of personal information protection, provide education and training, and rigorously manage personal information.
1-3: We shall appoint people responsible for the protection of personal information and audit the protection of personal information.
1-4: We shall improve internal regulations and operations based on the results of audits.
1-5: We shall ask suppliers and related parties for cooperation to protect personal information.
1-6: We shall make this policy available for viewing at any time by publishing it in media including our website and our corporate brochure.
2: Handling of personal information
2-1: We shall delineate the purpose of use when collecting, using, or providing personal information, and shall use personal information within this defined scope.
2-2: We shall respond to requests to disclose, correct, or delete personal information promptly within a reasonable period and an appropriate scope.
2-3: We shall implement safety measures appropriately to preclude problems such as unauthorized access, loss, tampering, or leakage.
September 21, 2004
Motoya Okada President and Representative Director, Aeon Co., Ltd.

For details on our personal information protection and privacy policies:
<https://www.aeon.info/privacy/> (Japanese only)

Aeon's Approach toward a Decarbonized Society and the SDGs—Our Responsibilities as a Retail Business

Our dialogue with stakeholders in 2018 included an exchange of opinions about the significance of working to realize the recently announced Aeon Decarbonization Vision 2050. In addition, the participants also discussed the expectations for Aeon as a retail business from the perspective of the SDGs, a set of shared international goals.



Peter David Pedersen
Executive Director, Leadership
Academy TACL

Mie Asaoka
Lawyer

Kahori Miyake
Executive Officer,
CSR & Communication,
Aeon Co., Ltd.

Haruko Kanamaru
General CSR Division Manager,
Corporate Citizenship Department,
Aeon Co., Ltd.

Directly experiencing the gap between Japan and other countries around the world — formulating the Aeon Decarbonization Vision 2050

Asaoka: The Paris Agreement was adopted in 2015 at COP21 (21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change). The Agreement established clear goals for the realization of a decarbonized economy/society as early as possible within the second half of the 21st century in order to limit the global average temperature increase to less than 2 degrees Celsius. It also called for the pursuit of efforts to limit the temperature increase even further, to 1.5 degrees Celsius. I believe that the adoption of the Paris Agreement was an extremely important turning point for our times. Looking back at past events, the flooding in 2002, the heat wave in 2003, and the meteorological disasters that resulted in many fatalities throughout Europe enabled people to directly experience the effects of climate change. Initiatives to foster the adoption of renewable energy as a countermeasure to climate change were moving forward, and in this setting the Great East Japan Earthquake occurred. The shift toward renewable energy accelerated, and from Europe this trend spread around the world. Consequently, the cost of renewable energy declined rapidly and became feasible, even for developed countries. In developing countries that have natural resources, such as sunlight and wind power, and include large regions without electricity, renewable energy is undergoing further expansion as a source of electricity that contributes to sustainable regional development at a low cost. In other words, the adoption of the Paris Agreement also reflected international support based on economic rationality. In that sense, the Paris Agreement is not just an environmental agreement related to climate change. It is also an agreement related to sustainable economies around the world, as well as a human rights agreement for the protection of human lives and health.

Pedersen: Since 1995, I have been involved in environmental management and sustainability management in Japan, and I think that 2015 was a watershed year. In the second half of 2015, the SDGs and the Paris Agreement were adopted, and for the first time ESG factors were included in the Harvard Business Review's evaluations of CEOs. I believe these agreements have become an extremely powerful driving force. In other words, they demonstrate the consensus of international society. One level below the agreements are the national strategies, and one level below those are the corporate strategies. All together, these have formed a set. The long-term direction has been established, and accordingly I think that we have entered the stage at which we need to determine how to demonstrate leadership and how to encourage others to participate and take

action. Most people probably have a direct sense of the effects of abnormal weather and climate change over the past two to three years, including the recent torrential rains in western Japan. Going forward, I think that we will see gradual changes in people's values, including those people who have only recently become aware of these issues as well as investors, policy makers, and consumers.

Miyake: When I became responsible for CSR & Communication in the spring of 2017, I directly experienced how the awareness of consumers was evolving. Through my participation in COP23 in November 2017, I was convinced that companies need to become leaders. The awareness gap between Japan and the rest of the world was astonishing. When I returned to Japan I immediately briefed our senior management, and then Aeon formulated the decarbonization vision that was recently announced. Senior management had a strong conviction that we needed to be a global company, and they immediately understood the role that Aeon needed to fill as a global company in driving Japan forward. On that basis, we formulated and announced the vision. I believe that as a result we were able to communicate our message.

Kanamaru: The Company has been a strong pioneer in the prevention of global warming. We announced the Aeon Manifesto on the Prevention of Global Warming, which stipulated a specific reduction target of 1.85 million tons-CO₂, or 30% of Aeon's CO₂ emissions at that time. After the Great East Japan Earthquake, since 2012 we have worked with the Aeon Eco Project, which calls for a 50% reduction in store energy consumption by 2020. However, from about 2015, we faced questions about the period after 2020. The recent announcement of the long-term Aeon Decarbonization Vision 2050 demonstrated the Company's ability to step up and address the issues that need to be resolved. And for those of us in the Company, it also encouraged us to strive for further progress.

Supporting market formation and achieving our vision by determining the key point and conveying it through storytelling

Miyake: Through this type of process, we established the objectives of the Aeon Decarbonization Vision 2050 and communicated our message. In implementing this vision, I think that we now face two major challenges. The first is procurement. At this point, Aeon accounts for 1% of Japan's nationwide electricity consumption, but renewable energy that could be used as a substitute is not being generated. The second is how to obtain the cooperation and understanding of ordinary consumers, who are our largest group of stakeholders.

Pedersen: I think that, first, it is important for the various parties to align their initiatives in support of market formation. For consumers, renewable energy has to be an ordinary option, not something special. In Japan, many of the parties are conservative, including the national government. Aeon must be prepared to act as a leader, commit to encouraging others to change, and continue to speak up. I think that these types of efforts will lead to significant changes.

Miyake: Actually, at an activity briefing for Japan-CLP, a network for Japanese companies that are leaders in addressing climate change, Aeon presented its initiatives in shifting toward renewable energy in order to realize the decarbonization vision. Moving forward, I think we should continue to speak up through these types of briefings and work to positively influence a large number of companies. Also, to bolster our initiatives targeting the conversion to 100% renewable energy for the Aeon Group, since March 2018 we have been participating in RE100, an international renewable energy initiative.

* Japan-CLP: Japan Climate Leaders' Partnership

Pedersen: Leadership and partnership will be important factors in market formation. For example, if the companies participating in RE100 work together to implement initiatives, there will likely be a significant impact.

Miyake: I think that economies of scale will be a major factor. Aeon accounts for 1% of Japan's total electricity consumption. Accordingly, our initiatives have a significant influence, and it is relatively easy for us to ask others for their cooperation. In that sense, I think that the fact that we

were the first to communicate this message was significant. In addition, this initiative will become one means of ensuring our competitive edge over the long term. At the same time, it will be necessary to raise standards overall, and as Mr. Pedersen said, we will need to focus on partnership. We have a large number of partners in the value chain, including suppliers and manufacturers. As a result, if we work together then I think we will likely see rapid progress toward market formation. I am convinced that we need to make that happen.

Asaoka: The Japan Climate Initiative was recently launched, and the pioneering companies in Japan are starting to take on more visible roles. In the U.S., a similar initiative—We Are Still In—was launched after the start of the Trump administration, and about 2,000 companies have stepped up and joined that initiative. In Japan, companies and local governments have not been very active in decarbonization initiatives. I think the reason is that the national energy policy reflects the thinking of smokestack industries to a significant extent. Japan has not moved beyond a policy of dependence on conventional fossil fuels, and that has hindered the progress toward decarbonization. However, a growing number of companies, including large corporations, are moving toward 100% renewable energy, and demand for renewable energy is increasing. As a result, more enterprises are taking on the challenges of the renewable energy business. I believe this will result in policy discussions targeting the resolution of issues, such as problems with system connections. In addition, companies like Aeon that link manufacturers and distributors with consumers can change the awareness and actions of consumers, related businesses, and peripheral enterprises. In Japan as well, if companies respond to global trends,



...
The recent announcement of the long-term Aeon Decarbonization Vision 2050 demonstrated the Company's ability to step up and address the issues that need to be resolved, and it also encouraged us to strive for further progress.

(Kanmaru)



...
It is important for the parties to align their initiatives in support of market formation. Aeon must be prepared to act as a leader, commit to encouraging others to change, and continue to speak up. I think that these types of efforts will lead to significant changes.

(Pedersen)

incorporate them into their business strategies, and take action, then I think we will see the formation of markets and the evolution of the national energy strategy.

Pedersen: In advancing initiatives, it is also important to communicate a message, and it is essential to attract people's interest through storytelling.

Asaoka: Based on a proposal by the COP23 Presidency, the Talanoa Dialogue was incorporated into COP23. The objective was to share and support the achievement of the objectives of the Paris Agreement, and to that end, experience-based stories were told in a format that addresses three questions—"Where are we?," "Where do we want to go?," and "How do we get there?" This is called story-telling. Simply reporting activities does not result in a message with impact. It is important to accurately understand the current situation, share your objectives with the world, weave your direction and course into a story, and then tell that story.

Leading the retail industry on the global knowledge frontier

Pedersen: The world faces not only climate change but also a variety of other social issues, which can also be addressed as business opportunities. We now have the SDG framework to work with, and I think we can generate opportunities to foster innovation if we link effectively to the SDG framework. For Aeon, it might be comparatively easy to identify the important themes in each field. However, this is not simply a matter of organizing the Company's own

initiatives. We need to track the location of the global innovation frontier, and then rapidly incorporate and commercialize that knowledge. This will be very important, especially when implementing global initiatives. The population in Asia is still increasing, and this viewpoint offers an opportunity to foster innovation in order to realize sustainable growth. For example, at this point, it looks like major themes will include the cyclical use of resources, moving toward decarbonization, net zero timber felling, water neutrality, and the elimination of petrochemical plastics and single-use plastics. With these types of bottlenecks and values evolving, there will likely be a variety of opportunities for innovation. Accordingly, Aeon should think about whether or not it can leverage its strengths to foster innovation, and which fields will offer cost benefits and brand benefits.

Miyake: For people in manufacturing, it might be common sense that innovation is extremely important, but people in retail can sometimes be relatively uninvolved with innovation. Certainly, employees in product planning, store development, and store planning can be innovative. Accordingly, we should ask ourselves how we can foster innovation that leads to the resolution of social issues, and where we have opportunities. As we move forward, it will be important that everyone takes that approach to their work.

Pedersen: I agree. In the retail industry there is a tendency to think that the trend is toward short product cycles and low-margin, high-turnover operations, and that the people on the front lines are too busy and do not have the time to think about innovation from a long-term perspective. However, I believe that a company can substantially enhance motivation by using storytelling to communicate how its brand is different from those of other companies, and how it is a good company.

For example, one waste-related issue that has recently become a major problem is plastic in water resources, such as oceans and rivers. There are forecasts that in 2050 the weight of the plastic in the oceans will be equal to the weight of the fish. Plastic straws and other plastic items have already been banned in Europe and other regions, and this initiative has now spread to a number of other areas, such as Seattle and India. The use of plastic is being reconsidered around the world. In response to this type of rapid change, Aeon should strive to be the first to acquire information on the global knowledge frontier and to transform that information into value. By moving first to take a position of leadership, the Company will likely be able to earn high brand evaluations and to establish a competitive edge.

Asaoka: A brand is something that can lose value from a single instance of lack of effort, even if a company is otherwise doing everything it can. This means that it will be important to tackle the plastics issue before consumers are generally aware of how serious the situation is. If a company's response is delayed, then consumers will think that the company did not care enough. This may be a difficult challenge, but it is necessary, and it is important for

companies to demonstrate their commitment and make steady progress. We are at a stage where companies can build trust by making this point through storytelling. This is related to company management itself, and accordingly the understanding of senior management is important. I think it might become a turning point for strengthening the understanding of the importance of the work of each person in the company.

Furthermore, climate change is also positioned as a major issue in the SDGs. Accordingly, if Aeon organizes and assembles its perspectives and activities around this focal point, then I think it will become easier to communicate the significance of the Company's activities as well as the purpose and results of its initiatives.

Pedersen: I agree. This involves a range of elements, such as food, climate change, and agriculture. In retail, food waste is also an important issue. I recently led an interesting session with 35 young, next-generation leaders from 15 countries around the world. They were asked what behavior might be embarrassing when looked back on 30 years from now. The number one answer was food loss, which was mentioned by 39% of the participants.

Asaoka: The problem of loss is also a major issue in apparel. I have heard that large quantities of apparel are treated as waste and incinerated. There are also the views that excess production has stimulated consumer demand, or that employment has been supported by this framework. However, we have reached the point where these types of structural and economic relationships between production and consumption have to change. Excess production and waste

...
Moving forward, we need to maintain our belief that society will change and to continue to communicate our message. To become a true global leader, we will consider what we need to do from a global viewpoint, and take action on that basis.

(Miyake)



result in the consumption of excess energy and water resources. In changing this structure, in the end, it will be necessary to change our values so that we make goods that last, and use products for extended periods of time. At Aeon, I think a central role is played by fresh foods, which are difficult to manage in that way. To eliminate waste, there is a need to foster insight in terms of both supply systems and the use of manufactured products.

Miyake: I would like to thank you for your valuable opinions. Today, we heard a number of key phrases that will be important for Aeon in the years ahead. First, in regard to decarbonization, I once again recognized that we need to speak up and promote market formation. Also, we need to continue speaking up, because these issues will not be resolved just by making a point once. We need to maintain our belief that society will change and to continue to communicate our message. And we should engage in storytelling. Japanese people often think that silence is a virtue, and that it is sufficient to generate good results without saying anything. But that approach does not result in communication. In a globalized world, if we provide explanations then we can ultimately achieve understanding. Why

are we doing this? Why do we think this? And now, what direction are we heading in, and what do we need to do to get there? To foster engagement around the world, we have to recognize that this is necessary and take steps to communicate accordingly. And finally, we heard the key phrase global knowledge frontier. Aeon is strongly committed to being a global leader. Our President Motoya Okada often says that it is important to be aware that this refers not just to sales and profits but also to true global leadership in substance. In particular, I am convinced that we need to be on the knowledge frontier if we want to be a true global leader in such areas as global social issues, climate change problems, and the SDGs as well as issues regarding food and other resources. Moving forward, we should keep these key phrases in mind, consider what we need to do from a global viewpoint, and take action on that basis.

...
In Japan as well, if companies respond to global trends and incorporate them into their business strategies, then I think we will see the formation of markets and the evolution of the national energy strategy.

(Asaoka)



Basing Actions on Our Company Mission Statement of "Supporting the Local Community through Commerce"

The Origin of Aeon's CSR Activities

Engaging in "Responsible Initiatives" While Expanding Our Business

Aeon's predecessor company, JUSCO Co., Ltd., was established in 1969, as the result of a merger between three companies—Okadaya, Inc., Futagi, Inc., and Shiro, Inc. JUSCO expanded its business under the mission statement of the time of 'Supporting the Local Community through Commerce.' Since then, the Aeon Group has grown its business and partnered with companies that share its aspirations for advancing retail into more corporate, modern, and industrial forms. In the past 47 years, sales have increased from ¥500 million to ¥8 trillion, the number of stores has expanded from 70 to 21,742, and the number of employees has increased from 4,000 to 550,000.

While charting this course, Aeon has generated new strength for responding to the changes of the times by bringing together a workforce with a diverse array of skills. In order to continue providing safe and reassuring products, we have constantly increased our emphasis on and recognition of "responsible initiatives" along with business expansion. In alliance with our business partners and many stakeholders, we have remained aware of the importance of increasing value, such as the quality of products, and of the growing expectations from society for our role in providing employment and protecting the environment through the growth of our business.

The Origin of Tree Planting Activities

Carrying the Source of Wealth Forward into the Future

In the 1960s, Takuya Okada, then president of Okadaya, Inc. (present day Aeon) and current Honorary Chairman and Advisor of Aeon, noticed that the Nandina (heavenly bamboo) berries in the garden of his home had stopped growing. He assumed that was a result of the earth's changing environment. He also felt a sense of crisis, realizing that the pollution accompanying economic growth would create social problems and that the loss of nature's richness would lead to a loss of source of wealth. In response, the Aeon Hometown Forests Program was started in 1991 as a tree planting activity around Aeon businesses and as an initiative that leveraged the advantages of retailers to bring them into close contact with their region. By planting trees with local customers, the Company was able to work side by side with residents, deepen connections, and share a peaceful sense of joy while recognizing the importance of nature. Mr. Okada's idea was to incorporate the Aeon Basic Principles by expressing them through tree planting activities.

1989–2001

Building a CSR Promotion Framework and Launching New Initiatives

Starting with Trees—Embarking on Many Activities Leading to Today's CSR Initiatives

In order to carry out corporate activities befitting of a retailer representing Japan as well as Asia, and to continue to be a retailer that consistently delivers vital value in the form of "richness," Aeon has proceeded to build a framework for engaging in CSR activities as an organization since the late 1980s.

In 1989, the Aeon Group 1% Club (the present AEON 1% Club Foundation) was established (P.132) and in 1990 the JUSCO Earth-Friendly Committee was formed, along with the Aeon Group Environmental Foundation (the present AEON Environmental Foundation) (P.136). Building on this framework, the Aeon Hometown Forests Program was started in 1991, followed by the Bring Your Own Shopping Bag Campaign and the Collecting Recyclable Resources at Stores Campaign. In addition to receiving the international standard ISO 14001 certification for our environmental management system in 2000, we have launched many other activities leading up to today's CSR initiatives, including the start of Aeon Happy Yellow Receipt Campaign upon the change of our company name in 2001 to also designate the 11th of each month as "Aeon Day."

- 1989 Established the Aeon Group 1% Club Foundation (public name: AEON 1% Club)
- 1990 Established the JUSCO Earth-Friendly Committee
Established the Aeon Group Environmental Foundation (public name: AEON Environmental Foundation)
- 1991 Initiated the Aeon Hometown Forests Program
Started Clean & Green Activities
Commenced the "Bring Your Own Shopping Bag" Campaign on a trial basis and launched the experimental "Collecting Recyclable Resources at Stores" Campaign
- 2000 Acquired ISO 14001 certification, the international standard for environmental management
- 2001 Started the Aeon Happy Yellow Receipt Campaign

2002–2007

Expanding Activities from a Global Perspective

Launching Initiatives Incorporating the 10 Principles of the United Nations Global Compact

With a view to reinforcing its global perspective on CSR, in 2004 Aeon became Japan's first retailer to sign the United Nations Global Compact. In the same year, we also acquired SA8000 certification (P.110), an international standard related to human rights and labor conditions. The "Aeon Supplier Code of Conduct (CoC)," formulated in the previous year in 2003, is based on the 10 principles outlined in the United Nations Global Compact and the requirements of the SA8000 Standard. Building on these activities, Aeon and three labor organizations, including the international labor body UNI Global Union, signed the Global Framework Agreement on labor practices, human rights, and the environment in 2014.



- 2003 Formulated the Aeon Supplier Code of Conduct (CoC)
- 2004 Endorsed the United Nations Global Compact
Acquired SA8000 certification, an international standard related to human rights and labor conditions

2008–2010

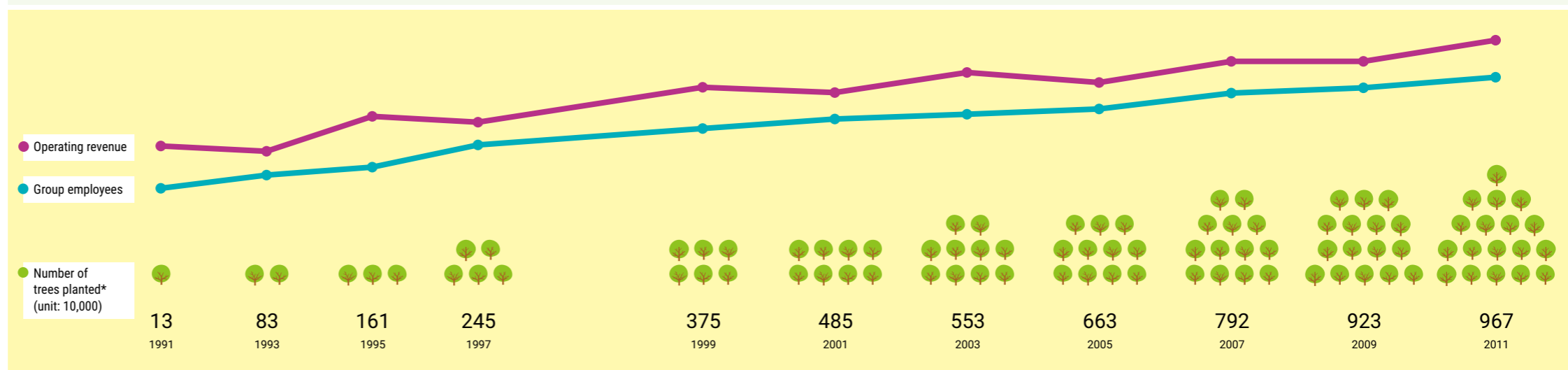
Promoting More Groupwide, Systematic Activities

Formulating Aeon Group Principles Concerning Biodiversity and the Prevention of Global Warming

In 2008, we announced the Aeon Manifesto on the Prevention of Global Warming, becoming the first Japanese retailer to set specific targets for reducing CO₂ emissions. Through initiatives in our stores (developing Eco Stores, etc.), in our products (conserving resources used in packaging materials and changing transportation methods), and with our customers (planting trees at Aeon stores), we were able to surpass the 30% (1.85 million tons-CO₂) reduction target for FY2012, in comparison with FY2006 levels, one year early by achieving a 2.08 million tons-CO₂ reduction in FY2011. Since 2012, we have not only been reducing CO₂ emissions, but have also added the Aeon Eco Project (P.62) as part of our efforts for stores to act as emergency lifeline centers.

Furthermore, we formulated the Aeon Biodiversity Principle in 2010, the year that COP10 (the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity) was held in Japan. Aeon continues to develop and sell biodiversity-responsive products with MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council), and FSC (Forest Stewardship Council) certifications, and create stores with regard for protecting ecosystems.

- 2008 Formulated the Aeon Manifesto on the Prevention of Global Warming
- 2010 Formulated the Aeon Biodiversity Principle



* Combined total for the "Aeon Hometown Forests Program," AEON Environmental Foundation tree planting, and "Aeon Tohoku Reconstruction Hometown Forests Program."

Stepping Up Initiatives on Key Issues Based on the Aeon Sustainability Principle

2011-2013

Striving for Groupwide Growth and Societal Development

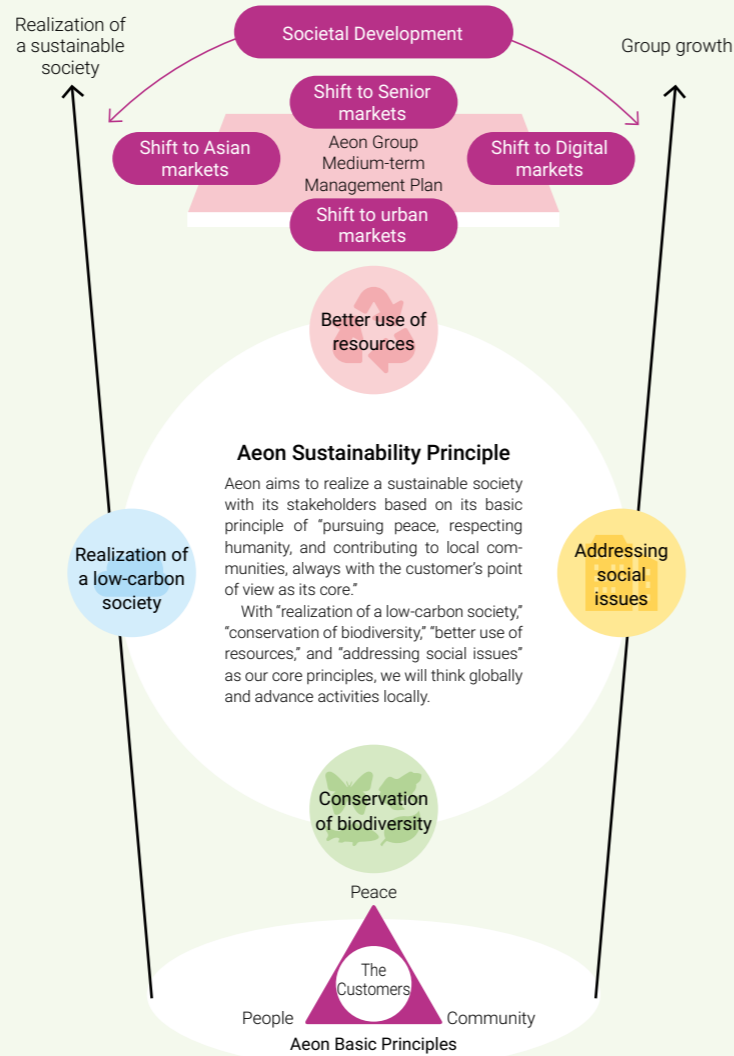
'4 Key Issues' for Sustainable Management

As the globalization of our business continues to make great strides and our impact on the environment and society rises to new levels, we are more actively promoting CSR initiatives throughout the Group. We formulated and announced the Aeon Sustainability Principle in March 2011, seeking to achieve sustainable management combining both growth of the Group and development of societies.

In formulating the principle, we took into account worldwide megatrends, the changing values of people, social issues addressed in the UN Millennium Development Goals (MDGs), guidelines regarding social responsibility such as ISO 26000, as well as the basic content of our new medium-term management plan. Deliberations were made by stakeholders inside and outside the Company, such as our Environmental Advisory Board, Outside Directors, and Aeon People involved with CSR activities. Along with determining the 4 Key Issues for the Aeon Group, we set medium- and long-term key performance indicators (KPI) for each key issue, and publicize our progress every year in our Aeon Sustainability Report.

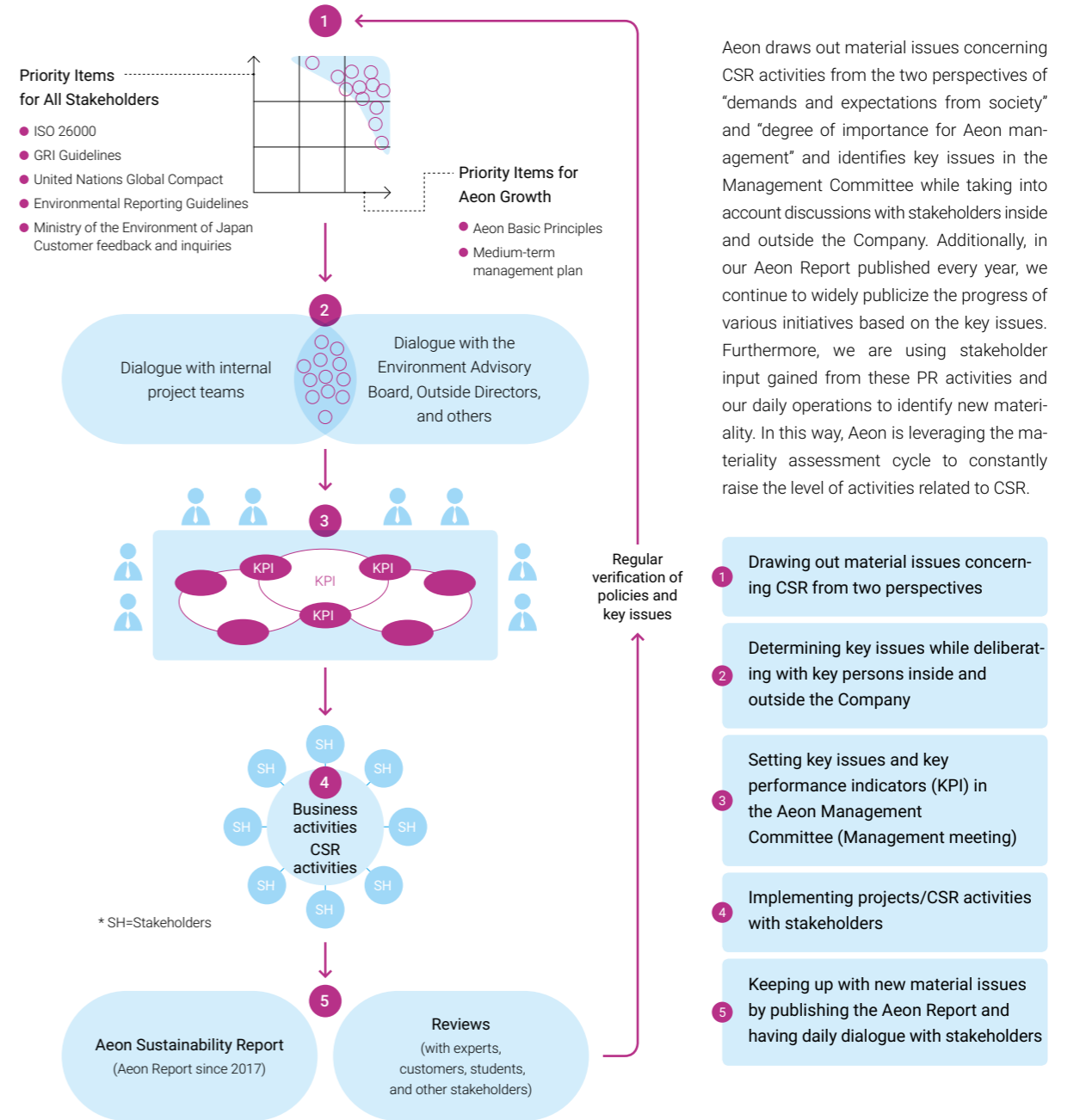
- 2011 Formulated the Aeon Sustainability Principle
- 2012 Started the Aeon Eco Project
- 2014 Formulated the Aeon Sustainable Procurement Principle
Concluded the Global Framework Agreement

Aeon's Basic Principles and Sustainable Management



Materiality Determination Process

Leveraging the materiality assessment cycle to reflect the voices of stakeholders inside and outside the Company



Aeon draws out material issues concerning CSR activities from the two perspectives of "demands and expectations from society" and "degree of importance for Aeon management" and identifies key issues in the Management Committee while taking into account discussions with stakeholders inside and outside the Company. Additionally, in our Aeon Report published every year, we continue to widely publicize the progress of various initiatives based on the key issues. Furthermore, we are using stakeholder input gained from these PR activities and our daily operations to identify new materiality. In this way, Aeon is leveraging the materiality assessment cycle to constantly raise the level of activities related to CSR.



2013
Number of trees planted: more than 10 million



2014

Putting Sustainability Management into Practice (1)

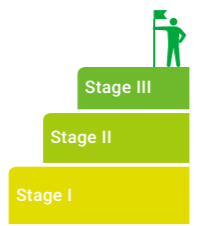
Launching "Big Challenge"—Our Targets for 2020

In order to further advance its sustainability management while responding to the changes in the social environment and the business environment, Aeon assessed the results of its current CSR activities as "Stage II" in 2014. This refers to a three-stage classification system where Stage I denotes business management that controls risk in social, environmental, and economic terms; Stage II denotes CSR activities as functioning to solve social issues and providing the opportunity for growth; and Stage III denotes CSR activities and business activities being managed in a fully integrated fashion. Aeon announced its "Big Challenge," comprising 10 categories that need to be achieved for Stage III by 2020.

Additionally, we hold regular dialogues with outside experts based on the progress of these activities. With the Corporate Citizenship Department as the administrative office, we have stepped up our framework for reassessing materiality and for ad hoc reviews of "Big Challenge" categories.

The Results of CSR Activities

- Fully integrated management of CSR and business CSV (Creating Shared Value)
- Risk reinforcement generating strength
- Initiatives toward addressing social issues (generating growth opportunities)
- Risk control (corporate ethics and compliance)
- Individual activities based on philosophy



Sustainable Development Goals (SDGs)



Paris Agreement

Goal: To keep the rise in global average temperature to below 2°C above pre-industrial levels and limit the increase to 1.5°C
Long-term goals: Completely eliminate total greenhouse gas emissions by 2050

2015-

Putting Sustainability Management into Practice (2)

Reassessing Basic Principles, Key Issues, etc. and Formulating New Medium- to Long-Term Goals

At the UN General Assembly in September 2015, the Sustainable Development Goals (SDGs) were adopted as new global targets to replace MDGs. Furthermore, the Paris Agreement was reached in December 2015 at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21).

In light of these developments, in June 2016 Aeon held dialogues with experts on the topic of "social changes and Aeon's responsibilities." Based on international circumstances and the opinions received through these dialogues, we also reimplemented materiality assessments from the two perspectives of the environment and society. After internal discussions, in April 2017 we reassessed the Aeon Sustainability Principle and identified four key social issues as part of our response to addressing social issues (revised to three in September 2018). At the same time, we also fleshed out the "Big Challenge" categories.

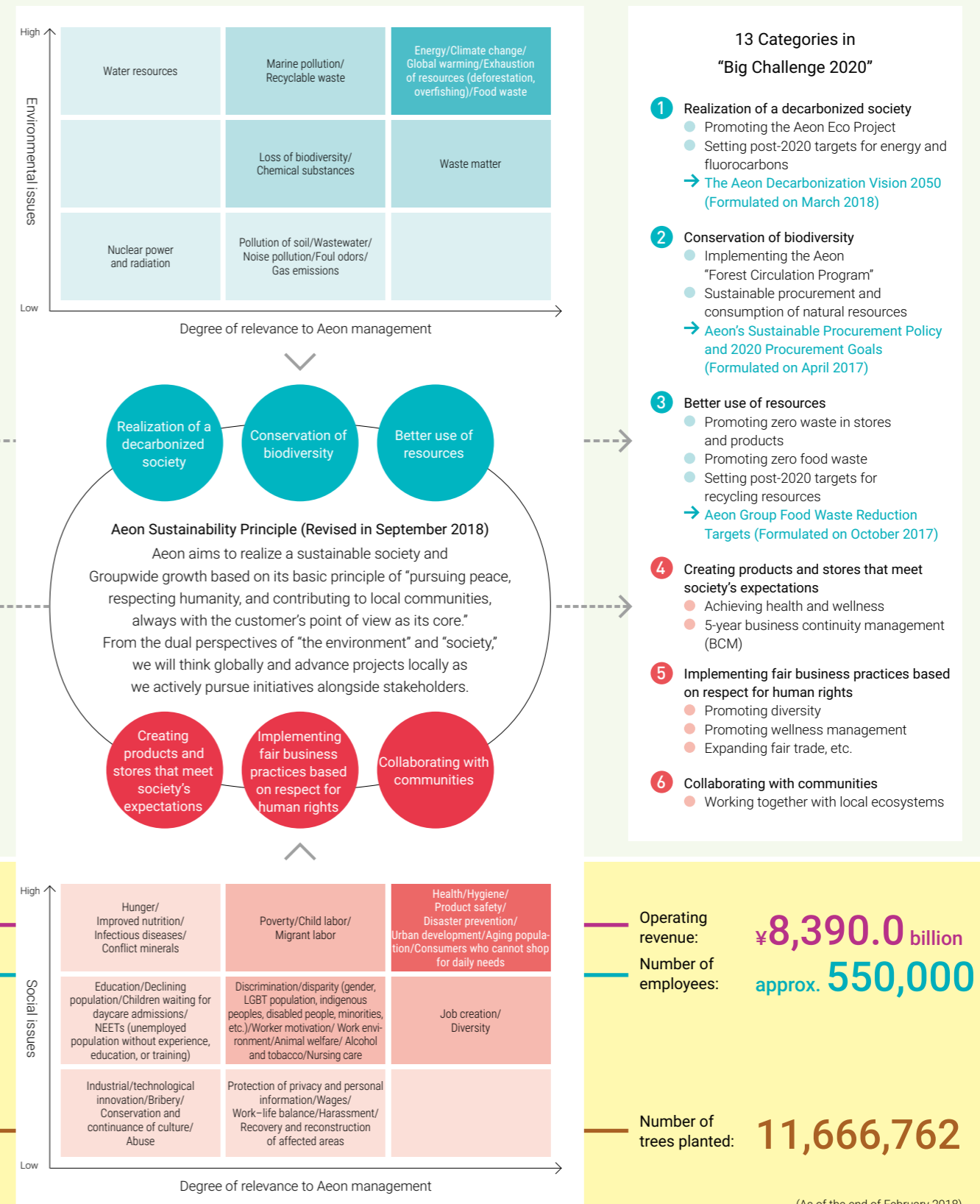
Additionally, in continuation of Aeon's Sustainable Procurement Goals for 2020 (P.72) established in April 2017, the Aeon Group formulated and announced its food waste reduction targets (P.80) in October 2017 and the Aeon Decarbonization Vision 2050 (P.60) in March 2018. In order to contribute to the realization of a sustainable society, the Group has set numerical goals for the medium- to long-term and strives to reach these targets.

Aeon will continue to promote dialogue with stakeholders inside and outside the Company. While not settling for the status quo, we will realize responsible corporate conduct befitting Asia's pre-eminent retailer.

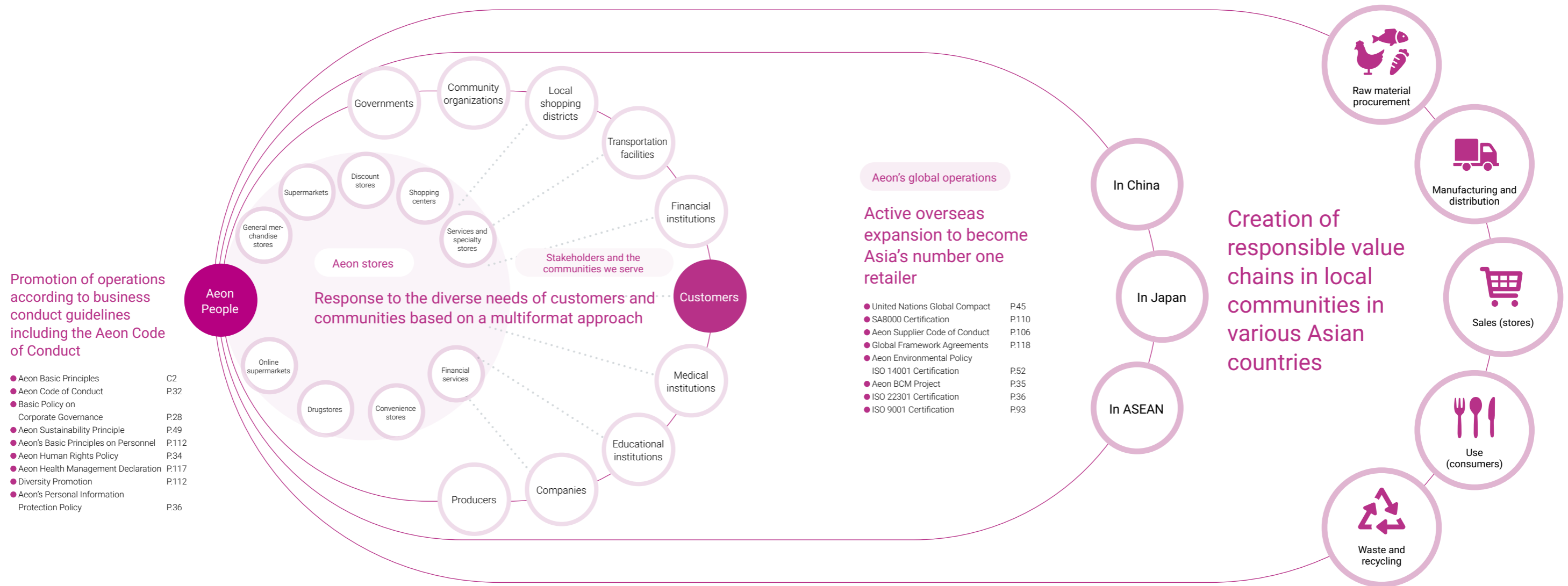
Continuing to Promote Dialogue with Stakeholders

Dialogue Theme

- 2018 Aeon meets its responsibilities as a retailer as shown by aiming to realize a decarbonized society and to achieve the SDGs
- 2017 "What role should Aeon play as a retail business aiming for "sustainable consumption behavior?"
- 2016 Becoming Asia's pre-eminent retailer
- 2015 The Smart Aeon initiative to contribute to the sustainable growth of local communities



Aeon responds to diverse customer and community needs and structures responsible value chains suitable for Asia's number one retailer to contribute to sustainable community development.



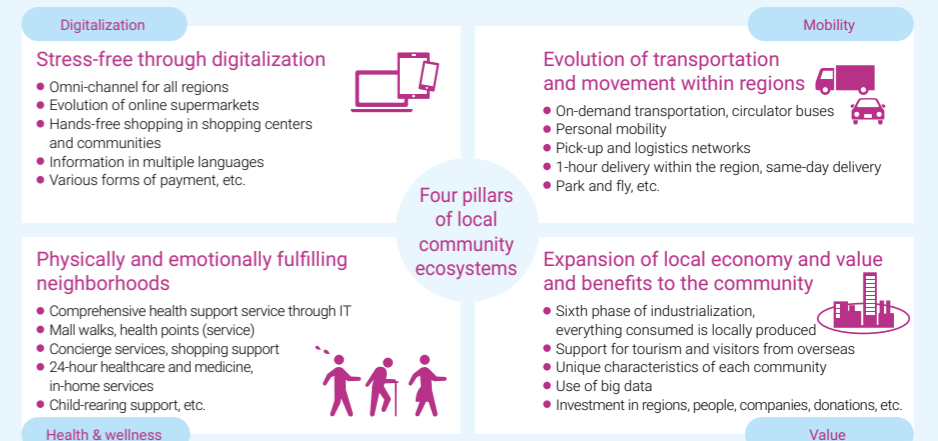
Creating a sustainable society with community residents

- Aeon Forest Circulation Program P.78
- Bustling Tohoku / Project Aeon Joining Hands P.128
- Aeon Welfare Fund P.124
- AEON 1% Club Foundation P.132
- AEON Environmental Foundation P.136

We are addressing the new values of community residents in the digital age by starting to build "local community ecosystems" for new regional development.

In April 2016, Aeon launched programs to construct "local community ecosystems" as an initiative to actually implement the concept that the retail business is a community industry, based on the Aeon Basic Principles. Local community ecosystems initiatives involve collaboration among community residents, governments, companies, and other stakeholders to resolve issues facing the community while increasing community appeal and competitiveness. We aim to structure lifestyle and industry platforms that enable continuous community development. The keywords are digitalization, health and wellness, mobility, and value. We launched this initiative in Chiba Prefecture, home to the headquarters of Aeon Co., Ltd., and are taking on the challenges of various new initiatives in collaboration with communities and governments in designated zones in Chiba to test future urban concepts.

Aeon will expand the reach of "local community ecosystems" to contribute to the development and future of communities.



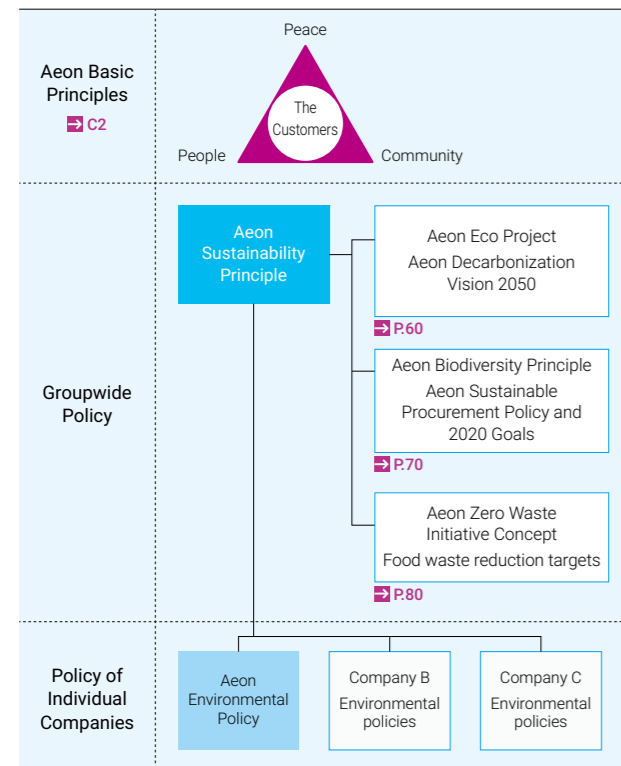
Environmental Policy System

Aeon established the Aeon Sustainability Principle in line with the Aeon Basic Principles as the fundamental policy governing the environmental and social contribution activities that all Aeon Group companies should take part in. Following these policies, the Aeon Eco Project and the Aeon Biodiversity Principle also represent environmental goals and policies for the entire Group.

Effective measures are conducted following the establishment of environmental policies and environmental management systems by each Group company based on their own unique characteristics. This is because the Aeon Group encompasses a multitude of business areas and the challenges that each Group company faces may differ depending on their operating format and sector.

As an example, Aeon Co., Ltd. undertakes environmental protection activities based on the Aeon Environmental Policy, which sets targets and objectives for such activities pursuant to the key issues defined in the Aeon Sustainability Principle. Targets for the following fiscal year are determined by sharing the status of activities undertaken across the entire Group under the guidance of the executive officer in charge of the environment, social contribution, PR, and IR as well as by an evaluation of the progress toward meeting previous targets.

Environmental Policy System



Aeon Environmental Policy*

We strive to balance enriching lifestyles with environmental conservation by providing safe and comfortable stores, products, and services to our customers. We also operate an environmental management system to implement measures, conduct periodical reviews, and promote continual improvements to environmental performance.

1. We will strive to reduce the emission of greenhouse gases in all of our business activities in order to realize a low-carbon society.
 - (1) We will continually improve the energy efficiency of our stores.
 - (2) We will strive to reduce the emission of greenhouse gases in all phases of our products' supply chain.
2. We will promote conservation activities and ascertain the benefits and impact of our business activities on natural ecosystems.
 - (1) We will strive to develop and procure products that use properly managed resources in consideration of sustainability.
 - (2) We will promote tree planting and raising activities as well as undertake activities that safeguard the ecosystems of local communities.
3. We will strive to implement resource recycling initiatives in order to use resources in a sustainable manner.
 - (1) We will promote "reduce, reuse, and recycle" for all the resources we use.
 - (2) We will strive to select raw and general materials that have lower impact on the environment.
4. We will comply with legal requirements and with other obligations related to the environment, and strive to prevent pollution. In addition, we will communicate this policy to all persons working for or on behalf of the organization as well as making it available to the public.
5. We will develop partnerships with many stakeholders, including our customers, and widen the reach of our initiatives.

Revised March 2018

Motoya Okada
President and Representative Executive Officer
Aeon Co., Ltd.

* The Aeon Environmental Policy is applied in the following Group companies: Aeon Co., Ltd., Aeon Retail Co., Ltd., Aeon Retail Store Co., Ltd., Aeon Supercenter Co., Ltd., Maxvalu Minami Tohoku Co., Ltd., Maxvalu Kanto Co., Ltd., Maxvalu Nagano Co., Ltd., Maxvalu Hokuriku Co., Ltd., Aeon Big Co., Ltd., Aeon Integrated Business Service Co., Ltd., My Basket Co., Ltd., Aeon Bike Co., Ltd., Aeonliquor Co., Ltd.

ISO 14001 Certification

As of February 2018, 36 companies in the Aeon Group have acquired ISO 14001 certification, the international standard for environmental management systems. Each company manages its own Plan-Do-Check-Act (PDCA) cycle, achieving results through efforts to continually reduce environmental impacts.

List of ISO-Certified Companies (As of February 2018)

Company	Company
Aeon Co., Ltd.	Aeon Store Kyushu Co., Ltd.
Aeon Retail Co., Ltd.	Aeon Credit Service Co., Ltd.
Aeon Supercenter Co., Ltd.	Aeon Ryukyu Co., Ltd.
Maxvalu Minami Tohoku Co., Ltd.	Maxvalu Kyushu Co., Ltd.
Maxvalu Kanto Co., Ltd.	Maxvalu Hokkaido Co., Ltd.
Maxvalu Nagano Co., Ltd.	Aeon Delight Co., LTD.
Maxvalu Hokuriku Co., Ltd.	Laura Ashley Japan Co., Ltd.
Aeon Integrated Business Service Co., Ltd.	Mega Sports Co., Ltd.
Aeon Big Co., Ltd.	Cox Co., LTD.
Aeon Retail Store Co., Ltd.	Maxvalu Tokai Co., Ltd.
My Basket Co., Ltd. Head Office	Research Institute for Quality Living Co., Ltd.
Aeon Bike Co., Ltd. Head Office	Aeon Hokkaido Co., Ltd.
Aeonliquor Co., Ltd. Head Office	Aeon Global SCM Co., Ltd.
Maxvalu Tohoku Co., Ltd.	Guangdong Aeon Teem Co., Ltd.
Aeon Food Supply Ltd.	The Daiel, Inc.
Maxvalu Nishinihon Co., Ltd.	Aeon Market Co., Ltd.
Maxvalu Chubu Co., Ltd.	The Maruetsu, Inc.
Aeon Mall Co., Ltd.	Aeon Delight (Jiangsu) Co., Ltd.
Aeon Kyushu Co., Ltd.	Aeon Delight (Wuhan) Co., Ltd.

In 2015, the ISO 14001 certification was revised to emphasize integration of business processes and environmental management systems, in addition to the improvement of top management's leadership and performance.

Aeon saw this revision as an opportunity to strengthen its management framework in order to realize its basic policy for sustainability from the dual perspectives of corporate growth and realizing a sustainable society. In light of this, we have actively shifted toward building an environmental management system that is integrated with our business.

As of July 2018, almost all the certified companies within the Group have completed the transition from the 2015 version or have completed their review for acceptance of the transition.

Wastewater Management

Wastewater discharged from Aeon stores rarely if ever contains hazardous substances. Sometimes, however, this wastewater may contain large amounts of oil, which can violate legal standards, clog drainage pipes, or cause other accidents. As a result, Aeon uses DVDs and other teaching materials to conduct training for its employees and the employees of its tenants to ensure day-to-day maintenance is correctly performed, including compliance with cleaning grease traps. We have been making improvements by strengthening day-to-day management, including regularly taking photographs of grease traps to monitor their condition and for use in providing instructions. We have also adopted a system of hygiene checking where the checks are handled by a third party. The continuous implementation of these efforts is part of our method for maintaining a proper level of management.

Furthermore, Aeon Retail Co., Ltd. and several other Aeon Group companies perform water quality testing concurrently including for sewage as part of annual voluntary inspections. Stores where values exceed our voluntary standards, which are even stricter than legal requirements, are required to take corrective action that helps to improve our overall wastewater management practices.

Environmental Education

Aeon provides time in its various training sessions for employees to learn about its environmental principles and policies in order to raise their awareness of the environment.

Since FY2008, we have encouraged employees to take the Certification Test for Environmental Specialists (Eco Test).^{*} This certification is taken by department managers at the head office and higher ranked personnel as well as store managers. Companies that have acquired ISO 14001 certification provide training for this certification to their employees. For example, Aeon Retail Co., Ltd. has established a web-based training tool and requires employees to keep an ISO 14001 handbook with them.

Training seminars for internal environmental auditors led by qualified instructors are also held every year to facilitate smooth operation of the environmental management system. As of February 2018, a total of 1,966 employees have attended the seminars since 2000, when the ISO 14001 certification was acquired.

^{*} The Certification Test for Environmental Specialists is a certification program sponsored by the Tokyo Chamber of Commerce and Industry. It was started in 2006 in order to develop human resources who possess broad-reaching basic knowledge of environmental issues and who can utilize their awareness of these issues in everyday activities, and to help build a sustainable society with a harmonious balance between the environment and the economy.

Group Company Initiatives

Aeon Mall Co., Ltd. Initiatives

Without the understanding and cooperation of specialty shops, Aeon Mall's efforts will not be realized. At each mall, we also educate staff of specialty shops on environmental initiatives and rules on waste management.

The company's medium-term environmental policy includes the goal of having all employees pass the Eco Test. To that end, the entire company is pursuing initiatives such as environmental training for employees.

Aeon Financial Service Co., Ltd. Initiatives

With the goal of supporting the acquisition of certifications that further employees' careers, the company established a subsidy program for various official certifications and exams, including the Eco Test.

Aeon Delight Co., Ltd. Initiatives

The company's 150 employees acquired the Eco Tuning Technician certification, which addresses the maintenance of comfortable and productive facilities, in addition to the fine-tuned utilization of machinery, equipment, and systems. The company received official designation in March 2017. Additionally, the company is carrying out environmental training by, for example, training ISO 14001 internal environmental auditors, while supporting employees with the acquisition of certification as energy managers, etc. The company is also training employees on acquiring techniques for reducing environmental burdens.

Branshes Co., Ltd. Initiatives

At the Eco Kentei Awards 2017, hosted by the Tokyo Chamber of Commerce and Industry, BRANSHEs Co., Ltd. received the Award of Grand Prize.

The Eco Kentei Awards celebrate achievements by "eco-people" and "eco-units" (companies and groups) that serve as model efforts for environmental activities. Branshes was recognized for several contributions, including efforts to restore Sango Forest. This is the company's fourth year in a row to receive an Eco Kentei award in the Eco Unit Division.

Aeon Global SCM Co., Ltd. Initiatives

The company is promoting Eco Drive, or environmentally friendly driving, with its contracted transport companies. Aeon Global SCM provides training sessions and periodically issues the "Eco Drive News" to promulgate information on environmentally friendly driving. Drivers who practice eco-driving for over 12 months receive an annual award for excellent driving. In FY2017, 53 drivers out of 28,813 received the award.

FY2017 ISO 14001 Targets and Performance

[Companywide Targets]

○=Achieved △ and × =Did not achieve, but will continue to make efforts

Environmental Policy	Category	Target	Results	Evaluation	Supervision
Low carbon	Stores	Promote energy conservation Reduce electric consumption to 5% of FY2016 * Target varies according to company	Target: 2,040,638 kWh Result: 2,124,847 kWh Stated target: 104.1% Comparison last year: 98.5%	△	Aeon Co., Ltd. Each Group company
Resources	Stores	Reduce cost of materials Scope: Polyester bags for clothing, sundries, and food, standard polyester bags, etc. Vs. fiscal 2016 Reduction of at least 10% * Target varies according to company	Target: 1,810,454,000 JPY Result: 1,962,568,000 JPY Stated target: 108.4% Comparison last year: 101.6% * We will increase the products, ingredients, and materials covered by these initiatives and take steps accordingly.	△	Aeon Co., Ltd. Each Group company
		Maintain food waste-to-sales ratio at below 0.50% * Target varies according to company	<Average> Result: 0.524% Stated target: 111.9% Comparison last year: 94.0%	△	Aeon Co., Ltd. Each Group company

* Applicable companies: Aeon Retail Co., Ltd., Aeon Retail Store Co., Ltd., Aeon Supercenter Co., Ltd., Maxvalu Minami Tohoku Co., Ltd., Maxvalu Kanto Co., Ltd., Maxvalu Nagano Co., Ltd., Maxvalu Hokuriku Co., Ltd., Aeon Big Co., Ltd.

[Division Targets]

Environmental Policy	Category	Target	Results	Evaluation	Supervision
Low carbon, resources, and biodiversity	Products	Expand sales of environment-friendly products	Product case example Expand sales of sustainable seafood (MSA, ASC) Expand sales of organic and natural products Expand sales of water conservation toilets Expand sales of self + service products, etc.	○	Aeon Co., Ltd. Aeon Topvalu Co., Ltd. Aeon Retail Co., Ltd. Each Group company
Partnerships	Together with Customers	Promote Aeon Cheers Club activities 1. Implement more than four activities at all GMS; implementation rate of more than 80% 2. Complete wall newspapers at all GMS; completion rate of more than 80%	332 stores out of the 455 stores conducted activities more than four times per year. (Excluding new shops in the latter half of the year, including retail stores) Result: 73.0% Comparison with stated target: 91.2%	△	Aeon Co., Ltd. Each Group company

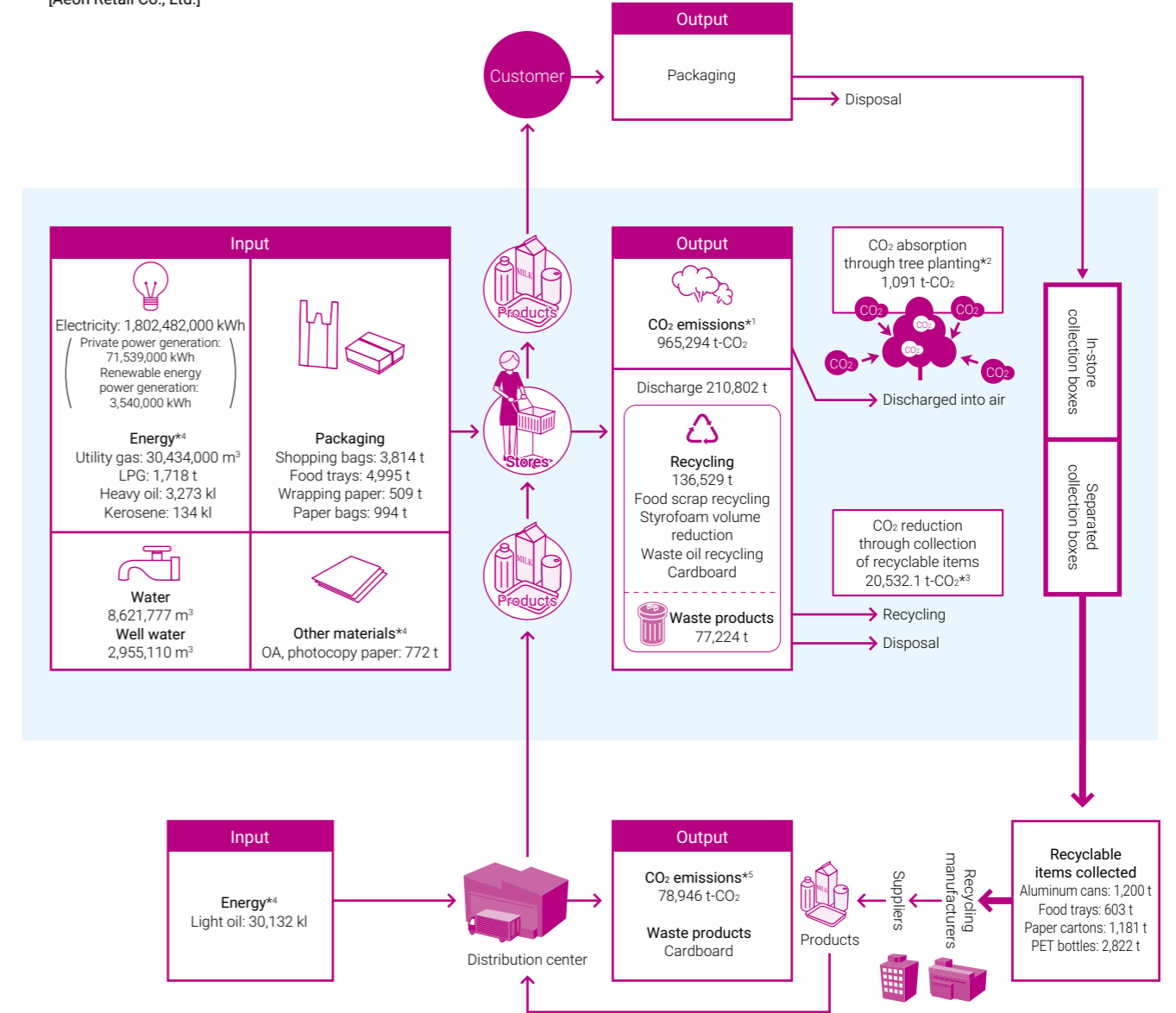
FY2017 Aeon Group Environmental Accounting

Main Category	Subcategory	Accounting Items	Environmental Conservation Costs (Thousand JPY)	Economic Benefits (Thousand JPY)	CO ₂ Reduction (t-CO ₂)
Realization of a Low-Carbon Society	Generation of electricity	Installation cost for photovoltaic power systems	474,275	737,666	4,318
	Energy-saving	Adoption of energy-efficient equipment (installation of LED lighting, visualization of energy usage, etc.)	10,776,773	1,077,219	26,518
	Management of fluorocarbons	Adoption of natural refrigerant equipment, fluorocarbon filling and leakage management	1,174,775	—	—
	Carbon offsets	Carbon offsets (CO ₂ emission trading)	6,420	—	240
	Distribution	Adoption of modal shift, use of returnable containers	2,439,938	791,064	16,425
	Subtotal			14,872,182	2,605,950
Conservation of Biodiversity	Tree-planting activities	Aeon Hometown Forests Program tree-planting, ceremony, construction costs	313,257	—	—
		Regular maintenance for planted zones	784,614	—	—
		The forest transcend project	2,876	—	—
	Production certification	Research, etc. on certified products, procurement guidelines	6,989	—	—
Subtotal			1,107,737	—	—
Better Use of Resources	Reduction of waste	Processing cost of recyclables collected in-store, processing cost of recycling of food residue	1,507,113	835,869	106,582
		Plastic shopping bag reduction	932,779	613,613	84,251
	Reduction of amount of materials used in packaging and containers	Third-party processing fees required under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging	1,466,877	—	—
	Home appliance recycling	Operating costs for home appliance recycling program	89,422	—	—
Subtotal			3,996,193	1,449,483	190,833
Addressing Social Issues	Contributions to local communities	Contributions to the Aeon Happy Yellow Receipt Campaign*	403,879	—	—
	Human resources development	Activities of the Aeon Cheers Club	116,700	—	—
	Tohoku reconstruction support	Coastal forest regeneration in the disaster area Aeon future co-creation program	30,953	—	—
Subtotal			551,532	—	—
Environmental Communication	Media	Preparation of the Aeon Sustainability Report, operation of environmental website	60,819	—	—
	Exhibits	Exhibition at environmental events, advertising-related publications	344,310	—	—
	Donations, etc.	Membership dues in and donations for environmental organizations (donations, etc. to local WAON)	501,178	—	—
	Subtotal			906,308	—
Environmental Management	Generation of processing waste	Processing waste generated by stores and offices, adoption of waste measurement equipment	11,972,580	127,874	—
	Management of waste disposal	Cost of implementing the environmental management system (ISO), waste management seminars	49,395	—	—
	Maintenance of equipment and devices	Maintenance and management of equipment for preventing environmental pollution, prevention of environmental accidents, and restoration in case of an accident	6,210,570	—	—
	Personnel costs	Personnel costs	572,477	—	—
Subtotal			18,805,023	127,874	—
Total			40,238,979	4,183,308	238,335

Applicable companies: 77 consolidated Group companies (General Merchandise Store Business, Supermarket Business, Health & Wellness Business, Financial Services Business, Shopping center Development Business, Services & Specialty Store Businesses, shared function companies, etc.)

* Activities of volunteer groups receiving Aeon Happy Yellow Receipt Campaign proceeds: (1) promoting welfare, (2) promoting environmental conservation and education, (3) promoting urban development, (4) promoting arts and culture, (5) promoting child health and safety

Environmental Load in FY2017 Business Activities [Aeon Retail Co., Ltd.]



*1 Calculations based on energy consumption of equipment at stores and business sites. Calculated using the CO₂ emissions coefficient (2.62 t-CO₂/kl) for light oil.

*2 Calculated based on the total number of trees planted Groupwide under the "Aeon Hometown Forests" program.

*3 Calculated based on the 3R basic unit method (Waste Management and Recycling Department, Ministry of the Environment, March 2013).

*4 Calculated by multiplying the ratio of Aeon Retail by the total energy used by Aeon Global SCM.

*5 Calculated using the CO₂ emissions coefficient (2.62 t-CO₂/kl) for light oil.

Aeon's Promotion Framework for Sustainable Management

Aeon devised Key Performance Indicators (KPI) as part of its commitment to achieving sustainable management. In conjunction with this, we have assigned a division and person in charge for each KPI field and established a system for taking stock of and managing the results of activities on a regular basis. Since FY2012, we have been reporting on the state of KPI implementation and sharing that information with all stakeholders.

In addition, taking into account environmental changes inside and outside the Company, we regularly review our KPI. The Aeon Management Committee receives proposals from the division and person in charge of each KPI field and takes into account input from external experts, government affiliates, and others before reviews are finalized.

CSR Promotion Framework

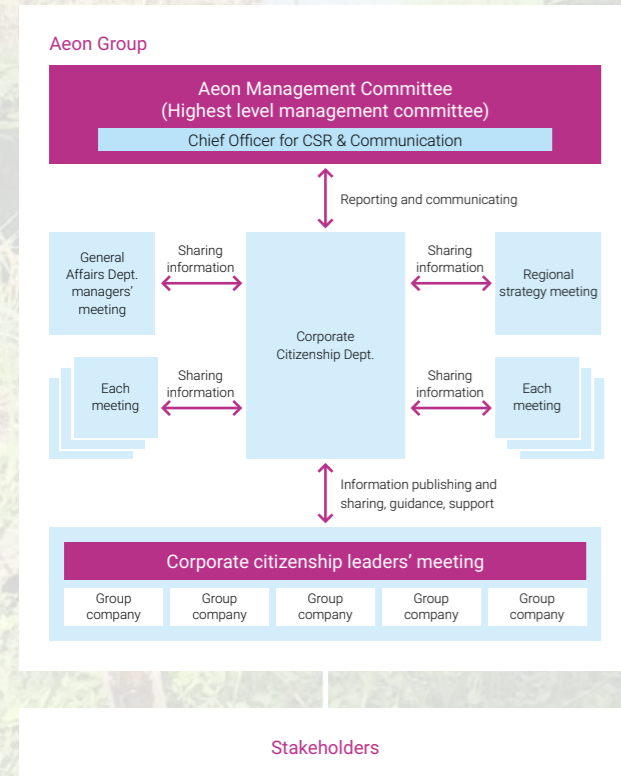
At Aeon, key issues concerning the environment, society, and other CSR activities are reviewed and approved by the Aeon Management Committee (MC), of which all Aeon executives are members. As the scale and geographic scope of our business expand, and as our impact on society and the environment increase, Aeon will continue to practice its Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." In order to achieve our objectives of "Improved customer satisfaction," "Societal development," and "Aeon Group growth," promoting sustainable management that shares growth with all of our stakeholders is indispensable for identifying business opportunities in solving the variety of issues facing society.

Proposals and reports to the MC are brought forward by the Chief Officer for CSR & Communication and approved matters are publicized throughout the Group to share and spread CSR awareness. The Corporate Citizenship Department has been

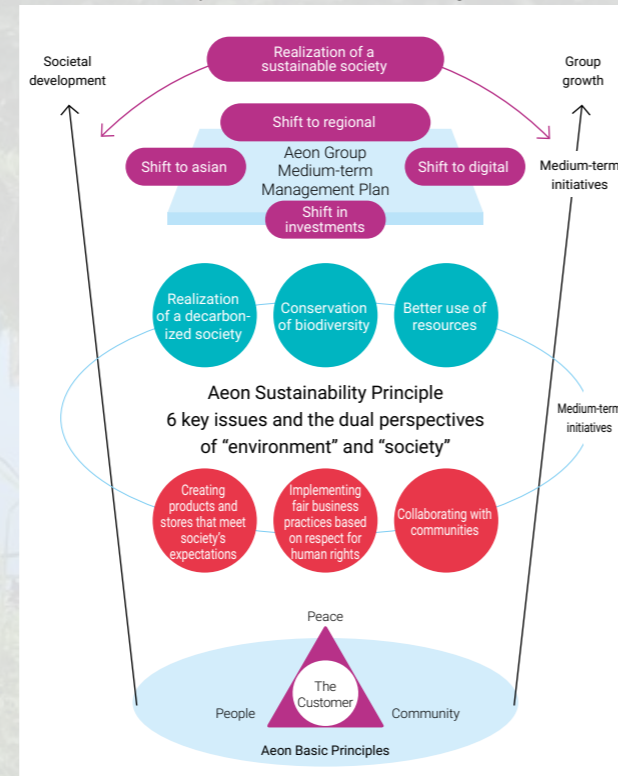
established and given responsibility for the Aeon Group's CSR activities. The Corporate Citizenship Department is the central administrative office for activities and is in charge of reporting and communicating with the Chief Officer for CSR & Communication. The department publicizes and shares information with Group companies and plays a role in leading and supporting their activities. The department regularly holds a corporate citizenship leaders' meeting, examines and considers countermeasures for challenges facing individual Group companies, and collaborates with them to promote execution of the PDCA cycle. Furthermore, as an ISO 14001- and 50001-certified office, the department works to operate and maintain an environmental management system across the entire Group.

Members of the Corporate Citizenship Department also participate in internal gatherings such as the General Affairs Department managers' meeting and the area management planning meeting, while sharing information and collaborating with each department within the Group.

CSR Framework



Aeon's Basic Principles and Sustainable Management



FY2017 Activities

Environmental Activities

- 60 Realization of a Decarbonized Society
- 70 Conservation of Biodiversity
- 80 Better Use of Resources

Social Activities

- 90 Creating Products and Stores That Meet Society's Expectations
- 104 Implementing Fair Business Practices Based on Respect for Human Rights
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- 131 List of External Awards (FY2017) and Primary Environmental Conservation and Social Contribution Activities
- 132 Initiatives by Aeon Public Interest Incorporated Foundations



Realization of a Decarbonized Society

Management Approach

Recognition of Challenges

The problem of global warming has brought a large and negative impact to the global environment. The movement toward global denuclearization is gaining momentum, as exemplified by the Paris Agreement, signed at the 2015 United Nations Climate Change Conference (COP21). In addition, new regulations put forth by the Montreal Protocol in 2016 placed targets on the production and reduction of alternative fluorocarbons.

Aeon has expanded its business to 21,742 stores/locations in 14 countries around the world, and our business activities contribute to global warming due to the high energy use at

these locations and the high use of alternative fluorocarbon refrigerants in our refrigerators and freezers. As a result, we have worked on a variety of initiatives toward realizing a society with low greenhouse gas emissions—"the realization of a low-carbon society," one of our key environmental issues. With the formulation of the Aeon Decarbonization Vision 2050 in March 2018 we have shifted our priority toward realizing a decarbonized society.

Aeon's Approach

As a means of setting environmental goals toward preventing global warming, Aeon formulated the Aeon Manifesto on the Prevention of Global Warming in 2008 and the Aeon Eco Project in 2012, and has used them to reduce energy use and CO₂ emissions. In addition, in 2011 the Company also enacted the Natural Refrigerant Declaration, which promotes the

introduction of natural refrigerants (CO₂) with low global warming potential in refrigerator and freezer cases.

In March 2018, Aeon established new goals in the form of the Aeon Decarbonization Vision 2050. We aim to realize a carbon-free society by 2050 through energy conservation and renewable energy.

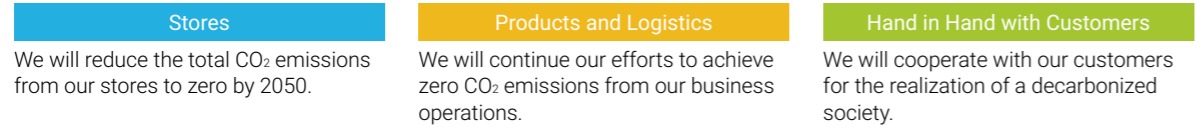
Future Initiatives

The Paris Agreement put forth the goal to limit the increase in the earth's temperature to within 2°C of pre-Industrial Revolution levels. In order to help achieve this goal, we will continue our efforts in the Aeon Eco Project as we undertake efforts for the new Aeon Decarbonization Vision 2050. We are taking this new vision as an opportunity to help shift the entire international community toward renewable energy by joining RE100, a global initiative for businesses committed to operating with 100% renewable energy. Aeon is the first large-scale retail company in Japan to participate in this initiative.

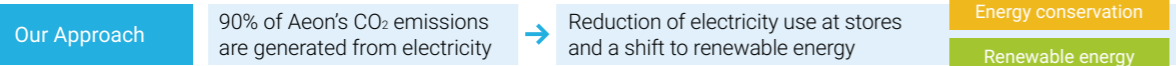
Under the Kigali Amendment adopted in October 2016, alternative fluorocarbons are newly subject to the provisions of the Montreal Protocol and clear reduction targets have been established for the production and consumption of alternative fluorocarbons, which need to be addressed. Taking this into account, Aeon formulated a medium- to long-term plan and aims to expand the introduction of natural refrigerant (CO₂) equipment at new stores.

Aeon Decarbonization Vision 2050 In order to realize a decarbonized society, Aeon has established the Aeon Decarbonization Vision 2050, as well as an interim greenhouse gas emission reduction target to be achieved by 2030.

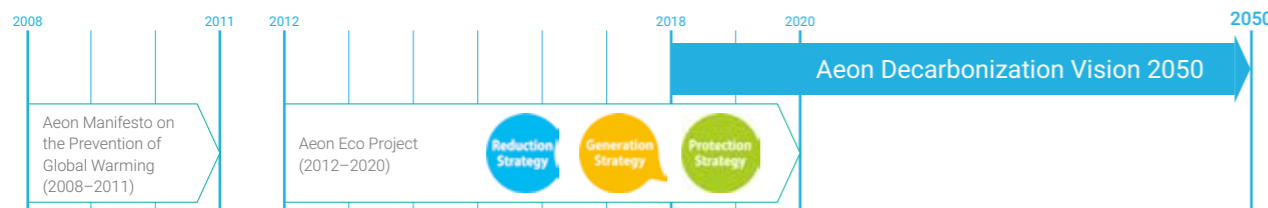
Aeon will help realize a decarbonized society through its following three-pronged approach for reducing greenhouse gas (hereinafter "CO₂") emissions.



Interim Target We will reduce the total CO₂ emissions from our stores by **35%** by 2030 (compared with 2010).



Our Initiatives to Date



FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Reducing CO ₂ emissions from stores	Reducing CO ₂ emissions	Total annual CO ₂ emissions factor (CO ₂ emissions/total floor area)	Consolidated Group companies in Japan and overseas (Japan, China, and ASEAN)	FY2010: 0.102 t/m ² (performance) ▼ FY2017: 0.080 t/m ² FY2020: 0.051 t/m ² or lower	0.078 t/m ² (expected)	1) Introduction and updating of energy-saving equipment: • Increased use of LED lighting (overall lighting, spotlights, refrigerator/freezer cases, etc.) • Introduced and updated energy-saving equipment (A/C, refrigerator/freezer cases, etc.) 2) Energy saving through operational improvement (lighting, refrigerator cases, air conditioning, etc.): • Education provided by energy advisors • Underwent inspection for rational energy management • Reviewed our energy-saving checklist and used operating manual to promote energy conservation • Received feedback from energy-saving activities in the SM business, survey successes • Promoted eco-tuning 3) Energy management activities utilizing ISO 50001
	Improving energy efficiency [Reduction Strategy]	Total energy use factor (amount of heat/total floor area)	Consolidated Group companies in Japan and overseas (Japan, China, and ASEAN)	FY2010: 2.776 GJ/m ² (performance) ▼ FY2017: 2.180 GJ/m ² FY2020: 1.388 GJ/m ² or lower	2.138 GJ/m ² (expected)	
	Preventing leakage of fluorocarbons and promoting use of natural refrigerant equipment [Natural Refrigerant Declaration]	Comprehensively assess replenishment volume of fluorocarbons in air conditioning and cold storage equipment and prevent leakage	Consolidated Group companies in Japan	FY2017: Operation of management system compliant with the Fluorocarbons Recovery and Destruction Law	Implemented leakage management for major companies within the Group, centered on Group Company Aeon Delight Co., Ltd.	1) Underwent simple inspections on equipment along with regular follow-up checks 2) Conducted regular reporting and management of fluorocarbon leakage volume
Reducing CO ₂ emissions from products and logistics	Reducing CO ₂ emissions through visualization in logistics	Number of stores installing refrigerated display cases that use natural refrigerants	Consolidated Group companies in Japan for GMS, SM, and small-sized store businesses	Plan for installation at new stores FY2017: introduction in all new stores	Installed at 229 stores including 9 GMS, 75 supermarkets, and 145 drugstores (cumulative total of 375 stores)	1) Continued to promote introduction of non-fluorocarbons 2) Examined the increased introduction of refrigerator/freezer cases with built-in CO ₂ refrigerants 3) Increased introduction at drugstores
		CO ₂ emissions per case during delivery from distribution centers to stores	Aeon Global SCM Co., Ltd.	CO ₂ emissions per case in FY2017: reduce by 13% compared with FY2013 (128.0g of CO ₂ /case)	CO ₂ emissions per case in FY2017: reduced by 17.2% compared with FY2013 (121.9g of CO ₂ /case)	1) Increased introduction of environmental vehicles 2) Continued eco-driving courses and driving 3) Excellent driver awards
Generating electricity at stores	Generating renewable energy [Creation Strategy]	Power generation capacity of renewable energy (purchased power only)	Consolidated Group companies in Japan for GMS and SM businesses	Generate 200,000 kW of renewable energy by 2020	Cumulative total output of approximately 65,000 kW	Installed solar panels in 8 stores (Total 982 stores) * As figures reported in and before FY2016 were incorrect, we have revised the figures in FY2017.

Reducing CO₂ Emissions from Stores

Aeon Decarbonization Vision 2050

In order to realize a decarbonized society, Aeon has established the Aeon Decarbonization Vision 2050, as well as an interim CO₂ reduction target to be achieved by 2030.

Aeon Decarbonization Vision 2050

Aeon will work to reduce greenhouse gas (hereinafter "CO₂") emissions by taking the following three-pronged approach, thereby contributing to the realization of a decarbonized society.

Stores

We will reduce the total CO₂ emissions from our stores to zero by 2050.

Products and Logistics

We will continue our efforts to achieve zero CO₂ emissions from our business operations.

Hand in Hand with Customers

We will cooperate with our customers for the realization of a decarbonized society.

Interim Target

We will reduce the total CO₂ emissions from our stores by 35% by 2030 (compared with 2010).

Based on this vision, Aeon will work to reduce its total emissions of CO₂ and other greenhouse gases from its stores to zero, while cooperating with all stakeholders, including customers and business partners across the supply chain (such as manufacturers and logistics companies), for the realization of a decarbonized society.



Aeon Mall Zama

For the attainment of its interim target, Aeon will foster energy conservation measures for the use of electricity, which accounts for about 90% of the total CO₂ emissions generated from its stores and business operations, thereby meeting its goal of reducing CO₂ emissions by at least 1% per year while continuing to achieve business growth. Furthermore, the interim target was set in line with the target-setting criteria provided under the Science Based Targets (SBT) international initiative launched for the achievement of the 2 degrees Celsius target* upheld in the Paris Agreement. The interim target will be SBT-certified as a "science-based" target.

* Target of keeping the rise in global average temperature to below 2 degrees Celsius above pre-Industrial Revolution levels

Aeon Eco Project

Aeon introduced the Aeon Eco Project, which sets environmental targets for FY2020, and is carrying out various initiatives based on three strategies to achieve those targets. The Reduction Strategy promotes conservation of energy through smart usage; the Creation Strategy focuses on generating and conserving energy by creating renewable energy centered on solar power generation; and the Protection Strategy aims to turn stores into disaster-prevention facilities in order to function as lifelines in times of emergency.



	FY2017 Results	Targets for FY2020	Example Initiatives
Reduction Strategy P.62	Energy consumption expected to be reduced by approximately 23% (compared with FY2010)	Reduce energy consumption at stores by 50% compared with FY2010	Switch from basic lighting and spotlights to LED lighting at approximately 7,500 stores across Japan (total up to FY2017)
Creation Strategy P.68	Solar panels installed in 982 stores Electricity generation capacity of approximately 65,000 kW (total up to FY2017)	Generate 200,000 kW of renewable energy	Installation of solar panels
Protection Strategy P.99	40 disaster prevention facilities across Japan (total up to FY2017)	Turn 100 Aeon stores in Japan into disaster-prevention facilities	Installation of private power generation equipment

Reducing CO₂ Emissions and Improving Energy Efficiency [Aeon Eco Project: Reduction Strategy]

Aeon stores consume a large volume of energy,*¹ mainly in air conditioning and lighting as well as refrigerator and freezer cases. For Aeon, which has a store network spanning Japan as well as other countries in Asia, the reduction of CO₂ emissions from stores*² contributes significantly to reducing emissions for the entire company. Accordingly, we place particular emphasis on reducing CO₂ emissions from our stores.

We continued and actively promoted the switch to LED lighting in our stores in FY2017, and basic lighting and spotlights

were changed to LED lighting in around 7,500 stores in total. In addition, we undertook initiatives such as the introduction and updating of energy-saving equipment and verification of rational energy management techniques. For example, facility managers from Aeon Retail Co., Ltd. worked with store energy advisors to plan and execute measures in an effort to improve the management of energy efficiency at stores that lacked energy consumption efficiency in terms of energy used per basic unit. Aeon's electricity use in FY2017 is forecasted to be approximately 23% lower than in FY2010. This is mainly as a result of the introduction of LED lighting, the introduction

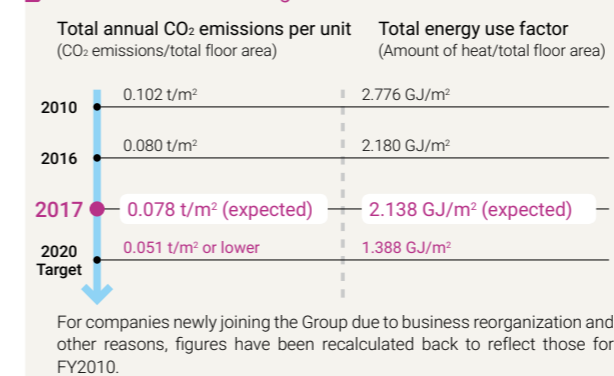
of energy-saving equipment and measures, and operational improvements.

In FY2018, we aim to reduce energy use even further by introducing new energy-saving equipment and improving energy-saving operations. In addition to our reduction target for energy use per unit, we are also actively working to reduce our total energy use, and will continue to build a framework for achieving our long-term goals.

*¹ Based on amount of heat, electricity accounts for 94% of energy consumption, while the remainder consists of city gas, LP gas, and heavy oil.

*² All CO₂ emissions from stores are generated through energy consumption. Specifically, around 7% comes from direct emissions through city gas, LP gas, and combustion of heavy oil (Scope 1) and around 93% comes from indirect emissions through power consumption (Scope 2). The calculation of CO₂ emissions from power consumption uses calculation standards and an emissions factor pursuant to the Act on Promotion of Global Warming Countermeasures.

FY2017 Results and Target of KPI



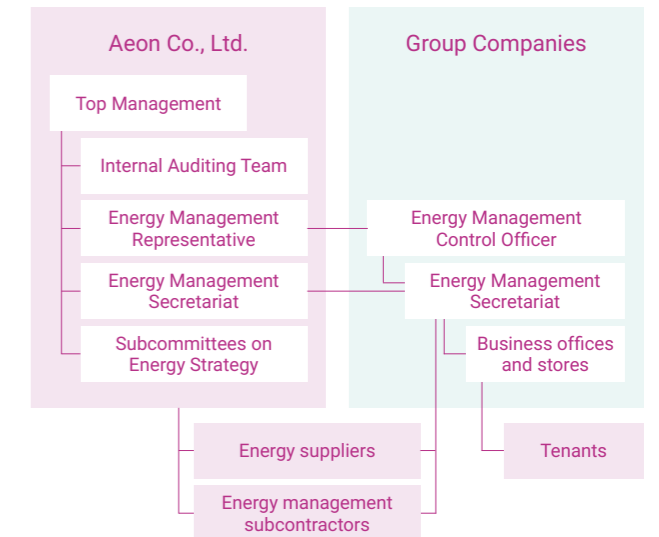
Acquisition of ISO 50001 Certification

In July 2013, Aeon Co., Ltd. became the first retailer in Japan to obtain the ISO 50001 certification, an energy management certification defined by the International Organization for Standardization (ISO). ISO 50001 is an international standard specification that defines the requirements to be met by business operators when they establish an energy management system. It is being adopted around the world, including in the U.S. and China. Aeon has established an energy management system under which it promotes Groupwide efforts to use energy more efficiently with the goal of attaining the energy-saving targets laid out in the Aeon Eco Project. Looking to the future, we will further enhance our energy management system in order to reach the long-term goals stated in the Group's Aeon Decarbonization Vision 2050, in addition to the aforementioned activities. The ISO 50001 certification applies to Aeon's comprehensive range of energy management activities covering its entire Group.



ISO 50001 certificate

Framework for Promoting Our Energy Management System (EnMS)



Improving Energy Management Practices

Aeon Co., Ltd. has systematized an in-house Energy Advisor Program aimed at leveraging its Aeon Eco Project to further develop human resources at its retail stores.

The Energy Advisors help assess the status of energy use in stores and work to propose and promote ideas toward more efficient usage. As of the end of February 2018, a cumulative total of 660 Energy Advisors had been certified.

In the future, we will continue to develop more certified Energy Advisors, enhance the capabilities of current Energy Advisors, and work to expand the program to Group companies, including those outside of Japan.

Preventing Leakage of Fluorocarbons and Promoting Use of Natural Refrigerant Equipment

More and more freezing and refrigeration units started using non-ozone depleting alternatives to chlorofluorocarbons (CFCs) as refrigerant following the abolition of the production and use of ozone-depleting CFCs under the Montreal Protocol adopted in 1987. However, these alternatives have extremely high global warming potential (GWP)*¹ and the problem of leaking into the atmosphere, which prompted calls to switch to natural refrigerants with low GWP. Further, under the Kigali Amendment adopted in October 2016, alternative fluorocarbons are newly subject to the provisions of the Montreal Protocol and clear reduction targets have been established for the production and consumption of alternative fluorocarbons, which need to be addressed.

In 2009, Aeon became Japan's first retailer to start introducing refrigerators and freezers that use a low-GWP natural refrigerant*² (CO₂). Following this, we announced the Aeon Natural Refrigerant Declaration in 2011 and are planning to install natural refrigerant-based refrigerators and freezers in every new store going forward.

As of the end of February 2018, we have installed natural refrigerant-based refrigerators and freezers at 375 stores, including new GMS, supermarkets, convenience stores, drug stores, and others. We will continue considering the switch to natural refrigerants on a gradual basis, even in existing stores.

*1 Global warming potential: Coefficient indicating the degree of impact on global warming. If CO₂ is 1, the alternative fluorocarbons being used in refrigerator cases are several thousand times that amount.

*2 Natural refrigerants: Substances known as natural refrigerants include ammonia and carbon hydride as well as CO₂.



Aeon Style Toyota

Installation of Recharging Stations for Electric Vehicles

Aeon established its first high-speed recharging station for electric vehicles at the Aeon LakeTown Shopping Center in 2008 to respond to the increasing use of electric and plug-in hybrid vehicles. Since then, we have set up recharging stations at most of our new shopping centers.

We are actively working to establish WAON authentication and billing services and to install recharging stations at existing stores, and as of the end of February 2018 there were 2,083 stations (1,622 in Japan, 461 overseas) installed at 227 stores in Japan and overseas.

Furthermore, Aeon Mall Co., Ltd. joined the global initiative EV100 to coincide with the completion of installations at all of its shopping centers across Japan.

* EV100 is a global initiative for the promotion of electric vehicles undertaken by the international NGO The Climate Group since 2017. This initiative is aimed at increasing the use of electric vehicles by companies and improving the environment.

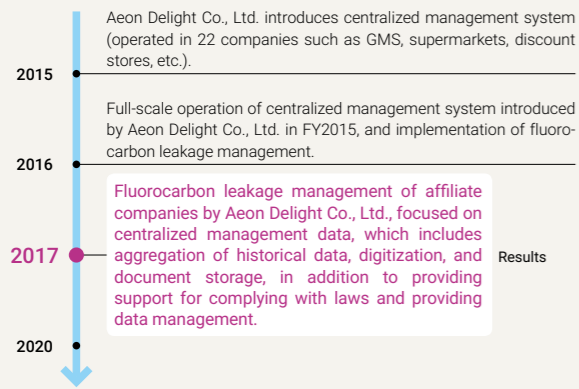
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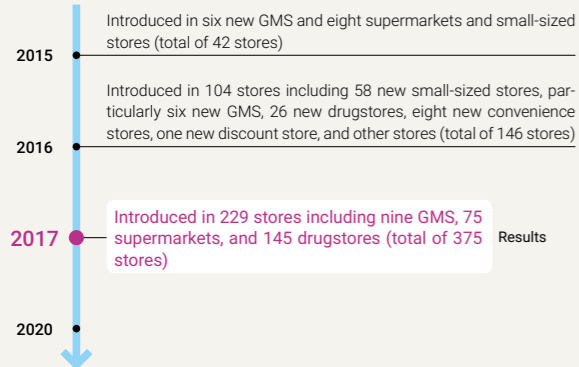


FY2017 Results and Target of KPI

Measures for assessing replenishment volume and preventing leakage of fluorocarbons used in air-conditioning, refrigerated display cases, and freezers



Introduction of refrigerated display cases and freezers that use natural refrigerants



Development of Eco Stores [Expansion of Smart Aeon]

Working to build environmentally friendly stores, Aeon has defined Eco Stores as outlets that achieve at least 20% lower CO₂ emissions in comparison with conventional stores, and a CASBEE*1 ranking of A or higher. Since the opening of our first Eco Store, the Aeon Town Chikusa Shopping Center, in May 2005, 12 such stores had been opened by February 2013.

In September 2012, we started working on further developments for our next-generation (Smart Aeon) Eco Stores. In addition to building stores with lower environmental impacts, we also formulated five criteria (Smart Energy; Integration of E-Money and the Internet; Traffic Situation (Smart Mobility); Biodiversity and Landscape; and Disaster Prevention and Regional Infrastructure) from the perspective of civic- and community-building efforts carried out in cooperation with local regions. We have positioned this as a key initiative for implementing the Aeon Eco Project.

Starting with the opening of the first Smart Aeon store, Aeon Mall Yahata Higashi, in March 2013, the number of Smart Aeon stores has increased to 10*2 as of the end of February 2018. Moreover, March 2018 saw the opening of a new store, Aeon Mall Zama.

Looking ahead, we will continue to evolve toward becoming carbon-free and embark on the next generation of Smart Aeon, and in doing so reduce the CO₂ emissions from our stores to 50% compared with standard stores.

*1 CASBEE: An environmental performance evaluation system for architecture that was developed by the Ministry of Land, Infrastructure, Transport and Tourism in 2001. It is used as an index that objectively evaluates and displays such performances as consideration for the global and surrounding environment, waste in running costs, and comfort for users.

*2 Aeon Mall Yahata Higashi, Aeon Town Shin-Funabashi, Aeon Mall Osaka Dome City, Aeon Mall Makuhari New City, Aeon Mall Nagoya Chaya, Aeon Mall Kyoto Katsuragawa, Aeon Mall Kisarazu, Aeon Mall Okinawa Rycorn, Aeon Mall Shijonawate, and Aeon Mall Sakai Teppocho



TOPICS

Aeon Cool Choice Declaration

In July 2017, Aeon endorsed the objectives of the nationwide "Cool Choice" movement, which encourages "wise choices" that contribute to global warming countermeasures, and made a Group declaration to spread and carry out its practices.

Aeon has actively taken part in several Cool Choice initiatives in order to help with the movement, including the CO₂ Reduction/Light-Down Campaign in which around 1,700 facilities—including Group stores and business establishments throughout Japan—participated, and the "Cool Choice Campaign for One-Time Delivery: The Home Redelivery Prevention Project."

The Aeon Cool Choice Declaration further enhances the development of products and services that contribute to the prevention of global warming, which is a priority initiative for the Group. Through this declaration and by promoting Cool Choice alongside our customers, we will express our commitment of

contributing to the prevention of global warming and eventually realizing a sustainable society. We will continue to promote Cool Choice initiatives through our products and services and by working with our customers.



Aeon's Cool Choice Declaration Conference



Customer Declaration Card



Reducing CO₂ Emissions from Products and Logistics

Reducing CO₂ Emissions through Visualization in Logistics

Aeon prescribed "CO₂ emissions per case during delivery from distribution centers to stores" as a KPI, and we are working to reduce CO₂ emissions through its "visualization" in logistics.

As a result of our continued efforts such as the relocation of distribution sites, promotion of eco-driving*, reduction in frequency of deliveries through enhanced loading efficiency of delivery vehicles, and introduction of environmentally friendly vehicles, in FY2017 our CO₂ emissions per case during delivery from distribution centers to stores were 121.9g CO₂, a reduction of approximately 17.2% from FY2013.

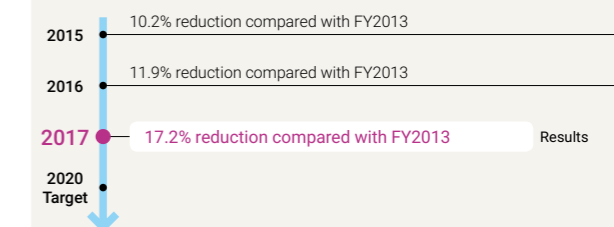
In FY2018, the target is to reduce CO₂ emissions per case during delivery from distribution centers to stores to 120.0g CO₂, a reduction of 18% compared with FY2013. In addition, along with participating in various research meetings related to the environment started by groups such as universities, automotive manufacturers, gas companies, logistics companies, and governments, we will introduce environmentally friendly vehicles and promote the expansion of a modal shift, including coastal shipping, through an environmental vehicle study group and Modal Shift Study Group (name changed in 2017) sponsored by Aeon.

In addition to continuing these efforts, going forward we will promote initiatives in both tangible and intangible aspects such as 100% introduction of environmentally friendly vehicles, safe driving workshops including the prevention of accidents when unloading, and enhancement of system for awarding good drivers.

* Eco-driving: Efforts to reduce CO₂ emissions when driving by conserving fuel such as through gentle steering and avoiding unnecessary idling

FY2017 Results and Target of KPI

CO₂ emissions per case during delivery from distribution centers to stores



Promoting a Modal Shift through Collaboration with Companies in Other Industries

Aeon Global SCM Co., Ltd., which is responsible for Aeon's logistics, aims to reduce CO₂ emissions and conducts joint research in rail transport initiatives with each member company through its Aeon Modal Shift Study Group.



Aeon Modal Shift Study Group dedicated trains

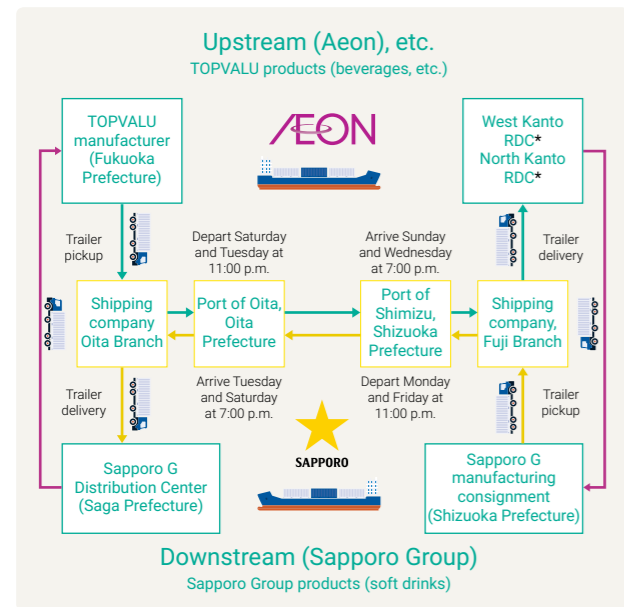
As for these efforts, with the cooperation of Japan Freight Railway Company, seven manufacturers* jointly participating in the same study group run a dedicated railway freight service between Tokyo and Osaka, which has been greatly expanded to 42,996 containers (12-foot equivalent) through Aeon's railway transport.

With regard to shipping, Aeon, in collaboration with the Sapporo Group, began round-trip freight transportation between the Port of Shimizu in Shizuoka Prefecture and the Port of Oita in Oita Prefecture using the first domestic RORO (roll-on roll-off) cargo ship in July 2017. Compared with transporting freight on land via truck, this method reduces CO₂ emissions by 47.0%.

In addition, we have continued our trailer relay transport initiative in collaboration with Kao Corporation since last year. By conducting trailer load exchanges at intermediary relay points, we can facilitate efficient transport in an ongoing manner.

Going forward, we will continue to assertively promote a modal shift that extends beyond the industry as well as methods other than rail in order to reduce CO₂ emissions.

* Ajinomoto Co., Inc., Asahi Breweries, Ltd., Ezaki Glico Co., Ltd., Kao Corporation, Nestle Japan Ltd., Procter & Gamble Japan Co., Ltd. (P&G), and Sapporo Breweries Ltd. (in alphabetical order)



← Aeon G transport → Sapporo G transport
* Regional Distribution Center

Communicating Our CO₂ Reduction Efforts to Customers

Aeon is working toward a "visible" carbon footprint (CFP) that displays on products the CO₂ emissions that are generated through its entire life cycle (raw materials, processing stages, distribution, consumption, disposal, recycling). Through this "visualization," we are aiming to reduce CO₂ emissions and further enhance our relationship with the environment of our customers.

We have participated in the "Carbon Footprint (CFP) Study Group," sponsored by the Ministry of Economy, Trade and Industry, since 2008, and have been working on verifying carbon footprints for about 20 products.

In March 2014, we calculated and verified CO₂ emissions for "Bio My Basket." Based on these results, we also implemented a carbon offset to compensate for CO₂ reduction activities in other places where CO₂ was emitted from January 2016 to April 2017.

Carbon Offset Achievements

- Target products: Bio My Basket
- Period: January 2016–April 2017
- Amount: 800 t-CO₂

Developing and Selling Products That Help Reduce CO₂ Emissions

Aeon is working to develop and sell products that help reduce CO₂ emissions. Our TOPVALU "Less is More" organic Yukigura potatoes from Toya, Hokkaido Prefecture are one example of our efforts. These potatoes use the cooling power of snow for preservation after harvest, which reduces electricity use and helps reduce CO₂ emissions. In FY2016, Aeon handled 25% of all potatoes shipped by JA-Toyako, and CO₂ emissions have been reduced by about 38 tons through this initiative.



TOPVALU "Less is More" organic Yukigura potatoes from Toya, Hokkaido

Initiatives at Aeon Group Companies

Efforts by Maruetsu, Inc. to Prevent Global Warming and Support Environmental Conservation in Affected Areas through Carbon Offsetting

Maruetsu, Inc. engages in carbon offsetting every year over a two-month period from October to November to compensate for CO₂ emissions created through procedures such as the manufacture of plastic bags. These emissions are offset by conservation of the Tohoku forest, which absorbs the CO₂.

In 2017, Maruetsu purchased CO₂ credits from the three prefectures of Iwate, Miyagi, and Fukushima, areas affected by the Great East Japan Earthquake, in order to promote the environmental activities associated with the prevention of global warming and to support disaster-affected areas.

These offset credits were purchased by using proceeds from the sale of recyclable resources such as paper cartons and PET bottles, which were collected from stores with the help of customers. Since FY2017, Maruetsu has provided additional donations exceeding this collected amount. In addition to these efforts, customers are cooperating with the company's efforts to reduce plastic bags by bringing their own. Maruetsu will continue to promote efforts such as these to prevent global warming.

* As part of our efforts to reduce CO₂ emissions (greenhouse gases) from the company, we purchase credits that function as emission rights to offset emissions that are difficult to reduce. These credits offset emissions by funding forest conservation efforts or other activities that absorb or reduce emissions and thus compensate for the CO₂ produced.

Tabulating CO₂ Emissions across the Entire Supply Chain

In addition to managing greenhouse gas emissions they generate directly (Scope 1) and indirect emissions from the use of electricity (Scope 2), companies must now manage emissions across their entire supply chain (Scope 3). In response to this development, Aeon has been calculating* Scope 3 CO₂ emissions, and priority areas have been subjected to regular third-party verification since FY2012. Aeon has calculated Scope 3 emissions*¹ from FY2012, and locations in priority areas periodically send results to a third party for verification.*²

In the future, we will further expand the precision of our data, add more businesses for which we gather data, and use data analysis to pursue reductions in CO₂ emissions.

*¹ For calculations, we reference the Emissions Rate Index Database for Calculating GHG Emissions, etc. in an Organization's Supply Chain (Ver. 2.3).

*² In FY2016, verification by a third party was received with regards to Scope 3 emissions from transport and shipments (upstream). This procedure is set to continue moving forward.

FY2017 Scope 3 Emissions

Scope 3 Emissions Categories	Emissions (t-CO ₂ e)	Composition (%)
1 Purchased products and services	3,249,919	49.7
2 Capital goods	1,633,055	25.0
3 Fuel and energy related activities not included in Scope 1 and Scope 2	341,607	5.2
4 Transport and shipments (upstream)	232,063	3.5
5 Waste from business activities	114,838	1.8
6 Business travel	79	0.0
7 Employee commutes	48,477	0.7
8 Leased assets (upstream)	0	0.0
9 Franchise	0	0.0
10 Investments	0	0.0
11 Transport and shipments (downstream)	129,076	2.0
12 Processing of products sold	72,174	1.1
13 Use of products sold	706,084	10.8
14 Disposal of products sold	0	0.0
15 Investment leased assets (downstream)	15,960	0.2
Total	6,543,329	100.0

TOPICS

Verification of Greenhouse Gas Emissions by Third Party

In June 2018, we conducted third-party verification of greenhouse gas emissions at Group company Maxvalu Chubu Co., Ltd. We will continue to improve data reliability and reduce greenhouse gas emissions.



1. Scope of Verification

CO₂ emissions produced from energy consumption at stores operated by Maxvalu Chubu Co., Ltd. from April 1, 2016 to March 31, 2017.

2. Methodology

We received third-party verification based on the requirements of ISO 14064-3 (2006): Greenhouse gases-Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.

Verified greenhouse gas emissions

Scope 3 category 42,240 t-CO₂e

Generating Electricity at Stores

Generating Renewable Energy [Aeon Eco Project: Creation Strategy]

The goal of the "Creation Strategy" under the Aeon Eco Project is to build an electricity generation capacity of 200,000 kW* by 2020.

In FY2017, we installed solar panels with electrical generation capacity totaling 3,498 kW at eight of our stores, including supermarkets with flat roofs, new large-scale supermarkets, and convenience stores. This brings the total number of stores with installed units to 982, and our total generation capacity to 65,000 kW.*

In addition to contributing to reductions in electricity use through self-consumption, electricity from solar panels is sold to power companies through a fixed price purchasing system. We are reinvesting profit from electricity sales to offset increased electricity rates, contribute to our BCP, invest in the environment, and invest in renewable energy.

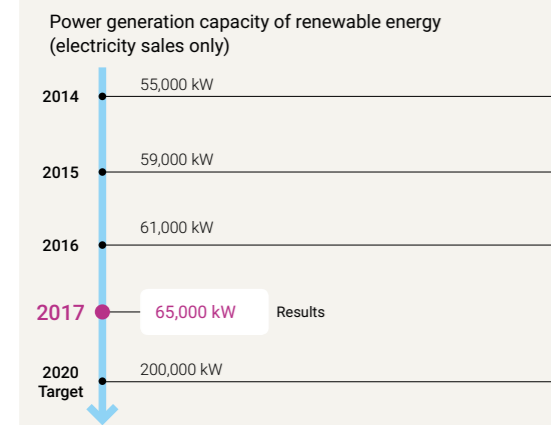


Solar panel installation

Moving forward, in terms of decarbonization, we will further promote the installation of solar panels, and switch from procuring electricity from outside sources to renewable energy. In doing so, we plan to reduce CO₂ emissions.

* 65,000 kW is equivalent to the capacity to cover the annual electricity use of approximately 15,000 households.

FY2017 Results and Target of KPI



* For companies newly joining the Group due to business reorganization and other reasons, figures have been recalculated back to reflect those for FY2010.

TOPICS

Aeon Delight Co., Ltd. launches renewable energy demonstration project utilizing blockchain technology to realize a decarbonized society

Aeon Delight, which is responsible for the management of AEON's facilities, participated in the Ministry of the Environment's Low Carbon Technology Research and Development Program and the 2018 Value Creation Model Project for Renewable Energy and Reducing CO₂ Emissions by Utilizing Blockchain Technology. In April 2017, we began a demonstration project utilizing blockchain technology with the aim of spreading the use of renewable energy in order to realize a decarbonized society. The purpose of this project is to promote the efficient use of decentralized renewable energy and verification of power trading.*

The Aeon is planning to install dedicated equipment at 35 stores in FY2018, and at around 1,000 stores in FY2019. Aeon Delight will manage and retail energy upon completion of the platform that will identify and trade power, scheduled for FY2019. With the adoption of this new technology, Aeon Delight will add reasonable value to renewable energy, and aim to provide companies and households with surplus electricity from Aeon companies and general households and clean energy from renewable energy operators.

* Utilizing blockchain technology to engage in power trading where it is possible to track power generation history.

Conservation of Biodiversity

Management Approach

Recognition of Challenges

All companies harness ecosystem services, leveraging the resources produced by our ecosystem in each phase of the life cycle, from the sourcing of raw materials to production, sales, use, and disposal. At the same time, however, the world continues to lose its tropical forests while the number of fauna and flora found on the red list of endangered species continues to

grow unabated. Also, Aeon's business operations are based on the recognition that they cannot be sustained without the ecosystem services of agricultural and marine products, which is why Aeon continues to work on various initiatives for the sustainable use of resources, with biodiversity conservation considered as one of the key issues.

Aeon's Approach

Aeon established the Aeon Biodiversity Principle in FY2010 in order to continually promote the sustainable use of resources while conserving biodiversity. We are promoting various efforts in accordance with the Code of Conduct that was defined in this Principle.

Sustainable Procurement

We formulated the Aeon Sustainable Procurement Principle in FY2014 in order to aim for compatibility between the continuous development of business and the sustainability of natural resources. In April 2017, we announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for

2020 with regard to agricultural, livestock, and fishery products as well as paper, pulp, timber, and palm oil. Aeon will continue to further promote the procurement of products produced in line with global standards.

Together with Customers through the Aeon Forest Circulation Program

We have been planting trees with customers since FY1991 as an activity that embodies the Aeon Basic Principles. The Aeon Forest Circulation Program was started with the theme of "Plant," "Nurture," and "Thrive" upon the planting of the 10 millionth tree, and we are expanding the program.

Future Initiatives

Environmental agencies and the Conference of Parties (COP) under the Convention on Biological Diversity are working to make biodiversity mainstream through various social and economic activities promoting the protection of biodiversity and its sustainable use, from worldwide to local communities. Consequently, Aeon will utilize its business characteristic of coming into contact with vast numbers of consumers on a daily basis to continually highlight the importance of

biodiversity through the familiar platforms of stores and products. In particular, efforts based on the Aeon Sustainable Procurement Principle are also profoundly connected to the Sustainable Development Goals (SDGs) adopted by the General Assembly of the United Nations in 2015, and we will promote further efforts aimed at achieving the Sustainable Procurement Goals for 2020.

Aeon Biodiversity Principle

Aeon's business depends on living products, such as agricultural and marine products. Recognizing this, Aeon formulated the Aeon Biodiversity Principle in March 2010 toward the conservation of biodiversity, which is essential in achieving a sustainable society.

Basic Principle

Recognizing the impact of our overall corporate activities on the ecosystem, we actively focus on reducing the impact as well as on conservation activities, working in collaboration with our stakeholders, including our customers, local authorities, and non-profit organizations. We focus on the following points related to the ecosystem in our corporate activities:

Through our corporate activities, we

1. Remain conscious of blessings and burdens.
2. Engage in initiatives that protect and nurture.
3. Disclose information on our activities.

Action Guidelines (Excerpt)

1. Products: We will set sustainability targets for resource managed fresh seafood and processed products, engage in their purchase and sale while sharing those targets with our business partners, and communicate related information to customers.
2. Stores: We will continue to promote tree-planting campaigns with local customers at new store sites and continue to develop Eco Stores with less environmental impact than conventional facilities.
3. With Customers: Through tree-planting campaigns and other programs, we will share environmental awareness and learn together with all of our customers.

FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Using of sustainable resources	Promoting sustainable procurement (products)	Sustainable procurement initiatives in agricultural products	Consolidated Group companies in Japan	FY2020: • Conduct management through the Good Agricultural Practice (GAP) based on the Global Food Safety Initiative (GFSI) for all private brands • Have organic products account for 5% of agricultural product sales	• Percentage of products with GAP certification based on GFSI: 18% (private brand products) • Percentage of products subject to GAP second-party audits: 28% (private brand products) • Organic products as a percentage of agricultural product sales: 1%	1) Held GAP briefing for contract manufacturers 2) Held kick-off meetings and area meetings on organic products 3) Increased farms, processing bases, and participating operating companies 4) Expanded TOPVALU Gurinai Organic brand to 286 items, making it the largest lineup of organic products in Japan's retail industry (perishable and processed products) (as of the end of February 2018)
		Sustainable procurement initiatives in livestock products	Consolidated Group companies in Japan for GMS, SM, small-sized store businesses	FY2020: • Conduct management through Food Safety Management System (FSMS) based on GFSI or conduct management through GAP based on GFSI for all private brands	Percentages of FSMS certification based on GFSI • Processing plants: 72% (private brand products) • Farms: Tasmanian beef: 100%, Junkikei (healthy chicken): 26%	1) Decided to seek Safe Quality Food (SQF) certification 2) Advanced measures for Tasmanian beef and Junkikei (healthy chicken)
		Sustainable procurement initiatives in fishery products	Consolidated Group companies in Japan	FY2020: • Have all consolidated subsidiaries that operate GMS or SM obtain Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) Chain of Custody (CoC) certification • Provide sustainability-proven private brand products for all major fish species	• Percentage of CoC certification: 73% (Group total) • Percentage of sustainability-proven products: 30% (private brand products)	1) MSC certification: 40 items spanning 22 fish species 2) ASC certification: 16 items spanning 8 fish species 3) Established permanent Fish Baton area carrying only MSC- and ASC-certified products at 62 stores of Aeon Retail Co., Ltd. (as of the end of February 2018)
		Sustainable procurement initiatives in paper, pulp, and timber	Consolidated Group companies in Japan	FY2020: Use sustainability-certified (FSC® or equivalent) raw materials for all private brands in major product categories	Percentages of FSC® certification in major product categories • Tissue paper: 67% • Toilet paper: 67% • Paper towels: 67% • Copy paper: 100% • Workbooks: 99% (private brand products)	1) Launched approximately 114 FSC®-certified stationery products and H&BC private brand products 2) Used FSC®-certified paper for apparel tags and food packaging of private brand products
		Sustainable procurement initiatives in palm oil	Consolidated Group companies in Japan	FY2020: Use sustainability-certified (Roundtable on Sustainable Palm Oil (RSPO) or equivalent) raw materials for all private brands	• Determined volumes used in private brand products • Completed application for affiliation with RSPO	1) Established RSPO Procurement Policy 2) Held RSPO in-house seminar 3) Investigated usage volumes in private brand products 4) Considered RSPO procurement methods
Promoting the Aeon Forest Circulation Program	Preserving biodiversity at store level	Maintenance management of Aeon Hometown Forests Program planting zones	Companies to implement the Aeon Hometown Forests Program	100% implementation of planting zone management in Aeon Hometown Forests Program	• Focusing on GMS and SM, spread planting zone management based on the management manual • Created opportunities for employees to experience tree planting	1) Raised employee awareness 2) Checked progress of each GMS under management plans and ensured rigorous implementation 3) Used Clean & Green Activities to ensure rigorous implementation of weeding and cleaning by employees at each general merchandise store 4) Enhanced the competence of facility managers through training in planted zone management
	Community contribution through forest conservation activities	Activity status of the Forest Transcend Project—Educating Forest-Conscious People	Aeon Co., Ltd.	Creation of a model for activities to support domestic forestry through collaboration between the government, the general public, and private enterprise	Positioned the course as a beginner's induction in a collaboration between the general public and a private enterprise as part of Mie Prefecture's measures to support people employed in forestry	Held the Forest Transcend Project—Educating Forest-Conscious People course for the development of forestry workers • Held jointly with Mie Prefecture and Miyagawa Shinsengumi • Held wood education events utilizing thinnings from the course at stores

Using Sustainable Resources

Promoting Sustainable Procurement

Today, our natural resources face many threats from ecosystem destruction caused by overexploitation to poor agricultural harvests to abnormal weather caused by climate change. Moreover, with the supply chain now stretching across the entire world, Aeon must be conscious of the human rights and working environments of suppliers as well as work to prevent corruption, including bribery and extortion.

The products manufactured and sold by Aeon are made possible by the bounty of nature and contain raw materials procured from producers and locations around the globe. Efforts toward the formulation of procurement guidelines began in 2011 in order to realize even higher levels of sustainable procurement. Through the work of the CSR Procurement Guidelines Committee, comprising managers from related Aeon departments, and tasked with gathering CSR procurement-related information, in February 2014 we formulated and published our Aeon Sustainable Procurement Principle.

In April 2017, we announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 with regard to agricultural, livestock, and fishery products as well as paper, pulp, timber, and palm oil. Aeon will continue to further promote the procurement of products produced in line with global standards.

Aeon Sustainable Procurement Principle

1. Eliminating illegal gathering or trading of natural resources and illegal fishing.
2. Establishing and managing Aeon standards from the perspective of biodiversity preservation and preventing the depletion of natural resources.
3. Minimizing the use of non-renewable resources.
4. Establishing traceability, including place of production and fishing methods, for agricultural products and marine resources.
5. Preventing the destruction of forest land with high conservation value.

● Aeon Sustainable Procurement Policy and 2020 Goals

Target	Aeon Sustainable Procurement Policy	Sustainable Procurement Goals for 2020
Agricultural products	Commit to procuring agricultural products in a sustainable manner that is in harmony with nature, natural ecosystems, and society. Also, cultivate and provide safe and delicious vegetables, thereby contributing to the creation of a future in which people can have confidence in the safety of food in their daily lives.	<ul style="list-style-type: none"> • For the private brand, aim for 100% implementation of GFSI*1-based Good Agricultural Practice (GAP) • Aim to increase sales ratio of organic products to 5% of total agricultural products
Livestock products	Commit to procuring livestock products in a sustainable manner that is in harmony with nature, natural ecosystems, and society. Also, cultivate and provide safe and delicious beef, thereby contributing to the creation of a future in which people can have confidence in the safety of food in their daily lives.	<ul style="list-style-type: none"> • For the private brand, aim for 100% implementation of GFSI-based Food Safety Management System (FSMS) or Good Agricultural Practice (GAP)
Fishery products	Carry out regular risk assessments from a resource depletion prevention and biodiversity conservation perspective. Also, in order to mitigate risks, review feasible countermeasures and strive to procure sustainable seafood. (Note 1)	<ul style="list-style-type: none"> • Aim for 100% acquisition of MSC*2/ASC*3 Chain of Custody (CoC) certification by Aeon's consolidated subsidiaries operating general merchandise stores or supermarkets • Provide sustainability-proven private brand products for all major fish species
Paper, pulp, and timber	Utilize store materials and product raw materials made of lumber and pulp produced from properly managed forests, and strive to prevent deforestation. (Note 2)	<ul style="list-style-type: none"> • Aim for 100% use of sustainability-certified (by FSC*4 or equivalent) materials for the private brand in major product categories
Palm oil	For palm oil used as product material, aim for procurement that focuses on the prevention of deforestation and conservation of biodiversity.	<ul style="list-style-type: none"> • Aim for 100% use of sustainability-certified (by RSPO*5 or equivalent) materials for the private brand

Note 1: Regarding the procurement of fishery products, Aeon formulated the Aeon Sustainable Seafood Procurement Policy in 2014.

Note 2: Regarding the procurement of paper, pulp, and timber, Aeon formulated the Aeon Forest Resources Procurement Principle (Paper/Pulp/Timber) in 2016.

*1 GFSI (Global Food Safety Initiative): GFSI is an industry-driven global collaboration to advance food safety powered by The Consumer Goods Forum (TCGF, which is composed of global food manufacturers and retailers). GFSI also recognizes food safety certification programs.

*2 MSC (Marine Stewardship Council): MSC is an organization that manages and promotes the MSC certification program, which certifies socially responsible and sustainable fisheries.

*3 ASC (Aquaculture Stewardship Council): ASC is an organization that implements the world's leading certification and labeling program for responsibly farmed seafood.

*4 FSC (Forest Stewardship Council): FSC is an organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

*5 RSPO (Roundtable on Sustainable Palm Oil): RSPO was formed to promote the growth and use of sustainable palm oil products through trusted global standards and engagement of stakeholders.

Promoting the Procurement of Sustainable Seafood

Aeon established the Aeon Sustainable Seafood Procurement Policy in February 2014 to help protect the limited marine resources and to pass down to future generations its traditional culture surrounding food sources from the water and sea.

We formulated the Seafood Assessment Committee comprising Aeon's Environment Division and other divisions at Aeon Group companies, shared function companies, and other companies. Based on input from external stakeholders (NGOs, the government, seafood businesses), we analyzed risks and opportunities, reviewed feasible projects, and used the results to plan key initiatives.

Aeon Sustainable Seafood Procurement Policy

Carry out regular risk assessments from a resource depletion prevention and biodiversity conservation perspective. Also, in order to mitigate risks, review feasible countermeasures and strive to procure sustainable seafood.

Specific Measures

Aeon is constantly devising and implementing measures to shift from endangered seafood to seafood with a sustainable backing into the future.

1. Provision of Sustainable Products
 - Actively sell sustainable seafood such as MSC-certified and ASC-certified products
 - Strengthen handling of complete aquaculture
 2. Elimination of Illegal Trade
 - Comply with international conventions, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (the Washington Convention)
 3. Establishment of Traceability Measures
 - Promote strengthening of resource management in Indonesia
 4. Regular Risk Assessments
 - Launch organization to promote sustainable procurement
- Measures in organization development, such as "Assessment Meetings" and a "Sustainable Procurement Promotion Committee" for promotion, have begun.

Developing and Marketing Sustainable MSC- and ASC-Certified Products

Given the rising pressure of demand on fishery resources worldwide, Aeon sells Marine Stewardship Council (MSC)*-certified and Aquaculture Stewardship Council (ASC)*-certified products to support fishing and aquaculture that are based on appropriate resource management.

We have been steadily expanding our lineup of MSC-certified products since we began carrying them in 2006. Aeon sells 40 MSC-certified items spanning 22 fish species—the largest number of items in Japan's retail industry—as of the end of February 2018. With a view to preserving natural fish for coming generations, we source products obtained from fishing that is consistent with stewardship of the sea's environment and resources.

Further, in 2014 we became the first store in Asia to sell ASC-certified salmon. We offer 16 ASC-certified salmon items spanning eight salmon species as of the end of February 2018. Our goal is to realize sustainable procurement by popularizing "responsible" aquaculture products that do not place a large burden on the environment and that are cultivated with consideration for local communities and human rights.

The Chain of Custody (CoC) certification system assures consumers of the legitimacy and traceability of the abovementioned MSC- and ASC-certified products. CoC certification had been acquired by 14 Aeon Group companies as of the end of February 2018.

Aeon will continue promoting sustainable procurement of fishery products that does not deplete resources by increasing the number of Group companies with CoC certification.

* The MSC manages the certification system for natural fishery products, certifies fishery products that have been caught in a manner that preserves the sea's environment and resources, and permits the use of MSC labels for such products.

* The ASC manages the certification system for aquaculture products.

Examples of Our Recently Launched Certified Products

March 2017	Mackerel (MSC, first in Asia)
May 2017	Spitchocked shark catfish (ASC)
July 2017	Albacore tuna (MSC, first in Japan)
July 2017	Smelt with roe (MSC, first in the world)
December 2017	Rice ball (sockeye salmon and cod roe, MSC, first in the world)
January 2018	Yellowtail (ASC, first in the world)
February 2018	Pacific ocean perch (MSC, first in Japan)
March 2018	Greenland halibut (MSC, first in Japan)
April 2018	Rice ball (salmon roe and spicy cod roe, MSC)
May 2018	Izumi sea bream (ASC, first in Japan)



TOPVALU Gurinai Natural
ASC-certified Norwegian salmon



TOPVALU Gurinai Natural
MSC-certified Norwegian mackerel

Developing and Marketing "Full-Cycle Aquaculture Raised Fish"

In 2015, Aeon started the supply of full-cycle aquaculture raised* tuna that is not dependent on natural resources from the perspective of resource depletion prevention and biodiversity conservation. As of the end of February 2018, Aeon is selling six kinds of full-cycle aquaculture raised fish.



TOPVALU Gurinai Natural ASC-certified Norwegian salmon

* Full-cycle aquaculture raised: Fertilized eggs are taken from adult tuna and artificially hatched, then those eggs are raised in a full cycle that does not rely on wild tuna stocks.

Increasing the Establishment of "Fish Baton" Sales Areas

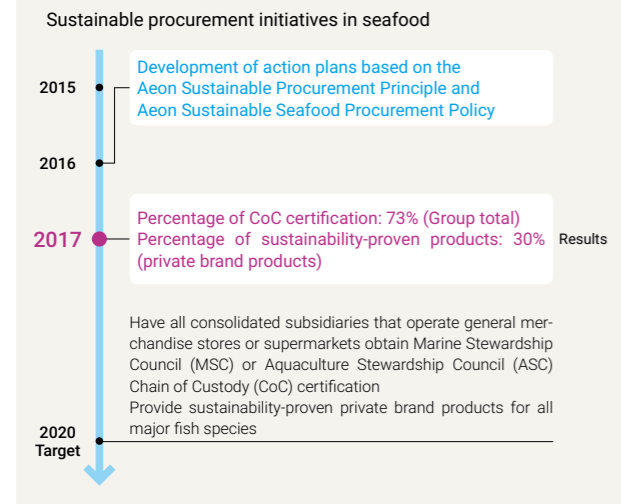
Based on the desire to "pass along a rich food culture to the next generation," the establishment of a permanent sales area called Fish Baton, which is composed of ASC- and MSC-certified products indicating that they are sustainable marine products, started in FY2015. As of the end of February 2018, these sales areas have expanded to 62 stores. Moreover, we plan for all of Aeon's consolidated subsidiaries operating general merchandise stores or supermarkets to acquire MSC and ASC CoC certification (distribution and processing certification) by 2020.

Going forward, Aeon will continue to propose products and sales areas that encourage our customers' daily shopping to be environmentally friendly, striving to conserve biodiversity in partnership with customers.



* MSC- and ASC-certified products are also available in stores without Fish Baton sales areas.

FY2017 Results and Target of KPI



TOPICS

First Retailer in Asia to Participate in the GSSI

Aeon has become the first retailer in Asia to participate in the Global Sustainable Seafood Initiative (GSSI),* an international partnership that implements measures aimed at spreading sustainable aquaculture and fishery products.

GSSI is tasked with vouching for the legitimacy of and improving the numerous certification systems for aquaculture and fishery products that exist around the world. To achieve these aims, GSSI conducts evaluations and provides accreditation based on the guidelines of the Food and Agriculture Organization of the United Nations (FAO). GSSI participants include fishery operators from respective countries, fishery-related companies, and NGOs. Through our participation in the GSSI, we will contribute to the achievement of its aims while increasing the profile of efforts to ensure the sustainability of the unique fish species of Japan and Asia. Further, we will partner with fishery operators and many other stakeholders to increase the distribution of sustainable aquaculture and fishery products.

* The GSSI is the platform for an international partnership aimed at spreading sustainable fishery products. Participants include producers, fishery-related companies, NGOs, experts, governments from various countries, and the FAO. The GSSI aims to vouch for legitimacy in the supply and sales promotion of certified aquaculture and fishery products and to encourage improvement in aquaculture and fishery product certification systems. To these ends, GSSI has established a global benchmark tool for officially accrediting aquaculture and fishery product certification schemes that meet the FAO's guidelines on the ecolabelling of aquaculture and fishery products.

TOPICS

Establishment of the Aeon Policy on the Carrying of Eel

Implementation of Measures under the Indonesian Eel Conservation Project and Launch of the World's First Eel FIP* in Earnest

In June 2018, we set out the Aeon Policy on the Carrying of Eel. In accordance with this policy, we will take measures under the Indonesian Eel (*anguilla bicolor*) Conservation Project to transition to the procurement of eel with proven sustainability. Under this project, in Indonesia we will begin the world's first fishery improvement project (FIP)* for eel in earnest. Our aim is to acquire MSC certification for the catching of glass eel. Moreover, we will consider applying the know-how acquired through this conservation project to the management of Japanese eel (*anguilla japonica*) in Japan.

Through such initiatives, we will realize procurement of sustainable eel and help pass on Japan's traditional food culture. At the same time, with a view to realizing customer satisfaction, we will actively develop and offer new spitchcocked products made from ingredients other than eel.

The Aeon Policy on the Carrying of Eel

- We will primarily sell two types: Japanese eel and Indonesian eel.
- We aim to sell fully traceable eel by 2023.
- We will ensure the sustainability of Indonesian eel by advancing the Indonesian Eel Conservation Project.
- We will develop spitchcocked products made from ingredients other than eel.

* FIPs aim to realize sustainable fishing operations through cooperation among fisheries operators, distributors, NGOs, and a range of other related parties. These projects conduct pre-inspections based on the standards for MSC certification and then prepare improvement plans to resolve any identified issues. By revising the plans in light of regular monitoring and continually implementing improvements, the projects are aimed at the acquisition of MSC certification.

WWF (World Wide Fund for Nature) Japan provides technical support to Aeon's FIP, namely the Indonesian Eel Conservation Project. URL: <https://www.wwf.or.jp/eng>

Promoting the Procurement of Sustainable Forestry Products

Following the Aeon Sustainable Seafood Procurement Policy, the Aeon Forest Resources Procurement Principle was established in 2016. We aim to contribute to the balance of utilization and conservation of forest resources based on the principle.

Aeon Forest Resources Procurement Principle (Paper/Pulp/Timber)

We will continue to utilize store materials and product raw materials made of lumber and pulp produced from properly managed forests, and strive to prevent forest destruction.

Initiatives through Our Products

Identify risks and opportunities, consider viable methods, and aim for sustainable procurement through continuous improvement.

1. Handling of Sustainable Products

Raw material from properly managed forests is authenticated and products that have acquired FSC® certification are handled assertively.

2. Effective Use of Domestic Lumber in Japan

Efforts for the effective use of domestic lumber are undertaken in order to achieve sustainable recycling in Japan's forests.

3. Ensuring of Traceability Measures

For high-risk countries and regions, confirmation of raw material traceability to forests are handled on a priority basis.

4. Prevention of Illegal Deforestation

Confirmation of legality of lumber, etc., is conducted based on laws related to promotion of the use of legally harvested lumber.

5. Preservation of Areas with High Conservation Value

Confirmation of the implementation of precautionary measures is conducted in order to maintain areas with high conservation value.

FY2017 Results and Target of KPI



Efforts in Stores: Stores Using Domestic FSC®-Certified Lumber

Aeon practices store development with consideration to preservation of the ecosystem. For example, Ministop Co., Ltd. opened a Ministop store using 100% FSC® Japan certified materials in 2009, as the first FSC®-certified convenience store in Japan. As of the end of February 2018, 251 Ministop stores are FSC® certified. Going forward, we plan to actively increase the number of environmentally friendly stores.



A store under construction (Ministop Co., Ltd.)



A properly managed FSC®-certified forest in Yamanashi Prefecture

Efforts in Products: Products Using FSC®-Certified Paper

The Forest Stewardship Council® (FSC®) certifies wood products and paper manufactured with timber from properly managed sustainable forests.

Aeon has been selling notebooks and other FSC®-certified paper products since 2008. In addition, we use FSC®-certified materials for price tags, tags, cardboard cartons, and other frequently used peripheral materials. Up to now, about 110 stationery and H&BC category FSC®-certified products were sold, and we are also expanding the use of FSC®-certified materials to packaging and other items.

(FSC® C005942)



TOPVALU Best Price tissue paper using FSC®-certified paper

TOPICS

Opening of Reused Store That Uses Domestic FSC®-Certified Wood—The World's First Such Commercial Facility!

As part of a new initiative, in January 2018 Ministop Co., Ltd. opened a reused store that uses domestic FSC®-certified wood and is the first commercial facility of its kind anywhere in the world.

Moreover, Ministop has chosen a store design that anticipates reuse. At the construction stage, for example, we use bolts for the joints between wooden parts so that they can be disassembled and reused. The building of a reused store must meet certain environment-friendliness and cost conditions. These include the distance between the closing store and the opening store (with the aim of curbing CO₂ emissions) and lead time between the store closing and store opening (with the aim of shortening storage periods). We closed a store that met these conditions and used wood from the closed store to build the reused store.

We can reuse roughly 73% of wooden pillars and beams when reusing wood between stores of the same size. To ensure strength, we use new wood for the base, studs, and braces. (The reuse percentage of our first reused store was 33% because we relocated the old store to build a new store with a larger floor area.)

Aeon will continue building reused stores and using FSC®-certified wood in their construction in cases that meet the aforementioned conditions, thereby realizing environmentally and socially sustainable store development.

Advancing Sustainable Procurement of Agricultural Products

Aeon Agri Create Co., Ltd. operates Aeon's directly managed farms, all of which have obtained the world's most widespread certification of safe farm management, GLOBALG.A.P. Farm management entails various risks, including residual pesticides, agricultural accidents, and environmental damage. Therefore, GLOBALG.A.P. not only requires product safety but also emphasizes the need to ensure the safety of the employees who work on farms, the safety of local residents, and the conservation of the local ecosystem. Aeon farms use GLOBALG.A.P. as a tool for the sustainable management of corporate agriculture in relation to the need for food safety, environmental conservation, occupational safety, and sound management.

Under the *TOPVALU Gurinai Organic* brand, we offer an extensive lineup of environment-friendly products that have been certified as organic in Japan and overseas. Boasting the largest number of organic products of any retail private brand in Japan, the *TOPVALU Gurinai Organic* lineup comprises 286 fresh and processed organic food products as of the end of February 2018.

Further, we are advancing the development and procurement of organic products in Japan and overseas in response to growing consumer interest in health and food safety and reliability as well as to requests from customers for more organic products. In these efforts, we use our Japanese Agricultural Standards (JAS)* certification as an importer of organic agricultural products and processed food products, issued by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF).

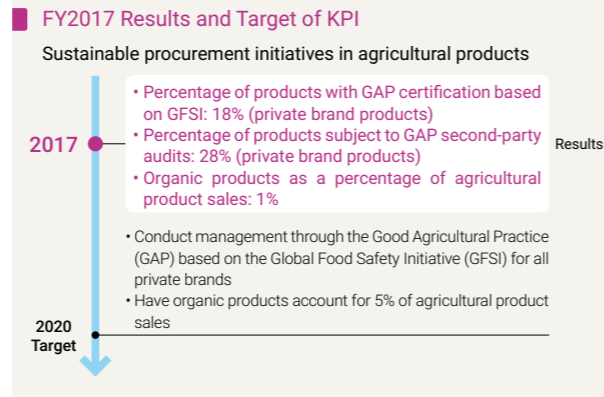
As well as developing food products, we are rolling out products made from organic cotton in the home and leisure categories, including underwear, bedclothes, and towels.

Furthermore, Aeon Retail Co., Ltd. has established sales areas for organic products in the agricultural product departments of its stores. We are increasing the number of stores with these sales areas and have established 318 of them as of February 2018.

TOPVALU Gurinai Organic series



* Organic JAS logo
Operators certified by certification organizations registered by the MAFF are able to attach the organic JAS logo to their products. The logo is attached to agricultural, processed, or livestock products, as well as livestock feed, produced with a method of organic farming that uses natural power instead of pesticides or chemical fertilizers.



TOPICS

Acquisition of Organic JAS Certification as a Subdivider of Agricultural Products by an Aeon Food Manufacturing and Processing Center

We are taking steps to acquire Japanese Agricultural Standard (JAS) certification for food manufacturing and processing centers as a subdivider of agricultural products so that we can offer customers more affordable, better organic agricultural products, which form the core of our lineup of organic products.

In FY2017, the Narashino Center of Aeon Food Supply Co., Ltd. became the first center to acquire this certification. We plan to have all of our centers in Japan acquire certification.

TOPICS

Policy on the Carrying of Ivory Products

In September 2017, Aeon decided to adopt a policy of completely discontinuing the carrying of any product incorporating ivory for which international trading is banned under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (the Washington Convention) by March 31, 2020.

Global concern is growing with respect to the carrying of ivory products. For example, a resolution of the Conference of the Parties to the Washington Convention held in 2016 called on countries to close any ivory markets that could give rise to illegal hunting of African elephants or illegal trading of their ivory.

In Japan, ivory can be traded under a nationally administered control system, which is based on the Act on Conservation of Endangered Species of Wild Fauna and Flora. Nonetheless, since June 2015 Aeon has adopted a policy of not carrying ivory products at its directly managed sales areas. Further, we have explained this policy to those tenants of the Group's commercial facilities that are mainly engaged in selling seals, which are sometimes made of ivory. Understanding our stance on this issue, these tenants are making wholehearted efforts to cooperate. At present, they are actively considering and taking steps to steadily switch over to alternative environment-friendly materials by March 31, 2020.

Promoting Sustainable Procurement of Livestock Products

Aeon raises *TOPVALU Gurinai Natural Tasmania Beef* without the use of antibiotics, growth hormones, or genetically modified feed at a directly managed ranch on the island of Tasmania in Australia. With respect to the safety of this method of rearing cattle, the ranch is audited by a third-party organization and has obtained Safe Quality Food (SQF) certification. SQF is an international food safety standard and management system recognized by the Global Food Safety Initiative (GFSI).

Similarly, *TOPVALU Gurinai Natural Junkikei* (healthy chicken) is raised without using antibiotics or synthetic antibacterials. Moreover, some of the farms that rear this healthy chicken have received SQF certification.

In addition, our *TOPVALU Gurinai Natural Natural Pork* is very safe and reliable. Our pork is unique because it is produced without using antibiotics, synthetic antibacterials, or genetically modified feed—an approach that was considered to be extremely difficult for pork.



TOPICS

Acquisition of SQF Certification by Directly Managed Farms of Kagoshima Sunrise Farm

In May 2017, Takamaki Feedlot, a directly managed feedlot of beef cattle and pig rearer, Kagoshima Sunrise Farm KK, became the first feedlot in Japan to acquire SQF certification for both beef cattle and pigs. SQF is an international standard and management system that ensures the safety and quality of food products. Furthermore, another of our directly managed farms, Tsukino Central Farm, acquired the same certification in June 2018.

With the aim of providing customers with tasty beef at affordable prices, The Daiei, Inc. established Kagoshima Sunrise Farm (called Daiei Central Ranch Co., Ltd. at the time) in Kagoshima Prefecture in 1970. In the same year, we began the contract fattening of Wagyu cattle. We established the Takamaki Feedlot in 1973 and the Tsukino Central Farm in 1985. Since then, we have been producing Japanese Black beef and brand pork. Taking advantage of its expertise and experience garnered over many years, Daiei has developed Satsuma Himegyu Japanese Black beef and Satsuma Outon brand pork, both of which are original, domestically reared meats that have been established as the firm favorites of many customers due to their premium quality and flavor.



Promoting the Aeon Forest Circulation Program

Aeon Forest Circulation Program

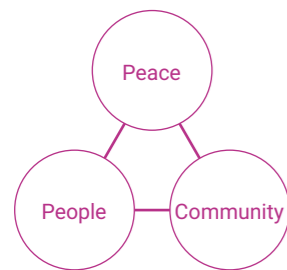
When we open a new store, the Aeon Hometown Forests Program joins our customers to plant trees on the new site. Since the start of this program at our JUSCO Malacca store in Malaysia in 1991 (renamed and currently, Aeon Malacca SC), we have been planting trees with our customers, and planted our 10 millionth tree in 2013.

With this opportunity, Aeon started the Aeon Forest Circulation Program under the theme of "Plant," "Nurture," and "Thrive" in order to advance to a new stage. Specifically, we will continue to promote this program with our "plant" objective, which targets tree planting that improves the quality of life in regions across the globe and tree planting that protects areas from tsunami and other natural disasters; our "nurture" objective, which targets activities to develop and manage planted trees and foster successor forests; and our "thrive" objective, which assertively promotes the utilization of forest products such as lumber, etc. as resources for our products and building materials for our stores.



Letting Forests Grow—Plant, Nurture Aeon's Tree Planting Activity

Aeon has positioned its tree planting activity as one that embodies its Basic Principles, which state "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core."



Building Foundations for Peace

Environmental issues are a common challenge for humanity, which poses a threat to our healthy and peaceful lives. Aeon, which operates a business that is closely linked to people's lives, is striving to solve environmental issues by planting trees based on the awareness that business only grows when there is a peaceful society.

Humanity Communicating Vibrantly

Tree planting brings together many people from young and old. Greetings and conversations start, and smiles spread. Aeon hopes to further expand such forms of vibrant communication through tree planting.

Growing Together with People from the Community

Aeon aims to nurture forests that are rooted in the community by mainly planting native tree varieties.

Further, we hope to share the wide-ranging awareness obtained through the tree nurturing process with many people and continue to grow constantly.

We want our new stores to be community hubs and encourage the spread of greenery. With these thoughts in mind, since 1991 Aeon has been conducting the Aeon Hometown Forests Program to plant trees at the site of new stores when they are opened.

The Aeon Environmental Foundation undertakes tree planting with a view to regenerating forests in regions worldwide that have been devastated by natural disasters or logging. Under the Aeon Tohoku Reconstruction Hometown Forests Program, the foundation is restoring forests destroyed as a result of the tsunami of the Great East Japan Earthquake. Since 1991, the foundation has planted 11.6 million* trees.

In addition, each store carries out cleaning and weeding of its Aeon Hometown Forests Program planting zone based on the management manual, primarily on Aeon Day on the 11th of each month.

Further, we are deeply grateful to the customers who have participated in our tree planting efforts, and we look forward to the next group of trees that we will plant and nurture alongside our customers and local communities.

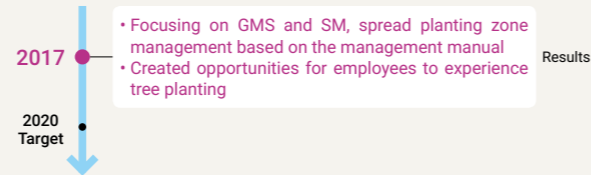


THE OUTLET HIROSHIMA (opened in April 2018)

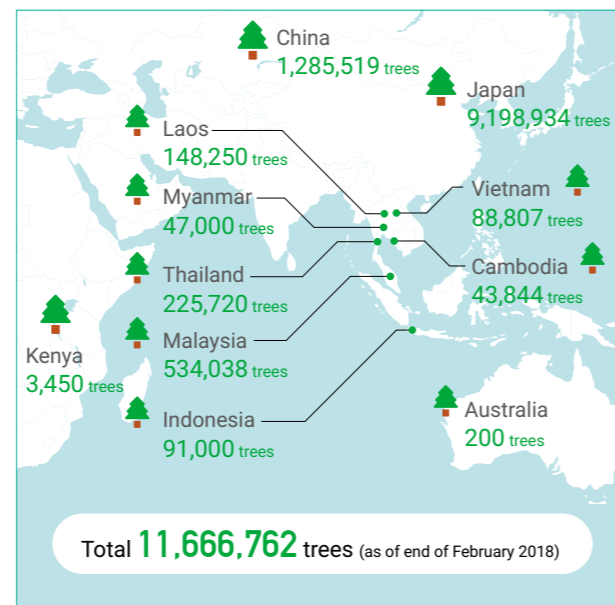
* Total number of trees planted through Aeon Hometown Forests Program, Aeon Environmental Foundation, and Aeon Tohoku Reconstruction Hometown Forests Program

FY2017 Results and Target of KPI

Maintenance management of Aeon Hometown Forests Program planting zones



Letting Forests Grow



Letting Forests Grow—Nurture

A Curriculum for Educating Forest-Conscious People

In recent years, the prevention of global warming and conservation of biodiversity have been joined by another urgent social issue. That is, the preservation and sustainable use of forests, which serve multifaceted roles for carrying on Japanese culture, offering recreation, etc., and villages, which serve as places for humans and nature to coexist.

The Forest Transcend Project—Educating Forest-Conscious People is a collaborative effort between Aeon, Mie Prefecture, and the NPO Miyagawa Shinsengumi that aims to foster the future generation of forestry workers by offering various programs to deepen understanding of Japan's forest management.

In FY2017, the project's fourth year, we conducted courses between July 10, 2017 and March 25, 2018 in Odai, Mie Prefecture. Covering 20 days, the curriculum comprised a Forest Seminar (held for four days), Forest Skills hands-on training in forests (10 days), Forest Laboratory workshops for discovering the bounty of forests (three days), and Forest Communication results briefings at Aeon Mall Yokkaichi Kita (three days).

Themed on "creating a path to work" and held in the mountain forests of Odai, the 10-day Forest Skills course has proven particularly popular each year because it provides an opportunity to experience and learn about forestry work and skills firsthand. This year, eight trainees completed the entire curriculum. Also, at Aeon stores customers can use the play equipment that is made by the students using thinnings during the course.

One of the objectives of the project is a curriculum that is also connected to the promotion of "wood education," and we

will feed our efforts into the next fiscal year with an eye to spreading and expanding the Mie model to other regions.



Forest Transcend Project—Educating Forest-Conscious People

Letting Forests Grow—Thrive Utilization of Forest Resources

In addition to the rollout of FSC®-certified products (P.75) and the construction of stores using 100% domestic FSC®-certified lumber (P.75), we are working on the promotion of utilizing forest resources through a variety of measures at stores. For example, at Aeon Mall Toin, a permanent children's playground called Mie Tree Plaza was installed utilizing forests from Mie Prefecture.

Moreover, we are promoting the introduction of desks and chairs made of FSC®-certified timber and locally produced materials at Aeon Yumemirai (Dreams for the Future) Nursery School (P.116), the Group's on-site childcare facility, in order to teach children about the positive qualities of wood. We aim to foster a richness of spirit for thinking about the connections between people and trees and forests through contact with trees from early childhood.

At present, Group companies are actively introducing desks and chairs made of FSC®-certified timber to new and existing stores. Five Group companies offered FSC®-certified products at 23 stores as of June 2018.



A desk made of Japanese cypress

Initiatives through Our Stores

Developing and Evaluating Indicators

Aeon pays great attention to conservation and creation of ecosystems in developing its stores through initiatives such as planning and implementing biodiversity assessment and environmental burden reduction measures when opening stores. The aim is to minimize the impact of our stores on the surrounding environment and ecosystem. Examples of these initiatives include the Aeon Hometown Forests Program and the installation of biotopes at some of our shopping centers.

As part of store biodiversity assessment, since FY2013 we have acquired ABINC® certification from the Association for Business Innovation in harmony with Nature and Community (ABINC).

In FY2017, Aeon Mall Matsumoto acquired ABINC® certification, while Aeon Mall Tamadaira Forest acquired an ABINC® certification that is renewed every three years. To date, seven of our shopping centers have acquired ABINC® certification.



Biotope
Biotope introduced on some store premises and rooftops helps to promote environmental education and raise awareness about environmental protection.



Rain Garden™
Rainwater is contaminated with substances contained in exhaust gas and involves the risk of disrupting the ecosystem if it flows directly into seas and rivers. Rain Garden™ reduces the negative impact on the ecosystem by allowing rainwater to penetrate into the ground and purifying it.

Better Use of Resources

Management Approach

Recognition of Challenges

Approximately 795 million people,*1 equivalent to one in every nine people, worldwide are undernourished, while 1.3 billion tons*2 of food, or roughly one-third of the food produced, are thrown away annually. In response, the United Nations has included halving per capita food waste at the retail and consumer levels by 2030 as a target of the Sustainable Development Goals (SDGs).

Aeon generates waste through its business and is also tied to waste resulting from customers' use of plastic shopping bags and food containers. This is why we are working on various initiatives for promoting the recycling of resources as one of our key issues.

*1 *The State of Food Insecurity in the World* (2015), Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP), and International Fund for Agricultural Development (IFAD)
*2 FAO. 2011. *Global food losses and food waste – Extent, causes and prevention*. Rome

Aeon's Approach

Aeon launched the Bring Your Own Shopping Bag Campaign back in 1991 and has changed the specifications and formats of packaging materials as part of its ongoing efforts aimed at promoting the recycling of resources.

In particular, demand for waste reduction has been increasing within societies in Japanese and overseas. In 2014, Aeon declared its aim to achieve zero waste by eliminating the direct disposal, incineration, and landfill of waste and

established the Aeon Zero Waste Initiative Concept. Since then, we have been advancing initiatives based on this concept. In October 2017, we established and announced the Aeon Group Food Waste Reduction Targets, which include specific numerical targets. We aim to halve food waste by 2025—five years ahead of the SDGs' 2030 target. With the aim of sharing and implementing best practices, we will establish promotional organizations that span Group companies in each region.

Future Initiatives

Activities being conducted in each region and individual company at Aeon are aggregated based on the growing societal demand for waste reduction, which is one of the goals listed in such global initiatives as the UN's SDGs, and we are committed to the construction of a common group infrastructure through organizing items such as cases, indexes, and basic ideas of the

activities. Starting in FY2017, Aeon's subsidiaries will set individual targets and carry out efforts to achieve them. Further, the Group will make a concerted effort to reduce food waste with a view to achieving the Aeon Food Waste Reduction Targets by 2025.

Aeon "Zero Waste" Initiative Concept

We will continue our efforts to completely eliminate waste through disposal/burning and landfills with our 3R approach of "Reduce," "Reuse," and "Recycle." We will collaborate with our stakeholders and customers toward the construction of a recycling-oriented society.



Through stores/products

Reduce food waste in the supply chains of stores and products through visualization, ISO 14001, reduction of the food waste-to-sales ratio, separation, and recycling.

Through communication with customers

Reduce food waste together with customers through food education and campaigns at stores.

Together with local communities

Reduce food waste through donations to food banks, etc., and construction of a recycling loop in cooperation with stakeholders in the region.

Aeon Food Waste Reduction Targets

Aeon Food Waste Reduction Targets

Halve food waste by 2025

Reduce generation per unit (food waste generation per ¥1 million in net sales) 25% versus that of FY2015 by 2020 and reduce 50% by 2025

Build food resource recycling models

Build at more than 10 locations and more than 1,000 stores nationwide by 2020

FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Initiatives for zero waste in stores and products	Reducing the amount of materials used in packaging and containers	Amount for third-party processing to remake into product, required under the Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging (amount per ¥100 million in net sales)	Domestic consolidated companies specified in the Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging	FY2010: 1,175 tons ▼ FY2017: 20% reduction compared with FY2010	1,069 tons 9.0% reduction compared with FY2010	Reduced the use of sales-related materials such as plastic shopping bags • Changed specifications of packaging materials • Reviewed supply method
	Reducing waste	Reduction of waste emissions	Consolidated Group companies in Japan and overseas (Japan, China, and ASEAN)	Expansion of initiatives	Consolidated and shared information on the initiatives of Group companies (ongoing)	<Group company examples> 1) Reduced waste generated by the Company • Aeon Mall: Sorted waste into 18 basic categories. With the cooperation of specialty stores, operated a system that quantifies the waste in each category. Aimed for visualization and worked toward reduction of waste 2) Collected and recycled sold products. Contributed to reducing waste generated by customers • Aeon Retail Co., Ltd., Cox Co., Ltd., Talbots Japan Co., Ltd., GFoot Co., Ltd., etc.
	Reducing food waste	Food waste emissions (basic unit per million yen in net sales)	Food-related companies of domestic consolidated GMS and SM businesses	Reduce generation per unit (generation per ¥1 million in sales) 25% versus that of FY2015 by 2020 and reduce 50% by 2025	32.06 kg / ¥1 million Formulated guidelines for establishing targets on food waste for each company * for food retail businesses	1) Reduced selling price changes resulting from disposal of goods (food) 2) Sorted resources thoroughly 3) Conducted "visualization" through introduction of a weighing machine, uniform management 4) Shared information from companies where initiatives are being advanced 5) Established guidelines for setting targets
		Food waste recycling rate	Food-related companies of domestic consolidated GMS and SM businesses	FY2015–FY2019 55% (abide by the basic policy related to promotion of food circulation resource recycling, etc.) * Increase of 1 percentage point year on year	61.5% * for food retail businesses	1) Contracted recycling service providers to recycle waste oil and fish leftovers 2) Built and operated recycling loops
Together with customers	Reducing the number of plastic shopping bags	Percentage of customers declining plastic shopping bags (nationwide store average)	Consolidated Group companies in Japan for GMS and SM businesses	FY2017: Over 70% FY2020: Over 80%	FY2017: 64.8% (number of stores that have stopped providing free plastic shopping bags at cash registers increased by 57 stores, 1,631 stores in total) * GMS: 77.6% SM: 57.3%	1) Shared information with Group companies on stores that had stopped providing free plastic shopping bags at cash registers and on refusal rates for plastic shopping bags at cash registers 2) Strengthened promotion by SM companies and encouraged active participation in regions in relation to agreement on ending free bag distribution at cash registers
		Construction of food recycling loop	Consolidated Group companies in Japan for GMS and SM businesses	By FY2020: Construct at over 10 locations nationwide (targeting more than 1,000 stores)	Constructed recycling loops at two locations Implemented food residue collection at 107 stores	Expanded the number of food residue collection stores throughout Aeon Group companies
Strengthening the management system	Management system for waste emissions	Completion of internal training course to improve management of waste emissions	Consolidated Group companies in Japan	FY2017: 550 participants (total since FY2011)	In FY2017, 90 employees participated in training for waste managers Total of 551 employees have participated since FY2011	Provided training through external specialist institutions. Doubled the number of training attendees through use of teleconferencing and actively publicizing training at head office-related departments
		Electronic manifest introduction rate	Consolidated Group companies in Japan	Increase electronic manifest introduction rate of Group companies	Introduction rates of Group companies (95% or more) 20 companies (50% or more, less than 95%) 9 companies (less than 50%) 8 companies * as of the end of July 2018	1) Increased efficiency of operations through outsourcing to management service providers and introducing mechanisms that coordinate contract management 2) Implemented review of division of roles and communication rules between stores, head office, and management contracting company, and built checking system for internal audits, etc.

Initiatives for Zero Waste in Stores and Products

Reducing the Amount of Materials Used in Packaging and Containers

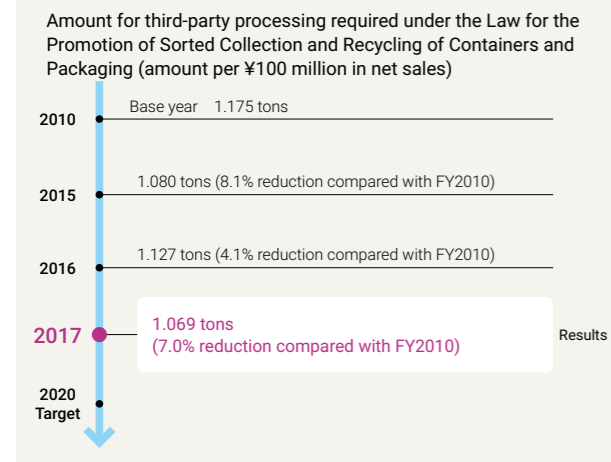
Most of the garbage discharged from homes is made up of packaging and containers. Therefore, companies in the retail industry need to understand the importance of selling products that contribute to less garbage in everyday life.

With this in mind, Aeon is working actively to reduce the amount of materials used in packaging and containers. In addition to focusing on reducing the use of plastic shopping bags, we are also promoting the use of thinner and more eco-friendly trays.

When developing TOPVALU products, we closely examine the packaging and containers and after careful consideration of their impact on the quality of product contents and safety during shipment, we work to make product containers lighter and more thin-walled and switch to recyclable materials. Additionally, we are striving to develop refillable containers and change packaging materials based on customer feedback.

As a result of these efforts, we were able to reduce the amount of packaging and containers for recycling by a third party (per ¥100 million in net sales) required under the Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging by 7.0%, to 1,093 tons, in FY2017 compared with FY2010. Moving forward, we plan to take further action in this area.

FY2017 Results and Target of KPI



Reduction of Packaging Materials: Case 1

For our TOPVALU Best Price Buttered Rolls, we tried to reduce the use of materials by eliminating the closure mechanism and shortening the length of the packaging. As a result, we were able to cut the packaging weight to approx. 50% of benchmark national brands.



TOPVALU Best Price Buttered Rolls: closure mechanism eliminated and packaging minimized

Reduction of Packaging Materials: Case 2

In the past, we attached both a product name label and a thermal label to *bentos* (boxed meals) and salads. We have eliminated product name labels by putting the TOPVALU logo on the thermal label. This led to a reduction of about 16.2 million labels in FY2017.



TOPVALU bentos: product name label and thermal label combined into one

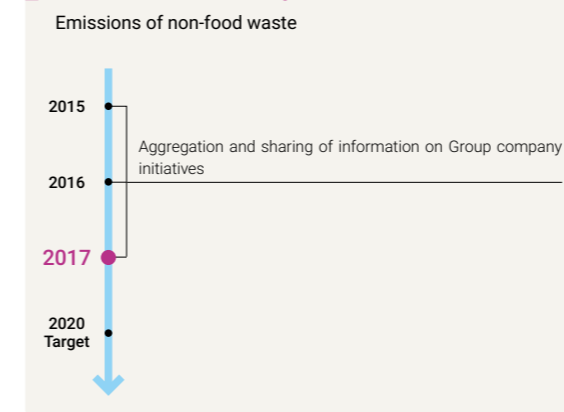
Reducing Waste

As a company that operates business at approximately 21,742 stores and locations (as of the end of February 2018) in Japan and overseas, Aeon generates a large volume of waste. Demand for waste reduction has increased among society in Japan and overseas. In addition to the targets for waste management and food waste reduction that were incorporated into the United Nations' Sustainable Development Goals (SDGs), which were adopted at the UN General Assembly in 2015, the European Union is introducing stricter regulations, particularly for plastic garbage and food waste. Japan has also been strengthening waste-related regulations through such laws as the Law for Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources and the Waste Management and Public Cleansing Law.

To meet such societal demand, Aeon has decided to further strengthen its waste reduction initiatives and declared that the Group aims to achieve zero waste by eliminating the direct disposal, incineration, and landfill of waste. Currently, each Aeon Group company is implementing a variety of initiatives aimed at waste reduction. In addition, in 2017 we announced our targets for food waste reduction.

As an example of our initiative aimed at waste reduction, in May 2017 Aeon Mall Co., Ltd. prepared a medium-term environmental plan covering the period through FY2020. Aiming to realize zero emission malls, the Group company established maintaining its waste recycling percentage at above 80% and educating the employees of specialty stores as the main pillars of this plan. With the cooperation of specialty stores, we have "visualized" waste by introducing a system that separates waste into 18 basic product categories and measures waste volume based on these categories. For the separated waste, we make every effort to recycle items that are recyclable, and we calculate recycling percentages for each product category. In FY2017, Aeon maintained a high level of waste recycling, surpassing its target to reach 86.1%.

FY2017 Results and Target of KPI



Reducing Food Waste

Until recently, Aeon advanced measures to curb food waste at stores based on challenging targets, which were set in light of the progress of its respective Group companies and the food waste recycling percentages stipulated by the Law for Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources. In October 2017, however, Aeon set the bar even higher with its announcement of Groupwide medium-term targets for food waste reduction.

Aeon Food Waste Reduction Targets

- **Halve food waste by 2025**
Reduce generation per unit (food waste generation per ¥1 million in net sales) 25% versus that of FY2015 by 2020 and reduce 50% by 2025
- **Build food resource recycling models**
Build at more than 10 locations and more than 1,000 stores nationwide by 2020

To eliminate disparity in the progress of Group companies, Aeon has established guidelines and set food waste reduction targets based on the progress of each Group company. Further, given the regional differences in food waste situations, we have established seven working groups tasked with promoting initiatives at the Group companies in respective regions, and the working groups have begun activities aimed at meeting targets. As well as examining the construction of recycling models that are rooted in local communities, the working groups are enhancing performances by sharing information and best practices throughout the Aeon Group. In this way, Aeon will maximize Group synergies as it takes steps to reach its targets.

Measures Focused on Products and Stores

Although the Food Sanitation Act does not require companies to display expiration dates for products with expiration periods of three months or longer, we voluntarily display such data. However, few customers are concerned on a day-by-day basis about the freshness of products with expiration periods of one year or more. Moreover, displaying expiration dates for such products has resulted in Aeon disposing of food that was about to reach its expiration date.

In an effort to reduce food waste, a forum focused on the integration of manufacturing, distribution, and retail organized by The Distribution Systems Research Institute and the Distribution Economics Institute of Japan recommends that labels should only display the month and year of the expiration date. As a retailer, we endorse this recommendation, and we have decided to begin measures accordingly.

Within the next two years, for TOPVALU processed food products with expiration periods of one year or longer Aeon will transition to labels that display expiration dates only in months and years.



An expiration date shown in month and year

Together with Customers

More than 40%* of food waste is generated by households. As a retailer, we believe that it is important to encourage the many customers of our stores to reduce food waste. Accordingly, we are taking a range of measures.

For example, in collaboration with the government and municipal authorities we use point-of-purchase displays and leaflets at stores to encourage customers to reduce food waste. Also, we showcase TOPVALU HÔME CÔORDY products and other storage containers suitable for freezing as ways to help reduce food waste in day-to-day life.

Further, in 2017 the stores of Aeon Retail Co., Ltd. in the South Kanto area called on children belonging to the Aeon Cheers Club to submit ideas for reducing food waste at home. We have displayed the winning entry at various exhibitions.

* Estimate for FY2015 based on documents published by the Ministry of the Environment

Examples of food storage containers and bags



TOPVALU HÔME CÔORDY storage containers, which can be used in microwave ovens



TOPVALU SLIDER BAG



Ideas on reducing food waste at home submitted for our contest by a child belonging to the Aeon Cheers Club

Together with Local Communities

Aeon collaborates with local communities to advance initiatives for the effective use of resources. For example, in areas where we have established partnerships with reliable operational management bodies we cooperate with their food bank* activities based on certain conditions. As of the end of February 2018, six Group companies—Maxvalu Nishinohon Co., Ltd., Kasumi Co., Ltd., Maxvalu Chubu Co., Ltd., The Daiei, Inc., Sanyo Marunaka Co., Ltd., and Marunaka Co., Ltd.—regularly provide goods to local food banks.

Maxvalu Tohoku Co., Ltd. conducts food drives that encourage customers and employees to donate any excess food they have at home. We will not only reduce food waste through independent efforts but also through joint efforts with local communities and customers.

* Food banks provide facilities and people in need with food that, despite still being edible, would otherwise be disposed of for various reasons.

Initiatives Undertaken by Group Companies

The Maruetsu, Inc. Initiatives

The first step in reducing waste emissions is to identify the categories of garbage and the volumes of garbage in each category that are being emitted. With this in mind, we are “visualizing” waste emissions by introducing a waste accounting system mainly at Maruetsu stores. Employees use the system to measure and digitize waste volumes. This process helps lower waste by heightening each employee’s motivation to achieve reductions.



Measurement data from stores is managed online

Aeon Ryukyu Co., Ltd. Initiatives

With the aim of achieving its waste reduction targets, Aeon Ryukyu Co., Ltd. is implementing rigorous inventory control. For example, the company has set targets for the inventory turnover days of delicatessen products and three types of perishable products and is following up on progress at each store. In conjunction with these efforts, the company is increasing ordering precision. Establishing clear waste reduction targets and linking them to sales and gross profit heighten employee motivation and help the company reduce waste.

Aeon Food Supply Ltd. Initiatives

Aeon Food Supply Ltd., a food manufacturer, has established targets that include eliminating manufacturing loss, strengthening management of raw material processing deadlines and best-before dates, implementing initiatives to extend use-by dates with MAP packaging for livestock products, reducing defective products by strengthening receipt inspections, and reducing product accidents (contamination, improper labeling, and quality defects), and is striving to reduce waste through its daily production activities.

Ministop Co., Ltd. Initiatives

Bento box lunches are usually stored at temperatures of around 20°C. However, Ministop’s chilled bento box lunches are stored at temperatures of between 0°C and 5°C throughout all stages from their production and delivery to their arrival at store shelves. This enables us to maintain freshness and realize expiration periods that are longer than those at other stores. Moreover, this allows us to use ingredients that are normally difficult to include in bento box lunches, such as soft-boiled eggs and raw vegetables. Thus, Ministop’s bento box lunches have become tastier than ever.

In addition to its chilled bento box lunches, Ministop has added chilled sushi to its product lineup, thereby providing customers with a wider range of options.



Diavola-style big hamburger bento



Two-sauce omelet rice



Chilled sushi

Constructing Food Recycling Loops

Aeon Agri Create Co., Ltd., which manages Aeon’s directly operated farms, and Daiei Kankyo Co., Ltd., which is engaged in the recycling business, concluded the Agreement on the Promotion of Food Recycling Loop in September 2014. This has brought together farms, stores, and composting treatment facilities with the aim of constructing and expanding a composting recycling loop.

Daiei Kankyo processes food waste generated from vegetables, meat, and other foods gathered from stores. The produced compost is then used on the Aeon Miki Satowaki Farm. The vegetables grown and harvested using this compost are sold in Aeon stores. In this way, Aeon is constructing a self-contained food recycling loop. In 2017, this food recycling loop shipped approximately 276 tons of agricultural products, including cabbages, daikon, Chinese cabbage, spinach, and cherry tomatoes.



Cabbage shipped from Aeon Miki Satowaki Farm

Further, in June we held the Miki Environmental Festival, based on the concept of education for sustainable development. We also proactively conduct environmental education activities for children, who will be the leaders of the next generation. These activities include study tours of food recycling facilities, environmental studies, and presentations on food recycling loops.

FY2017 Results and Target of KPI



FY2017 Results and Target of KPI



● Advancement of Aeon's Self-Contained Food Recycling Loop

Food residue collection: Increase steadily from the level of approximately 1,984 tons per year (targeting Aeon Group stores)
Compost production: Increase steadily from the level of approximately 114 tons per year (FY2017)



Using Returnable Containers

Aeon is reducing the amount of cardboard thrown away at stores by using returnable containers and agricultural product containers that can be used repeatedly when shipping products.

In FY2017, we reduced cardboard waste by using 83.72 million returnable containers* and 24.70 million returnable containers for agricultural products.

* Aeon's own containers only

● Usage of Returnable Containers



Reusing and Recycling Hangers

We are reducing the number of cardboard boxes and hangers used in the transportation of apparel by using the same reusable hangers when transporting and displaying them in sales areas.

Aeon Retail Co., Ltd. and Aeon Retail Store Co., Ltd. have begun using a collection and circulation system through collaboration with hanger manufacturers and the use of the National Permit System.* In FY2017, we expanded this system to cover almost all types of hangers of certified companies. Moreover, we have used this initiative as an opportunity to unify hanger management rules at stores, thereby reducing the number of man-hours and amount of space required for hanger management. Going forward, we will work to reuse and recycle hangers even more efficiently.

* The National Permit System is a special system under the Waste Management and Public Cleansing Law that encourages the reuse of resources by allowing manufacturers to process products that they have previously manufactured. In response to requests from businesses that need to dispose of manufacturers' products, manufacturers collect, process, and conduct integrated management of their products across wide areas.

Promoting Green Purchasing

In 1996, Aeon began its Green Purchasing initiative. When purchasing stationery and other office supplies, we adequately consider their necessity and make purchasing decisions by prioritizing products with low environmental impacts. This is done as a matter of course for office supplies, but we are also expanding the scope of green purchasing to include display cases, shelving, and other fixtures used on sales floors, as well as construction materials and the like.

In 2001, we began green purchasing of construction materials. When developing new general merchandise stores, we strive to use construction materials procured through green purchasing and to increase the range of items subject to green purchasing.

Together with Customers

Reducing the Number of Plastic Shopping Bags

For more than twenty years since 1991, Aeon has engaged in efforts to conserve petroleum, a raw material of plastic bags, and cut CO₂ emissions from the production of plastic bags.

As of the end of February 2018, the reduction of plastic shopping bags at our 30 Group companies totaled 2,735.42 million, with 64.8% of customers declining plastic shopping bags. This significantly surpasses the 53.46%*¹ average for retailing businesses, and has led to CO₂ reductions of 84,251 tons.*²

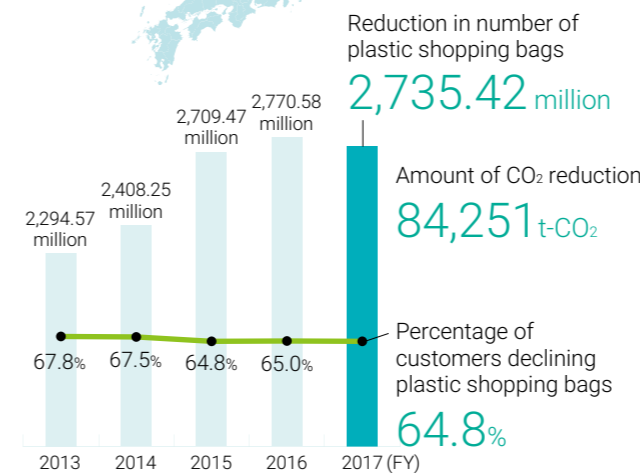
Meanwhile, plastic shopping bags are provided for a fee to customers who want to use them. These proceeds*³ contribute to the local environmental conservation activities of municipal authorities and other bodies. In FY2017, proceeds totaled ¥34.21 million, bringing cumulative proceeds from plastic bag fees to approximately ¥661.87 million since 2007.

*¹ As of March 2018. Research by Japan Chain Stores Association
*² CO₂ reduction rate index: 33.0 g-CO₂ per plastic bag declined by customers (treated as 6.8 g of unused HDPE plastic shopping bags)
Source: Ministry of the Environment's "Tools for Visualizing 3R Activities"
*³ Plastic bag proceeds = Fee - (consumption taxes + material cost)

● Number of Stores That Have Stopped Providing Free Plastic Shopping Bags at Cash Registers

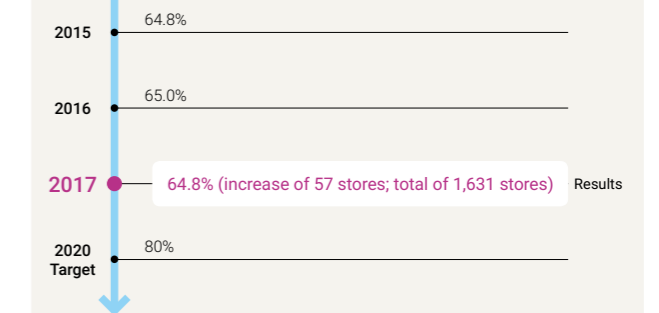
Total number of stores (FY2017 results)

1,631 stores
(total for 29 Aeon Group companies)

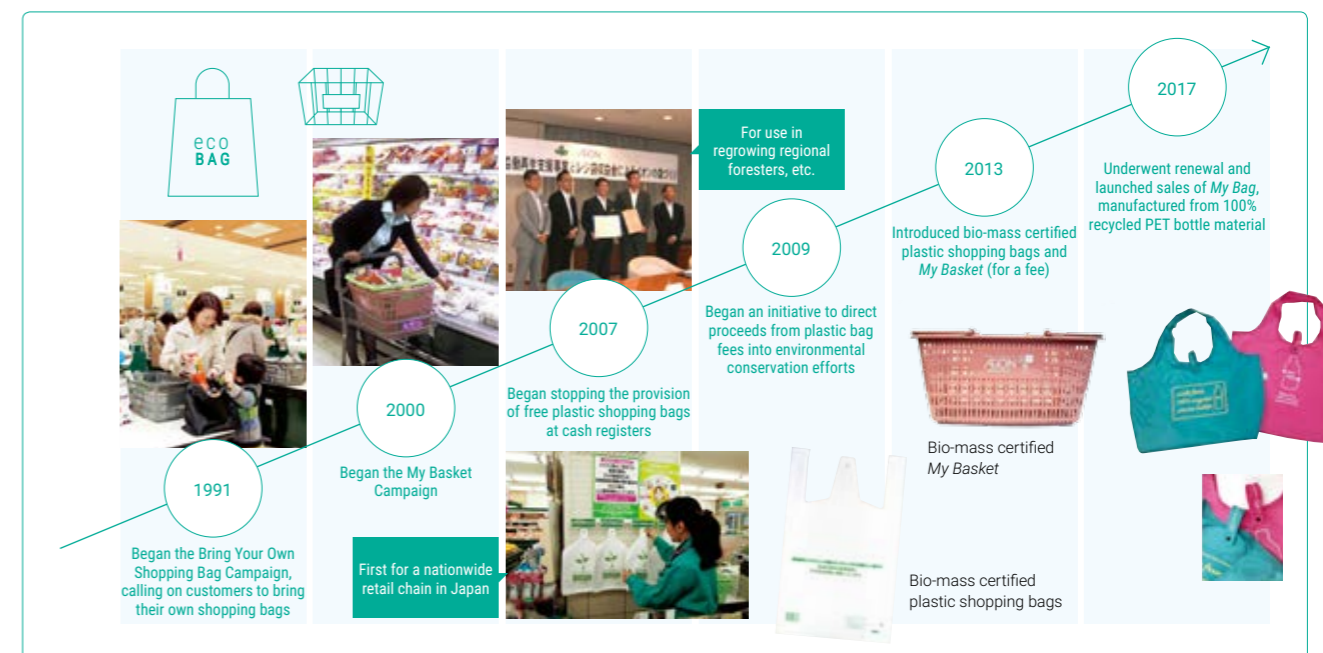


FY2017 Results and KPI Target

Percentage of customers declining plastic shopping bags (nationwide store average)



● Progress of Plastic Bag Reductions



Reducing Waste by Collecting Resources in Stores

To recycle valuable resources, Aeon stores have collection bins for drink cartons, food trays, aluminum cans, and PET bottles. Drink cartons and aluminum cans are used as raw materials for TOPVALU brand products. Through these efforts, Aeon is moving toward the creation of a recycling-based society. In the delicatessen sections of our stores, 100% of the oil we use is collected and recycled for soap, feed, and fertilizer.



TOPVALU Best Price Recycled Toilet Paper Single
Recycled toilet paper that uses 100% waste paper pulp



TOPVALU Oil Guard
An aluminum oil guard that prevents soiling due to oil splashing around the gas range cooktop. Made of at least 80% aluminum remelted from aluminum cans collected at stores



Collection boxes at an Aeon store

Results for FY2017 (Total for 26 consolidated subsidiaries)

<p>Drink cartons</p> <p>Approx. 152.82 million</p> <p>Collected amount: 4,584 t</p> <p>CO₂ reduction: 2,292 t-CO₂</p>	<p>Food trays</p> <p>Approx. 435.51 million</p> <p>Collected amount: 3,048 t</p> <p>CO₂ reduction: 19,206 t-CO₂</p>
<p>Aluminum cans</p> <p>Approx. 335.10 million</p> <p>Collected amount: 5,361 t</p> <p>CO₂ reduction: 46,111 t-CO₂</p>	<p>PET bottles</p> <p>Approx. 171.83 million</p> <p>Collected amount: 10,825 t</p> <p>CO₂ reduction: 38,973 t-CO₂</p>

Weight conversion: Drink cartons (1,000 ml): 1 carton = 30 g, food trays: 1 tray = 7 g, aluminum cans (350 ml): 1 can = 16 g, PET bottles: 1 bottle = 63 g
* CO₂ reduction rate index (per 1 kg of collected material): Drink cartons: 0.50 kg-CO₂, food trays: 6.3 kg-CO₂, aluminum cans: 8.6 kg-CO₂, PET bottles (material recycling): 3.6 kg-CO₂
Source: Ministry of the Environment's "Tools for Visualizing 3R Activities"

Launch of WAON-Linked Initiative to Collect Waste Paper and Plastic Bottles

Aeon conducts resource recovery efforts (waste paper and plastic bottles) that provide WAON points to customers who contribute to resource recovery, with the aim of encouraging the recovery of resources and increasing convenience for customers.

We are promoting this initiative with a focus on stores in municipalities where there are infrequent collections of recycling waste. As of the end of May 2018, we have introduced this initiative at 365 locations, where it has met with a favorable reception from customers. In introducing this initiative, we established a clear division of roles with recycling businesses to create a system that can carry out recovery efforts on an ongoing basis.



A recycling station for collection of waste paper and plastic bottles

Initiatives Undertaken by Group Companies

Aeon Retail Co., Ltd.

Collecting and Promoting the Reuse of Clothing

Aiming to help realize a recycling-based society, Aeon Retail Co., Ltd. established a system for regularly trading in clothing in partnership with KK I-Collect Japan* and commenced full-scale efforts in 2015. In FY2017, there were about 345 tons of trade-ins. Traded-in clothing is transported to I-Collect Japan's partner plants in about one week without being discarded and about 400 types of clothing are subsequently sorted and selected at the plants of the company's overseas partners. Sixty percent of the clothing is reused as apparel with the remainder being recycled according to condition and application.

* A subsidiary of SOEX, the world's largest recycler of textiles and shoes

Cox Co., Ltd.

Collecting and Promoting the Reuse of Clothing

Since 2011, Cox Co., Ltd. has been partnering with I-Collect Japan to regularly conduct used clothing collection campaigns. The Group company has been collecting used clothing on a permanent basis since 2015. Thanks to the cooperation of customers, Cox collected approximately 12 tons of used clothing in 2017.

Also, Cox has begun using EcoBizBox containers in its operations. As well as reducing CO₂ emissions arising from manufacturing and disposal, the containers are light and easy to assemble, which helps mitigate the workload of store personnel. Also, Cox will increase the efficiency of operations at delivery destinations as well as the efficiency of quantity management by becoming the first company in the apparel industry to introduce radio frequency identification (RFID) tags.*

* The attachment of tags incorporating a system that enables the contactless reading and writing of tag data through the use of radio waves (electromagnetic waves)



An EcoBizBox container used for shipping products to stores

Talbots Japan Co., Ltd. & Aeon Retail Co., Ltd.

Collecting and Promoting the Reuse of Clothing

Fashion shop Self + Service run by Talbots Japan Co., Ltd. and Aeon Retail Co., Ltd. is participating in the BRING Project for 100% recycling of clothing and runs clothing collections* for unneeded ladies' and children's wear. The project utilizes technology that produces ethanol and other products through the collection of clothing fibers.



* Collections conducted only at certain stores

GFoot Co., Ltd.

Reusing and Recycling Shoes

GFoot Co., Ltd. actively collects, reuses, and recycles shoes. In collaboration with I-Collect Japan, the Group company has established a system that contributes to resource recycling by enabling the constant trade-in of shoes. The Group company collected approximately 437 tons of used shoes in 2017. The system reduces garbage by providing traded-in shoes that are still usable to those in need overseas while recycling shoes that are not reusable into materials for road building and other purposes.

Strengthening the Management System

Management System for Waste Emissions

Aeon holds internal training courses on a regular basis aimed at improving its management of waste disposal. Each year the Waste Management Training Course, which was developed together with an external specialist organization, is held for environmental managers and waste management leaders of Group companies.

In FY2017, 90 personnel participated in training for waste managers, and 551 personnel have participated in these seminars since FY2011. Continuance of this training will pave the way to improvements in the Group's level of waste management.

Meanwhile, we provide combined training and testing for persons in charge, with the aim of having them acquire the requisite skills and knowledge, such as waste manifest management at each respective company.

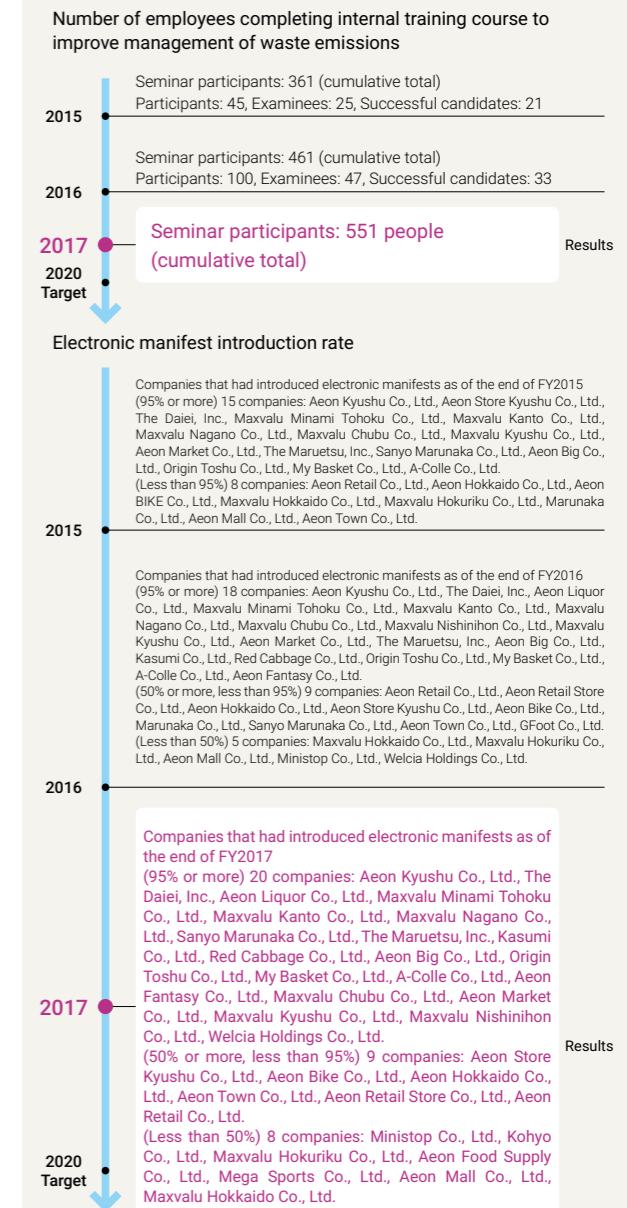
Also, in order to make manifest management more efficient and precise, we are introducing electronic manifests* in stages.

For example, to process waste Aeon Retail Co., Ltd. contracts Aeon Waste Management Center, which is jointly operated by Aeon Delight Co., Ltd. and specialized companies. We are introducing an IT system that enables the unified management of the periods of processing service agreements and licenses in relation to contracted waste processors. We are establishing systemic capabilities that clarify the roles of companies emitting waste, contracted waste processors, and contracted management companies and that facilitate checking. As well as strengthening compliance, these capabilities help reduce man-hours and costs. While the introduction of electronic manifests is saving labor and increasing efficiency, checking the details of manifests and the status of processing remains the responsibility of the company emitting the waste.

While communicating with contracted companies, we will steadily establish rules that reflect the circumstances of each company. As of the end of February 2018, the electronic manifest system had been introduced at 42 companies, including those where it had been introduced at certain operating bases. We will continue with efforts to achieve our target of introducing the system at half of our Group companies.

* Electronic manifest: A manifest issued to ensure that processing has been performed when discharging industrial waste. Though conducted traditionally in paper form between emitters and processing companies, the exchange of electronic manifests through networks has become widespread thanks to the digitization of manifest information in recent years.

FY2017 Results and Target of KPI



Creating Products and Stores That Meet Society's Expectations

Management Approach

Recognition of Challenges

Customer safety and assurance is always the top priority in any era. As the supply chain has expanded globally in recent years, ensuring product quality and safety has become more and more of a major challenge for society. The occurrence of product accidents not only causes great inconvenience for customers, but also risks creating considerable anxiety for the

international community. In addition, the value that customers demand varies widely depending on the country and region. In order to continue responding to their voices, it is essential to actively create mechanisms for dialogue with customers as well as mechanisms for the development of products, services, and stores that reflect the opinions of customers.

Aeon's Approach

Aeon has set out Our Promise to Our Customers as part of the Aeon Code of Conduct formulated in April 2003.

In order to put this promise into practice, we promote the creation of safe and reliable products in partnership with our domestic and overseas suppliers for the Aeon *TOPVALU* brand. Furthermore, we make efforts through such means as establishing traceability systems and creating labeling rules for ingredients so that customers can use products with

security. In terms of our facilities, we are striving in tangible and intangible ways to create safe and pleasant stores.

Moreover, in order to respond to the diverse voices from a society that is changing with the times, we have created mechanisms to periodically collect the opinions of customers and have focused our efforts on the development of products, services, and stores under the themes of "the elderly," "health," and "local products" in recent years.

Future Initiatives

Responding to diverse consumer issues will continue to be a key issue in the future for Aeon, which positions "contribution to customers" as an enduring mission.

Going forward, Aeon will continue striving to develop products, services, and stores that originate in the views of

customers, including the expansion of Health & Wellness products to respond to the aging of the global population and health consciousness and the creation of stores that are ready for large-scale natural disasters.

Aeon Code of Conduct—Our Promise to Our Customers

Aeon endeavors to provide its customers with assurance and trust in their daily lives, in keeping with the view that "everything we do, we do for our customers." Aeon's never-ending mission is to make a positive contribution to customer lifestyles.

At Aeon, our first priority is to ensure customer safety. Our customers enjoy a level of assurance only Aeon can offer.
We always conduct all of our business activities (products, services, hygiene, facilities, information, etc.) with customer safety as the top priority. If there is the smallest doubt regarding customer safety, we will promptly ascertain the nature of the concern and work to resolve the issue.

At Aeon, we keep our promises to our customers, always behaving with integrity.
We take personal responsibility to uphold the promises in our flyers and in advertisements concerning deliveries and repairs with all of our customers. If any incident or business problem should arise, we will disclose faithfully all relevant information and respond if there are further questions.

At Aeon, we offer high-quality products and services at reasonable prices.
We strive to offer high-quality products and services so our customers

can enjoy enriched lives. At the same time, we are actively engaged in re-inventing our business practices so that we can offer our products and services at even lower prices. At Aeon, our goal is to be the leading retailer for offering customers high-quality products at reasonable prices.

At Aeon, we wrap our products and services in a warm greeting and a friendly smile.
In addition to products and services, Aeon customers can always look forward to a pleasant greeting and a caring, friendly smile. When we greet customers in our store, in our offices, and over the phone, they will know what we mean when we say "Aeon friendliness."

At Aeon, the voices of customers give management its direction, and we strive to address customer desires in all business practices.
We consider all customer opinions, requests, and complaints to be the starting point for management decisions. We gratefully listen to our customers' voices and acknowledge them as a valuable contribution to our uniqueness, and we work to quickly respond to their feedback.

FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Creating products and stores that meet society's expectations	Quality control and disclosure	Number of <i>TOPVALU</i> products removed due to serious incident	Consolidated Group companies in Japan and overseas (Japan, China, ASEAN)	FY2020: 30 (apparel: 12; food: 8; living / HBC: 10)	42 (apparel: 15; food: 12; living / HBC: 15)	Resolved defects by holding <i>TOPVALU</i> customer feedback committee meetings, aggregating requests and opinions from customers, and focusing discussions on issues that were particularly in need of resolution
	Health and allergy measures	Health-conscious initiatives	Consolidated Group companies in Japan and overseas	Product development in line with "Health & Wellness" concept	Released <i>TOPVALU Gurinai Free From</i> series, which gives consideration to 102 additives and ingredients that customers are concerned about when making purchases (as of February 2018)	1) Began developing sweet buns that do not include additives, which was not possible previously, and launched <i>TOPVALU Free From Melon Pan</i> 2) In non-food categories, launched such daily necessities as shampoo, body soap, and laundry detergent
	Catering to the elderly	Training of personnel able to assist customers with dementia	Consolidated Group companies in Japan	FY2020: 80,000 personnel	Cumulative total as of FY2017: 69,334 personnel	1) Held seminars on assisting customers with dementia as part of prior training when opening new stores or renovating stores 2) Collaborated with government to hold seminars on assisting customers with dementia 3) Had in-house instructors conduct seminars on assisting customers with dementia
	Taking disaster prevention measures	Number of seismically reinforced stores	Consolidated GMS, SM, and DV businesses in Japan	Number of stores to be seismically reinforced beginning from FY2013: 270 (steady implementation)	Number of seismically reinforced stores as of FY2017: 156	Implemented measures to lessen the severity of damage during major earthquakes, including the installation of fixtures to prevent vibration of ceilings, the falling of cold water pipes, and the detachment and falling of smoke vents and ducts, and attached fireproof sheets to hanging smoke barriers
		Number of stores that can serve as temporary shelters	Consolidated GMS businesses in Japan	FY2020: 100 stores nationwide that can serve as temporary shelters	FY2017: Implemented measures at seven stores, including existing stores and such new stores as Aeon Mall Shin-Komatsu and Aeon Mall Tokushima, bringing cumulative total to 40 stores	Established temporary shelters, set up activity bases for relief and rescue, introduced efforts for the provision of daily necessities, and implemented energy security measures to be able to operate the food department in the event of a disaster
	Dialogue with customers	Number of complaints and compliments received	Consolidated Group companies in Japan and overseas	Number of service complaints FY2020: 2,420 Number of compliments FY2020: 2,900	Number of service complaints 14,505 Number of compliments 2,148	1) Feedback received via Internet mail increased due to the rise in smartphone users 2) Reported customer feedback to relevant departments and promptly took measures in response. Examined preventive measures with relevant departments and notified all concerned about the measures

Quality Control and Disclosure

Quality Control of TOPVALU Brand Products

Aeon developed its own TOPVALU brand of products to improve its customers' daily lives. We are working to create products by taking the point of view of our customers into consideration throughout each phase, from product planning and design to the selection of subcontractors, determination of product specifications, production management, and sales.

The TOPVALU Brand Portfolio



TOPVALU products provide customer satisfaction and enrich daily life.



TOPVALU Select features exclusive, premium-quality products.



TOPVALU Best Price realizes product quality that exceeds customer expectations while offering the lowest prices in each trading area.



TOPVALU Gurinai offers safety and peace of mind through products that are good for health and the natural environment.



TOPVALU Gurinai Organic comprises organically cultivated products that have earned official organic certification.



TOPVALU Gurinai Natural includes perishables produced without the use of synthetic chemicals as well as processed food products made from these perishable products.



TOPVALU Gurinai Free From products do not contain additives, constituents, and ingredients that can lead to cause for concern for customers when shopping for food.

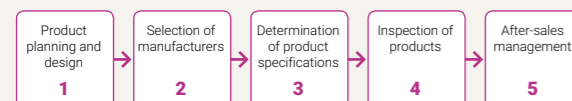
The Five TOPVALU Commitments

1. We shall reflect the voices of customers in our products.
2. We shall offer safe, reliable, and environmentally friendly products.
3. We shall present product information in an easily understandable way.
4. We shall offer products at affordable prices.
5. We shall guarantee our customers' satisfaction.

The Process of TOPVALU Products to Customers

The Process of Creating Products

TOPVALU products are created by taking the point of view of our customers into consideration throughout each phase, from product planning and design to the selection of manufacturers, determination of product specifications, product inspection, and sales.



1 Product planning and design

We do not develop products that may have issues with their safety or the risk of health hazards.

In addition to achieving the product performance expected by customers by reflecting their feedback, our development staff, quality control staff, and customer service staff study issues such as the suppliers and safety of raw materials, the use of additives, and appropriateness in the production process.

2 Selection of manufacturers

We examine corporate soundness and whether manufacturing processes are managed properly such as through Aeon supplier Chain of Custody (CoC) audits, product safety diagnosis, and plant hygiene investigations, to select and contract plants that can create products that meet our expectations.

3 Determination of product specifications

Completed prototypes are evaluated by "customer monitors," employees, etc. In addition, we also reevaluate the selection of raw materials, use of additives, and manufacturing processes to finalize the product specifications and contract manufacturers.

4 Inspection of products

The products manufactured in accordance with their specifications are inspected to see whether they meet the initially expected quality standards. Products that pass inspection are delivered to each store to be provided to customers.

5 After-sales management

Based on the agreement with the manufacturer, we inspect each production lot at the plant for the items agreed upon and keep records. We also carry out product inspections periodically to find out whether they meet the specified quality standards in addition to implementing audits of manufacturers that include plant hygiene investigations.

We are implementing initiatives aimed at ensuring product safety and security. In case a defect or flaw is discovered in a product despite these efforts, Aeon informs the public of the fact as quickly as possible and recalls and withdraws the product in question.

In FY2017, Aeon withdrew 42 products due to serious incidents involving TOPVALU products.

Aeon will strive to prevent product accidents through efforts that include identifying problem areas based on customer feedback to avoid recurrence of an issue, strengthening relationships between related departments, and reviewing areas of concern in the production and shipment phases of a product.

Examples of TOPVALU Product Incidents in FY2017

TOPVALU Curry ni au Fukujinzuke

TOPVALU Fukujinzuke

Cause: Possible contamination of the product by metallic fragments due to damage to a mechanical component used in the manufacturing process

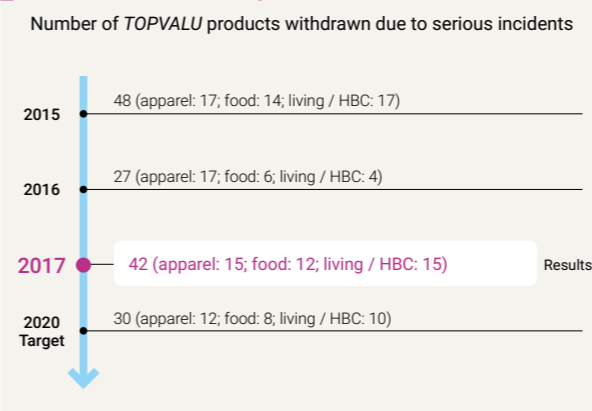
Response: Product withdrawal and voluntary recall (recall announcements at points of purchase at stores and through websites and newspaper advertisements)

TOPVALU White Crunch Choco

Cause: Possible contamination of white chocolate by fragments due to damage to a rubber component used in the manufacturing process

Response: Product withdrawal and voluntary recall (recall announcements at points of purchase at stores and through websites and newspaper advertisements)

FY2017 Results and Target of KPI



Acquisition of ISO 9001 Certification

The companies of the Aeon Group are working to acquire ISO 9001 certification, provide consistent products and services, and increase customer satisfaction.

Group Companies with ISO 9001 Certification (As of the end of February 2018)

Company
Maxvalu Chubu Co., Ltd.
Head office, Kawaimachi Store, Kawaguchi Store
Aeon Credit Service Co., Ltd.
Aeon Delight Co., Ltd.
Research Institute for Quality Living Co., Ltd. Kansai General Inspection Center
Guangdong Aeon Teem Co., Ltd.
Kasumi Meat Processing Center, Ltd.
Chiyoda Plant of Rose Corporation Co., Ltd.
KASUMI Green Co., Ltd.
Aeon Pet Co., Ltd.
Pet inn Royal Narita Airport
Aeon Credit Service (Asia) Co., Ltd.
Aeon Credit Service (M) Berhad
Aeon Thana Sinsap (Thailand) PCL.
Qingdao Aeon Dongtai Co., Ltd.
Aeon Topvalu Co., Ltd.

Food Sanitation Control

Under the Aeon Food Sanitation Certification System established in 1995, Aeon engages in a variety of activities to prevent the occurrence of food-related incidents such as food poisoning and contamination.

As of the end of February 2018, 26 companies from our GMS business and SM business have implemented the Aeon Food Sanitation Certification System while a total of 10,918 sections have obtained certification.

Quality Keepers

Aeon has assigned "Quality Keepers" at its stores to verify store sanitation levels and product quality. Quality Keepers check store products and food preparation areas at stores, and call for improvements if a problem is found. In addition, the sales staff inspect a list of items related to sanitation and quality control, including a temperature management chart that is used to record temperature management information for display cases, refrigerators, and freezers, sell-by dates that are set for each product, and freshness checks on fresh produce.

Sanitation Training for Employees

Employees in the food departments of Aeon stores must undergo sanitation training at least once a year. Employees review basic sanitation knowledge and rules for food preparation areas. Practical skills tests are also conducted for each person based on a test booklet.

In FY2017, we strengthened education concerning those points that must be observed in the preparation of food under the three principles of food poisoning prevention: avoiding contact with bacteria, preventing bacteria from multiplying, and sterilizing bacteria.

Supervision of Food Preparation Areas

Food preparation areas are audited at least twice a year. Audits are continued until certain specified standards are met.

Labeling and Disclosing Product Information

Aeon is working to label and disclose the necessary information to enable consumers to choose TOPVALU brand products in a clear and easy manner and to ensure that they can be used and consumed with peace of mind.

Labeling of Genetically Modified Ingredients

In April 2001, legislation in Japan enacted a labeling system for genetically modified ingredients. However, even before this, in September 2000 Aeon began labeling TOPVALU brand products that contain genetically modified ingredients in response to demands from its customers. We have expanded the scope of labeled items and are striving to provide labeling even for items not mandated by law.

Additionally, label accuracy of products subject to labeling (separate items) is confirmed through certification of proper separation of production and distribution (IP handling) or testing for genetically modified DNA.

Disclosing the Places of Origin of Processed Food Ingredients

We receive numerous inquiries from customers regarding the places of origin of processed food ingredients. Labels showing the places of origin of processed food ingredients have been mandatory in Japan since October 2006 for 22 food product categories, including dried mushrooms, green tea, and konnyaku (jelly made from devil's-tongue starch), as well as for four individual items. In response to customer requests, the labels of TOPVALU brand offerings show the places of origin of ingredients not only for food products in the mandatory categories but also for as many other products as possible.

名称	塩昆布
原材料名	昆布(北海道)、しょうゆ(大豆・小麦を含む)、食塩、たん白加水分解物(大豆を含む)、調味料(アミノ酸等)、甘味料(ソルビトール、カンゾウ)、カラメル色素、増粘多糖類
内容量	28g
賞味期限	反対面下部に記載



Disclosing Information on Agricultural Product Producers

In 2003, we established the Producers Data Search System for Aeon's TOPVALU Gurinai products to give customers online access to information on producers. Since 2004, we have also added a barcode function that allows customers to access producer data by reading the QR code. The data includes the places of origin as well as the differentiated measures taken by producers and how the item was grown.



A product labeled with a QR code

Disclosing Information on Domestic Beef

Prior to enforcement of the Beef Traceability Act,* in 2002 Aeon established the Domestic Beef Safety Confirmation System in order to provide peace of mind to customers buying beef. The system allows customers to find out information about beef products produced from cattle raised in Japan, including where the cow was raised, who raised it, and what kind of feed it was raised on. The system can be accessed through our website.

* Enforced in December 2004, the official name of the law is The Law for Special Measures Concerning the Management and Relay of Information for Individual Identification of Cattle.

Disclosing Information Related to Radioactivity and Radioactive Material

Aeon has been voluntarily inspecting radioactivity and radioactive materials in Japanese beef, seafood, agricultural goods, and other foodstuff since the Great East Japan Earthquake. The results of these inspections are published on our website.

Search System for Manufacturing Plant Codes

Aeon is ultimately responsible for all aspects of TOPVALU brand products from planning to design and marketing, and this is why Aeon Co., Ltd. is labeled as the distributor on all product packaging.

Consumers can check the food product manufacturing plant and its address for food items or food additives using a unique code comprising numbers and letters* labeled on the product and reported to Japan's Consumer Agency. This system can be accessed from the TOPVALU website. Consumers can find the exact name and location of the manufacturing plant simply by entering the code on the online form.

* This code is written on the cap of PET bottle drinks and other beverages. For other products, please check the packaging as position of the code on the packaging differs according to the product.



Search screen of Search System for Manufacturing Plant Codes

Health and Allergy Measures

Launching Food Products without Certain Additives and Ingredients

Since 2016, we have been developing and bringing to market TOPVALU Gurinai Free From*1 confectionery, bread, ham, sausages, and other products. We produce these foods without the use of 109*2 additives and ingredients that can lead to cause for concern for customers when shopping for food.

Aiming to meet the needs of guardians who want to provide food with less additives to their children as well as the needs of health-conscious customers, we conducted a questionnaire and decided on the additives and ingredients to exclude based mainly on the results. We are developing products that meet the brand's parameters and that tap into burgeoning demand.

In 2017, the brand's second year, we began developing sweet buns that do not include additives—which was not possible previously—and launched TOPVALU Gurinai Free From Melon Pan as our inaugural product in this range. Following on from TOPVALU Gurinai Free From Pain de Mie, this latest offering has become a favorite of many customers. Moreover, in non-food categories we have launched such daily necessities as shampoo, body soap, and laundry detergent under the TOPVALU Gurinai Free From brand. Also, in April 2018 we unveiled a lineup of products for protecting and supplementing the skin that includes UV (ultraviolet) cream and body milk.

*1 "Free" means "absent" or "non-existent," and "free from" in food indicates that additives and ingredients that can lead to cause for concern for customers are not used.

*2 29 synthetic colorings, 15 synthetic preservatives, 3 coloring agents, 5 fungicides, 10 artificial sweeteners, 23 flavor enhancers (amino acids), 6 flavor enhancers (nucleic acids), 3 anti-oxidants, 3 bleaching agents, 6 manufacturing agents, and 6 foods that contain a lot of trans-fatty acids



Labeling of Food Allergens

Aeon uses standardized icons on the outside of all food product packaging to ensure consumers can easily identify food allergens contained in products.

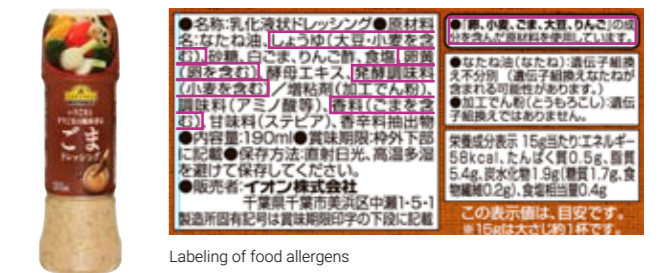
The information covers the use of seven ingredients*1 that are officially designated by law to be displayed on the outside of product packaging. The back label of products also contains the 20 secondary items*2 recommended for inclusion in

product labeling, bringing the total number shown to 27 ingredients. We also strive to include, where possible, food allergens that are handled in the manufacturing process and therefore could be found in trace amounts in the product.

Inspections are also conducted every year on applicable products to confirm labeling accuracy.

*1 Items for which inclusion on labels is mandatory: wheat, milk, eggs, peanuts, buckwheat, prawns, and crab (seven items)

*2 Secondary items for which inclusion on labels is recommended: abalone, squid, salmon roe, oranges, cashew nuts, kiwi fruit, beef, walnuts, sesame, salmon, mackerel, soy beans, chicken, bananas, pork, matsutake mushrooms, peaches, yams, apples, and gelatin (20 items)



Labeling of food allergens

Developing and Selling Food for Allergy Sufferers

The TOPVALU Yasashi Gohan series was launched in November 2016 to meet customer demands related to products that consider food allergies. The series was planned and developed without the use of seven specific ingredients* based on the concept of "meals for everyone in the family and that are gentle on the body." As of the end of February 2017, the lineup featured a range of seven varieties. With a rich variety that includes powder mixes and white sauce that can be made into a variety of dishes as well as easy-to-prepare gratin and pasta sets, we will present meals that allow everyone to enjoy the same menu even in households that include people with allergies as we strive to provide assurance and trust rooted in daily life.

* Eggs, milk, wheat, peanuts, buckwheat, prawns, and crab



Labeling of Nutritional Content

Over the years, we have taken such initiatives as prominently labeling food allergens on the outside of TOPVALU product packaging. Since 2014, we have been asking customers what sort of labeling they thought was necessary, and displaying nutritional content* such as energy and fat on our packaging. By arranging and printing nutritional content information in a fixed position on the outside of product packaging, we aim to provide customers who want to consume healthy balanced meals every day with a yardstick for managing their health through diet.



* Five nutritional contents of energy, protein, fat, carbohydrate, and sodium

Catering to the Elderly, People with Disabilities, and People Unable to Shop

Initiatives for the Senior Generation

Aeon uses the name Grand Generation (G.G) in reference to seniors who are active and aggressive consumers—and responds to the shopping needs of seniors with such initiatives as 'G.G Mall' and 'G.G Card' targeted for seniors. For example, at the Aeon Kasai Store, which was renewed as a G.G Mall, we have established a fitness studio to help promote health and the Aeon Culture Club, which has two studios and six classrooms, to provide new places where customers not only buy "products" but can also have "experiences."

In addition, Aeon is developing Aeon Pharmacy sections within "Aeon" general supermarkets, attracting general clinics with medical facilities as tenants to respond to rising medical needs against the backdrop of Japan's aging society.

Also, we are focusing on developing Food for Specified Health Uses (FOSHU) to meet the health needs of our customers.



A morning activity at a G.G concept store

Creating a Convenient and Comfortable Store Environment for Everyone

Aeon developed its own building standards based on the Heartful Building Law of 1994 (revised and renamed as the Barrier Free Law* in December 2006). We use these standards when building new stores or remodeling existing locations. As of the end of February 2018, over 760 of our facilities had been certified as compliant with the Barrier Free Law.

We are also committed to incorporating universal design concepts to strengthen store function and design.

Recognizing that the number of seniors among our customers is increasing, we aim to incorporate universal design concepts in all of our stores.

* The Act on Buildings Accessible and Usable by the Elderly and Physically Handicapped, also known as the Heartful Building Law, was revised and renamed the Barrier Free Law in December 2006.



Step-free entrance (Aeon LakeTown)

Easily visible in-store sign

Care-Fitters

We encourage Aeon employees to acquire the Care-Fitter* certification to help ensure that seniors and people in need of assistance can shop in our stores with total confidence. Certified Care-Fitters in the Aeon Group numbered 12,230 as of the end of February 2018.

* Care-Fitter: A certification administered by the Nippon Care-Fit Education Institute (a public interest incorporated foundation)



Care-Fitter training session



Supporters for People with Dementia

Since 2007, the Aeon Group has been participating in the Dementia Supporter Caravan jointly promoted by the Ministry of Health, Labour and Welfare and the non-profit organization Community-Care Policy Network, in order for its employees to correctly understand dementia and provide appropriate support.

Thus far, we have run Dementia Supporter Training Courses to educate Dementia Supporters* in addition to training instructors (in-house Caravan Mates) for the courses. Employees also undergo training during the preparation phase for opening a new store and become Dementia Supporters before the store opens. As of the end of February 2018, there were a total of roughly 69,334 Dementia Supporters, the most of any company in Japan, and 899 "Caravan Mate" instructors for the training course.

In July 2017, we held a health forum at Aeon Mall Makuhari Shintoshin in collaboration with the city of Chiba and Eisai Co., Ltd. for the residents of the city of Chiba aimed at furthering understanding of dementia. In the familiar surroundings of a shopping center, we offered local residents an opportunity to learn about dementia through a variety of experiences.

In the future, Aeon will expand its efforts to provide support to people with dementia and their families with the aim of building local communities where they can live with peace of mind.

* Dementia Supporters: Individuals certified through a prescribed curriculum implemented by municipalities and other groups. They have an understanding of dementia and are able, within their capabilities, to give care to, watch over, and provide support to people with dementia and their families.



Dementia Supporter mark and orange band



Enhancing the Shopping Experience

Online shopping is becoming a familiar and convenient way to shop due to a diversification in shopping needs, which include improved store access and shopping outside of normal business hours. The Aeon Group is strengthening its omni-channel strategy by developing Aeon store e-commerce platforms through the "Aeon Square" website portal, taking advantage of the network of stores nationwide and enabling links between store and Internet services, and expanding its home delivery service for goods bought in stores and store pickup service for goods ordered over the Internet.

Aeon is also promoting measures to meet diverse shopping needs such as increasing openings of small urban-style stores that offer perishables and delicatessen items as well as processed food and daily essentials, primarily in the urban areas of Tokyo and Kanagawa where there is only a limited number of our stores.

Providing Shopping Support through Mobile Sales Trucks

In November 2016, in the Kotehashidai area of Hanamigawa Ward in the city of Chiba Aeon began operating mobile sales trucks as a way to aid those who find day-to-day shopping inconvenient. These mobile sales trucks were operated at four of our stores in the South Kanto area as of the end of February 2018.

Anticipating an increase in the elderly population, this initiative is particularly focused on serving as a shopping aid for senior citizens. Further, the initiative is part of our efforts to foster "local community ecosystems" (P.50) by developing social infrastructure that helps residents lead physically and

emotionally healthy daily lives. Twice a day, in the morning and afternoon, Monday through Saturday, the mobile sales trucks stop at predetermined times and places to sell products. We are extending our routes to include areas with significant need for this service, such as parking lots in residential areas and facilities for the elderly.

The service is gaining popularity as a community gathering spot where residents enjoy choosing products firsthand while chatting together and with the sales assistant. Furthermore, leveraging our capabilities as a general supermarket, we accept orders for products that are normally not available on sales trucks, such as apparel and consumer electronics.



A mobile sales truck

Catering to Customers with Diverse Values

The Evolution of Measures for Halal-Certified Products

Based on customer feedback and sales trends in response to the measures we undertook for halal-certified products in the period through 2017, we have been further evolving such measures.

As well as continuing to strengthen our collaborative measures with overseas subsidiary Aeon Topvalu Malaysia Sdn. Bhd., we will include certification symbols on food products manufactured at plants that already have halal certification while expanding our lineup of halal-certified products. In Japan, meanwhile, we are considering developing and manufacturing products at plants that have acquired halal certification.

We will use websites and social networking services (SNS) to communicate with Muslim customers in Japan and provide them with information on halal food products.



Examples of Aeon products sold in Malaysia

Taking Disaster Prevention Measures

Establishing Temporary Local Shelters [Aeon Eco Project: Protection Strategy]

Aeon has established a goal of building 100 disaster-prevention facilities across Japan by the end of FY2020 as part of the Aeon Eco Project (P.60).

The role of disaster-prevention facilities is to provide a temporary refuge during times of disaster, to serve as a hub for rescue and first-aid activities, and to provide access to daily essentials. To fulfill this role, stores serving as a temporary local shelter are equipped with backup generators and water tanks in case of a power outage or water stoppage that will likely occur during and after a disaster.

In FY2017, we established disaster-prevention facilities at seven stores, including existing stores and such new stores as Aeon Mall Shin-Komatsu and Aeon Mall Tokushima. This brought the total number of Group stores with these facilities to 40 as of the end of February 2018.

In FY2018, we plan on establishing disaster-prevention facilities at an additional 31 stores, with the goal of reaching more than 100 by 2020.



Aeon's private power generators

TOPICS

Aeon Becomes a Designated Public Institution Based on the Disaster Countermeasures Basic Act

On July 1, 2017, the Prime Minister of Japan recognized Aeon Co., Ltd. as a general retail group that is a "designated public institution" pursuant to Article 2 (v) of the Disaster Countermeasures Basic Act.

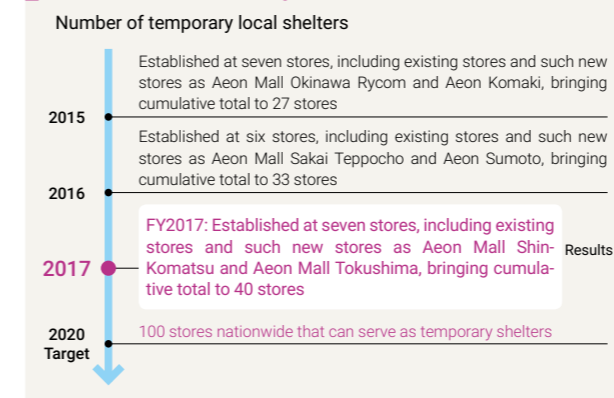
Aeon became the first retailer to receive this designation, which was based on expectations that Aeon's numerous points of contact with customers across a wide range of business areas—such as retail, financial services, and other services—will enable the Group to provide critical infrastructure during disasters through the use of its product procurement capabilities and distribution network and through the use of Group facilities as temporary shelters. In addition, the designation recognized Aeon's ongoing contribution to activities that raise awareness of disaster prevention.

Becoming a designated public institution enables the prior registration of trucks used for transporting emergency supplies during disasters as emergency traffic vehicles.*1 As a result, our trucks will be able to transport relief supplies to disaster victims more rapidly. Further, the designation will give us access to the Central Disaster Management Radio Communications Network,*2 allowing us to share information on damage and responses and rapidly provide support in disaster areas. Also, efforts to restore disaster areas are exempt from obligations normally applicable under the Environmental Impact Assessment Act, and this exemption expedites measures aimed at restoring the day-to-day lives of disaster victims.

We will carry on with proactive measures for business continuity and disaster prevention with the aim of creating safe local communities where people can live with peace of mind.

*1 Vehicles that are permitted to use emergency traffic lanes directly after disasters
*2 A communications line for sharing information on the status of damage and responses that links the Prime Minister of Japan and his Cabinet, central government ministries, designated public institutions, prefectural governments, and five cabinet-order designated cities

FY2017 Results and Target of KPI

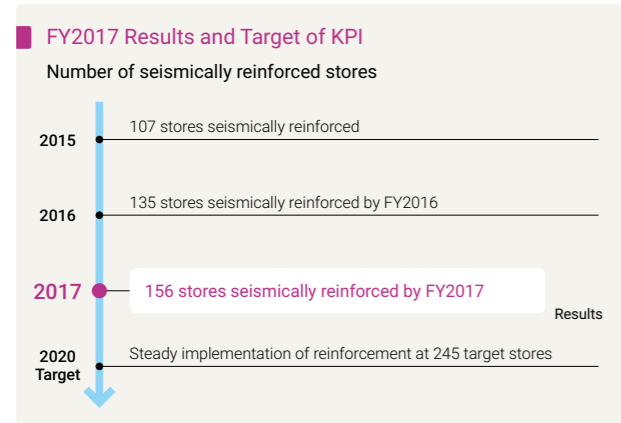


Improving the Earthquake Resistance of Stores

During the Great East Japan Earthquake, many of our store buildings suffered extensive damage, which in some cases even resulted in loss of life. For this reason, Aeon is moving forward with improving the safety and earthquake resistance of its stores, giving utmost priority to protecting people's lives and those stores in areas where a major earthquake with seismic intensity of at least upper 5 is expected to strike, in accordance with its own set of standards that are even stricter than those required by law. Since the 2016 Kumamoto earthquakes, we have expanded the scope of our efforts in our aim to improve safety and earthquake resistance at all of our stores.

At Aeon Retail Co., Ltd., work had been completed at 156 stores by the end of FY2017. In FY2018, we plan to undertake safety work at 18 stores (including retail stores).

Also, in FY2018 Aeon Mall Co., Ltd. plans to implement further earthquake-related safety measures, which will entail the attachment of fireproof sheets to hanging smoke barriers, at six existing malls.



Disaster and Fire Prevention Measures

As an operator of commercial facilities used by a large number of customers, we take measures and conduct drills so that we can rapidly ensure the safety of customers and personnel in the event of a disaster.

In FY2017, we conducted initial response training, which covers discovery, notification, initial fire extinguishing, and evacuation guidance, at 150 shopping centers nationwide. The aim of this training was to ensure that all employees understand the prioritization of the Aeon Group's responsibilities. In other words, our first priority is the lives of our customers and employees, the second is our stores and facilities, and the third is our brand and corporate value.

Groupwide Disaster Prevention and Safety Drills

Taking lessons from the experience of the Great East Japan Earthquake, Aeon has been conducting earthquake disaster drills throughout the Group twice a year since FY2011 to ensure quick action toward the safety of our customers and employees in the event of a disaster.

In March 2014, we established the Aeon Komaki Crisis Management Center at the Aeon Komaki Store in Komaki City, Aichi Prefecture. In July, we conducted a drill with the Aeon Komaki Crisis Management Center functioning as the alternative head of operations based on the scenario that our Makuhari headquarters had been damaged by a major earthquake striking directly beneath Tokyo.

Going forward, while adjusting our predicted scenarios, we will hold recurring drills that rally the combined strengths of Group companies so that the local head of operations in the affected area responds swiftly when disaster strikes.



Aeon Komaki Crisis Management Center

Fire Prevention Drills at Stores

At Aeon stores, safety and disaster preparedness measures are checked on a daily basis, in addition to final inspections conducted by security staff and store managers after stores are closed.

Fire prevention drills have been conducted twice a year and earthquake response drills run once a year. Following the Great East Japan Earthquake that struck in March 2011, however, we decided to increase the number of earthquake response drills to twice per year from 2012. We strive to make these drills as realistic as possible by changing the scenario for each based on a variety of possible disasters. Full-time store employees as well as temporary, part-time, and tenant employees participate in the drills. They are conducted to help us provide timely responses and ensure the safety of customers in the event of a fire or earthquake.

Concluding Disaster Prevention Agreements

Aeon expects its store personnel to act as members of local communities at all times, and this expectation extends to disasters. With the aim of helping local residents in the event of a disaster, we are concluding disaster prevention agreements pledging cooperation with and support for municipal authorities nationwide.

We have concluded disaster prevention agreements with 896 municipal authorities and private companies as of the end of February 2018. Under the agreements, we will provide relief supplies and allow the use of our parking lots as evacuation areas during disasters. Other initiatives include stepping up collaboration with local communities in their disaster prevention efforts by conducting joint disaster prevention drills with the parties to these agreements.

TOPICS

Conclusion of Disaster Cooperation Agreement with Non-Life Insurance Companies

In July 2017, Aeon Co., Ltd. and three non-life insurance companies—Tokio Marine & Nichido Fire Insurance Co., Ltd., Aioi Nissay Dowa Insurance Co., Ltd., and Sompo Japan Nipponkoa Insurance Inc.—concluded an agreement pledging to take collaborative measures in assisting the victims of large-scale disasters.

Based on the mutual agreement, in the event of a large-scale disaster Aeon stores will provide the three insurers with spaces to conduct operations and offer insurance inquiry services to disaster victims.

Using this agreement as an opportunity, we will strengthen collaboration with the three companies and fulfill our social responsibility as part of a critical infrastructure that supports the daily lives of customers in local communities.

Introducing Balloon Shelters

Aeon has promoted the installation of “balloon shelters”—large tents for use in emergency evacuations—since 2004 to be prepared in the event of an earthquake or other major natural disaster. As of the end of February 2018, the tents have been placed at a total of 29 locations, primarily shopping centers around the country. The tents are lightweight and easy to carry, so those stored close by can be brought to locations affected by disasters.



A balloon shelter
Balloon shelters can be easily inflated with a special blower and be ready for use in around 40 minutes. Each set comes with two tents and a single tent can accommodate nearly 100 people.

Proposing Rolling Stock

Aeon calls on customers to make preparations that can be continually practiced in their daily lives to the extent possible in order to achieve even the slightest reductions in damage in the event of a disaster. As it is said that a food stockpile lasting anywhere from a minimum of three days up to a week is required for an at-home evacuation scenario immediately following a disaster, Aeon proposes rolling stock using TOPVALU. In times of emergency, customers can use the items they stock up on in their daily shopping through a cycle of regularly buying and keeping extras of items they consume and always making additional purchases of what they have eaten. Going forward, we will continue to propose disaster reduction initiatives through our stores and products in order to fulfill our role as a lifestyle infrastructure for customers.

Raising the Safety Levels of Store Facilities and Fixtures

Aeon works to enhance the safety of the facilities and fixtures used in its stores to prevent accidents involving its customers.

Safety Measures for Escalators

There has been an increasing number of accidents in recent years involving children getting caught in the gap between the escalator and walls of shopping centers and department stores. Aeon stores work to prevent escalator-related incidents by setting up barriers or dividers to prevent exposure to such gaps.

In addition, at our new stores we have reduced the speed of down escalators from 30 meters per minute to 20 meters per minute as a means to prevent falls by senior citizens.



A safety measures for escalators

Establishing Parking Lot Guardrails

Accidents often occur in the parking lots of retail complexes as a result of drivers mixing up the gas and brake pedals. We have therefore established guardrails at our parking lots to prevent cars from crashing into stores and ensure the safety of our customers.



Parking lot guardrails

Installing Automated External Defibrillators (AEDs)

Aeon is promoting the installation of AEDs at each of its stores. These devices generate electric shock as a means of resuscitating people who have suffered sudden cardiopulmonary arrest. In addition, we are providing emergency lifesaving training for managers and security staff.

In FY2017, we endeavored to increase the installation of AEDs at small-sized supermarkets, where there are only a few devices installed. As a result, installations reached 1,762 devices at 1,070 stores throughout the entire Aeon Group.

Crime Prevention Measures

There have been a number of incidents at supermarkets over the past several years involving food products containing needles or other dangerous objects. Aeon has therefore installed security cameras in food departments and begun using needle detectors at its stores. If a needle were to be discovered, it would be promptly delivered to the police or healthcare center, and customers as well as local stores of Group companies would be informed through an in-store display or announcement in order to prevent additional injury or damage.

We are also conducting crime prevention drills to ensure the safety of customers in the event of an incident or accident at our store.

Measures to Combat New Flu Viruses

Aeon formed a project team in 2006 as a measure to address risks from the outbreak of infectious diseases such as the global spread of highly pathogenic H5N1 avian influenza in humans. We established Rules for New Flu Viruses in September 2006 and have since been readying infection prevention measures in order to ensure the safety of our customers and employees.

In 2010, we established the Aeon New Influenza Integrated System and a framework for ascertaining the extent and spread of the virus at Aeon Group stores and business sites across Japan. In November 2010, we established the Attenuated Virulence New Influenza Rules to clearly separate our response based on the virulence of the new influenza virus. We will apply for recognition as a registered business requiring flu vaccines under the Act on Special Measures for Combating New Flu Viruses and strive to build a system that ensures the continuance of operations during an epidemic.

Customer Service Department

The Customer Service Department at Aeon headquarters receives product and service related comments and requests from customers who visit our stores. Comments and requests, which we receive via phone, the Internet, letters, and other channels, are responded to after checking with the relevant departments. In addition, for TOPVALU products, we have set up a call center where we collect suggestions from customers. This information is reported to Directors and Executive Officers, and shared with employees of relevant departments through systems that manage customer feedback.

In FY2017, Aeon's headquarters received 96,996 opinions and inquiries from customers, down 10.9%, or 11,808, year on year. The number of telephone calls and letters from customers decreased, while feedback received via e-mail continued to increase.

The number of service complaints was 14,505, up 4.4%, or 615, year on year. Meanwhile, the number of compliments we received was 2,148.

Going forward, we will listen carefully to the opinions of each and every customer to provide them with better services and products.

Dialogue with Customers

System for Listening to Customers

At Aeon, we put our customers' perspective at the heart of management. We strive to provide an environment in which customers feel free to provide suggestions and to promptly incorporate customer comments into enhancing our product lineup and services, environmental conservation activities, and other areas.

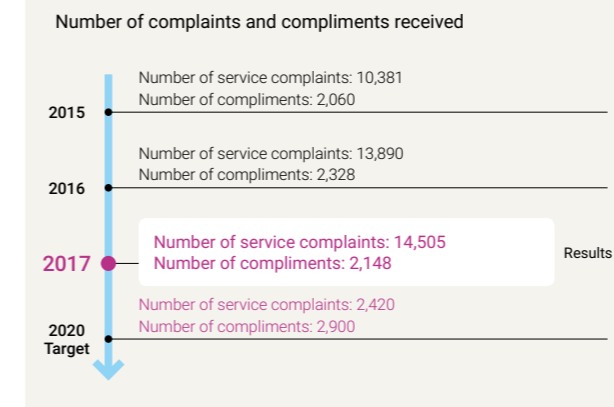
Suggestion Boxes and Communication Boards

Each Aeon store has set up a box where customers can submit their opinions as well as a communication board disclosing these opinions and Aeon's response. Comments and suggestions provided by customers are replied to directly by a store representative and posted for others to see. We receive many suggestions from customers about things that are difficult for stores and employees to notice. The suggestions are utilized to improve product lineups and services and in environmental conservation activities and other initiatives.



Suggestion box and communication board

FY2017 Results and Target of KPI



TOPICS

Examples of Product Development and Improvements Reflecting Customer Feedback

Improvement Example ①

Keema Curry & Tandoori Chicken

While many praised the product's authentic spiciness, some customers found the product too spicy. In response, we changed the specifications and put the hot spices in a separate package so that customers can adjust the spiciness themselves.

Improvement Example ②

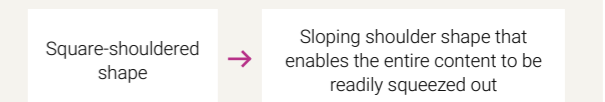
Domestically produced TOPVALU wasabi, ginger, garlic, etc., and TOPVALU Best Price grated wasabi, ginger, garlic, etc.

In response to many requests for better packaging, we made three improvements.

1. Made the box easier to open



2. Changed to a tube container that enables the entire content to be readily squeezed out



3. Changed to a cap that does not need to be turned more than once to open



Given the importance of ease of use to the TOPVALU development philosophy, we steadily make various improvements to products in light of customer feedback.

Implementing Fair Business Practices Based on Respect for Human Rights

Management Approach

Recognition of Challenges

Amid the expansion of a borderless supply chain, it is important for companies to comply with laws and regulations and social norms in the countries where they do business and to ensure fair transactions in order to continue to grow soundly. Against a background of global population growth and economic development, securing energy and food resources is also an important theme. In such circumstances, it is essential for every company to build a responsible supply chain that is conscious of local resources and environments, human rights, quality, labor practices, and other issues in order to achieve a sustainable society in each country and region.

The globalization of corporate activities is resulting in the establishment of supply chains that link many countries and

regions, some of which lack well-developed legal systems. To conduct sustainable businesses in such countries and regions companies must not only comply with local laws and regulations but also promote fair business practices in accordance with the United Nations Guiding Principles on Business and Human Rights (informally known as the "Ruggie Principles" or the "Ruggie Framework") and other international norms.

Further, respecting the human rights of people from a variety of backgrounds, including their nationalities or birthplaces, and leveraging this diversity to create new value is becoming firmly established as an indispensable personnel strategy for corporate growth.

Aeon's Approach

To realize business management based on respect for human rights—which is one of the Aeon Basic Principles—the Aeon Code of Conduct sets out rules under the headings "Its Business Partners and Aeon" and "Together with Aeon People." Further, we have established Aeon Human Rights Policy (P.34) with a view to promoting the Aeon Code of Conduct. As part of measures to put the code into practice, in 2004 we acquired certification under SA8000*, an international standard on human rights and the working environment. Also, in 2003 we established the Aeon Supplier Code of Conduct, which is based

on the 10 principles of the United Nations Global Compact and the requirements of SA8000.

In addition, we established the Basic Principles on Personnel (P.112), which outlines our overall approach to human resources. To ensure the implementation of the aforementioned policies and principles, we conduct human rights education around the world.

* Acquired for the management of head office operations at Aeon Co., Ltd., Aeon Retail Co., Ltd., and Aeon Topvalu Co., Ltd. and management of the TOPVALU supply chain.

Future Initiatives

Human rights underpin all social issues, and a range of international guidelines call on companies to take a central role in addressing human rights issues. At Aeon, relevant divisions collaborate to take Groupwide measures that not only protect the human rights of Aeon employees but also address issues throughout the Group's value chain. We will conduct fair and sustainable business activities with business partners based

on the Aeon Supplier Code of Conduct and SA8000. Further, we will continue educating our employees with respect to human rights. In conjunction with these efforts, Aeon will redouble efforts to advance diversity as well as measures based on the Aeon Health Management Declaration, announced in 2016.

Aeon Code of Conduct—Its Business Partners and Aeon (Its Partners and Aeon)

Aeon respects innovative business partners* who help the Company achieve its objective of "Customer Satisfaction." We strive to work as equals with our business partners, dealing fairly and working for our mutual prosperity.

* The term "business partner" refers to all partners with whom we conduct business, including those who provide retail products, facilities services, and our retail tenants.

At Aeon, we cooperate with our business partners, all of whom are important to us, moving forward together to develop innovative business models that will open the gate to the next era.
We cultivate strong relationships with our partners, collectively pursuing innovative business practices, better products, better services, and mutual success.

At Aeon, we clearly document agreements with business partners, and strictly follow the letter of such agreements.
We maintain equality with our business partners, connected through formal agreements. Both parties strictly adhere to all agreed-upon contract provisions.

At Aeon, we respect business partners whose top priority is safety and customer peace of mind/assurance.
Aeon and all of its business partners share the common goal of "Customer Satisfaction." If even the smallest doubt exists regarding the safety or trust of a product or service, we work with our business partners to promptly ascertain the nature of the concern and resolve the issue.

At Aeon, we require our business partners to comply with both the letter and spirit of international standards and to practice them fully.
Aeon complies with and respects all generally recognized international standards, including those related to ISO, labor, environmental conservation, and quality management. We also require our business partners to strictly observe these same standards.

At Aeon, we do not tolerate the acceptance of gifts, money, or special favors from our business partners.
We select business partners based on their ability to offer better products and services at fair prices. Individuals do not accept any gifts, money, or special treatment from a business partner designed to secure our business in any situation. All efforts must go toward the benefits of customers.

Aeon Code of Conduct—Together with Aeon People

Aeon respects human rights. We never discriminate against anyone based on their nationality, race, gender, age, educational background, religion, physical or mental disability, or any other attribute. Aeon People listen to their co-workers, and Aeon People respect each other in the same way that they respect themselves. Aeon's goal is to be the most people-friendly company.

FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Implementing fair business practices based on respect for human rights (supply chain)	Fair business practices	Promotion of the Aeon Supplier Code of Conduct Number of Aeon-accredited auditors for second-party audits	Aeon second-party audit certified auditors	FY2017: 12 in Japan, 35 overseas	FY2017: 8 in Japan, 35 overseas	1) In FY2017, confirmation methods for conducting first-time audits on overseas factories were changed. Aeon-certified auditors check whether improvements are being implemented in line with improvement plans prepared based on a check-act-plan methodology to place greater emphasis on making improvements. 2) Due to changes in personnel, the number of domestic auditors decreased to four, but the remaining auditors are able to effectively perform their duties by focusing on specific regions to increase their efficiency. Overseas auditors only increased by two, but we have selected four candidates for the position and are promoting acquisitions from the next Fiscal year.
		Trading volume of Fairtrade International-certified cacao beans	TOPVALU products	Trading volume of Fairtrade International-certified cacao beans: 40 tons by FY2020 (10 times compared with FY2012)	Trading volume of Fairtrade International-certified cacao beans: 54.9 tons	Participated in both Fairtrade International's Fairtrade Sourcing Program and Fairtrade (full certification) to expand fair trade raw material procurement amount
Implementing fair business practices based on respect for human rights (employee)	Promotion of diversity and respect for employees' human rights	Female manager ratio	Consolidated Group companies in Japan and overseas	FY2020: 50%	Female manager ratio: 27% 9,212 people (as of the end of February 2018)	1) Held a seminar for women and managers in order to solve common Group issues 2) Held awards to commend initiatives of each company 3) Expanded installation of workplace childcare facilities (now 21 locations + 2 locations (partnership)) 4) Implemented "kuBoss" testing aimed at nurturing "kuBoss"
		Number of employees on international personnel exchanges with the Group	Consolidated Group companies in Japan and overseas	FY2020: Total 1,500 people	Total 498 people (FY2013–FY2017)	1) Reviewed of Japan training menu (introduction of technical training, etc.) 2) Discovered human resources through open recruitment
		Employment rate and number of people with disabilities	Consolidated Group companies in Japan	FY2020: More than 3.0% 10,000 people	Employment rate of people with disabilities: 2.40% Number of people with disabilities employed: 7,240 people (as of June 1, 2018)	1) Regularly managed progress of employment situation 2) Shared information on challenges for employment of people with disabilities among Group companies, and adopted and formulated measures
	Creation of pleasant, comfortable workplaces	Number of companies certified to use the Kurumin logo	Consolidated Group companies in Japan	Promote initiatives under the "General Business Owner Action Plan" of Japan's Act for Measures to Support the Development of the Next Generation (expand number of companies certified to use the Kurumin logo)	Companies that acquired Kurumin: 16 companies Companies that acquired Platinum Kurumin: 1 company Companies that acquired Eruboshi: 28 companies (20 companies with Stage 3 and 8 companies with Stage 2)	Created Companywide "General Business Owner Action Plan" for Japan's Act on Promotion of Women's Participation and Advancement in the Workplace enforced on April 1, 2016, "General Business Owner Action Plan" for Japan's Act for Measures to Support the Development of the Next Generation Children, and Daimanzoku plan to bring together Aeon's initiatives aimed at promoting diversity. Promoted Groupwide acquisition not only of Kurumin logo, but also "Eruboshi" certification based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace.

Fair Business Practices

Aeon Supplier Code of Conduct*

The products we deliver to customers are procured and manufactured around the world and made after undergoing various processes. As a distributor, Aeon recognizes that it has a responsibility throughout the entire supply chain, from the raw materials stage to commercialization. Based on this, we are working closely with suppliers to ensure the safety and security of the products we carry.

Based on the Aeon Supplier Code of Conduct formulated in 2003, we check to make sure that the employees and workers of our suppliers are working in sanitary environments and that suppliers are in compliance with all relevant laws, and encourage improvements to be made where necessary. Currently, we require suppliers of *TOPVALU* and *TOPVALU Collection* products to comply with the Aeon Supplier Code of Conduct.

As of the end of February 2018, 1,589 suppliers have submitted documentation verifying that they are in compliance with the Aeon Supplier Code of Conduct. We are continuously working with our suppliers to build a sustainable supply chain.

* CoC: Code of Conduct

Aeon Supplier Code of Conduct

Conform with legally stipulated social responsibility standards in countries where manufacturing and procurement are conducted.

Conform with national laws and regulations

1. Child labor: Illegal child labor is prohibited
2. Forced labor: Forced, prison, and bonded labor are prohibited
3. Health and safety: Provide safe, healthy workplaces
4. Freedom of association and collective bargaining: Respect employee rights
5. Discrimination: Discrimination on the basis of place of origin or creed is prohibited
6. Disciplinary practices: Cruel punishment of employees is prohibited
7. Working hours: Comply with laws related to working hours
8. Wages and benefits: Comply with laws related to wages and benefits
9. Management responsibility: Pledge compliance with the Aeon Supplier Code of Conduct
10. Environment: Work to prevent environmental pollution and damage
11. Trade: Comply with local laws on commercial transactions
12. Certification, audit, and monitoring and renewal: Accept certification, auditing, and monitoring under the Aeon Supplier Code of Conduct
13. Ban on gifts: Gift-giving between Aeon and suppliers is prohibited

Auditing Our Manufacturing Partners

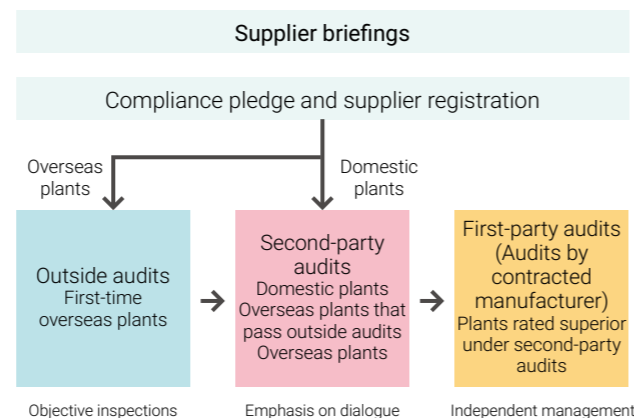
Aeon audits its manufacturing partners to make sure they are in full compliance with the requirements of the Aeon Supplier Code of Conduct. Audits include outside audits, in which professional auditing firms objectively evaluate conformity with standards, and Aeon's auditors confirm improvements; second-party audits performed by Aeon's auditors, who monitor suppliers while encouraging dialogue; and first-party audits carried out by suppliers to maintain and improve their management systems. Different levels of audits are performed based on the results and we provide various forms of support to improve the management practices of suppliers.

Between 2003 and FY2015, we had outside auditing firms conduct initial third-party audits for all final processing plants in Japan and overseas. Since FY2016, however, only the audits for final processing plants overseas have been conducted by outside auditing firms due to the difference in environments and issues in Japan and overseas. At plants in Japan, second-party audits are conducted by Aeon-certified auditors, who focus on establishing good communication with suppliers to facilitate the auditing process. Even at plants overseas, for subsequent audits we are conducting second-party audits as monitoring audits.

The Aeon Supplier Code of Conduct does not call for surprise audits because its primary goal is to foster trust and cooperation with suppliers. However, when we begin doing business with suppliers, we request a pledge from them to deal with us in an honest manner. We inform suppliers that if an issue is found through an audit, in principle, we will continue doing business with them if they are willing to rectify the issue. Furthermore, we inform suppliers that if audits find evidence of deliberate falsification, we will cease doing business with them.

In terms of raw materials, currently we have yet to begin confirmations using direct audits, but our manufacturing partners have been asked to require and check that their second and third tier suppliers comply with the Aeon Supplier Code of Conduct. In this manner, the final goal of the Aeon Supplier Code of Conduct is to build a supply chain where management practices and competencies are continually improved.

● Procedure of Aeon Supplier Code of Conduct Certification and Audits



Outside Audits

In principle, outside auditing firms conduct the first outside audits of overseas plants based on Aeon's checklists.

Following the first outside audits, the plants submit to Aeon improvement plans addressing audit findings. Aeon's auditors monitor the progress of plants and visit them approximately six months after receiving the improvement plans to check that the plants have made improvements as reported and conform with Aeon's standards.

As of the end of February 2018, Aeon has confirmed that 3,019 plants have conformed with its standards (including audits of plants in Japan until FY2016).

Second-Party Audits

Following confirmation of conformity with the Aeon Supplier Code of Conduct, auditors certified by Aeon visit plants biannually, or more often if deemed necessary, and conduct second-party audits to check that plants remain in conformity. Between FY2004 and FY2017, we conducted 5,139 second-party audits.

First-Party Audits

When outside audits and second-party audits confirm that plants have established good management, we provide them with a checklist so that suppliers and their plants can conduct first-party audits themselves thereafter. First-party audits, which we began in FY2009, were conducted by 200 of our suppliers in FY2017, up 37% year on year. Thus, our management of the overall supply chain is steadily improving.

Developing Accredited Auditors for Second-Party Audits

There are eight internally certified auditors in Japan and 35 overseas. (As of the end of February 2018)

These auditors not only conduct audits but also support improvements.

As the social environment changes year after year, these changes must be meticulously reflected in our communication with factories, and information and education must also be updated on-site, particularly overseas. Twice a year, we conduct Group training to enhance the capabilities of auditors and correct any inconsistencies in evaluation criteria among auditors.

Further, we are fostering leaders in each region and increasing our ability to provide prompt, unstinting support in relation to audit evaluations and auditor training.

TOPICS

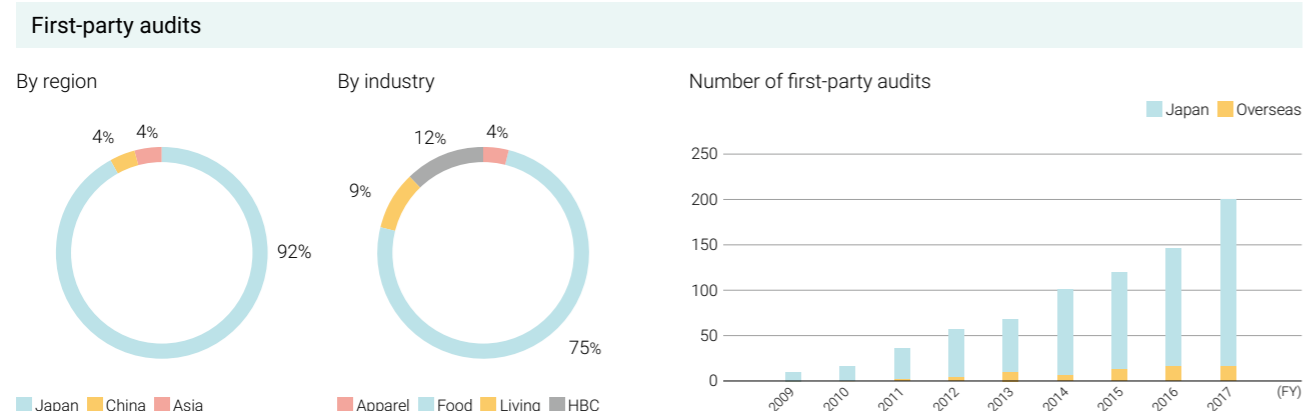
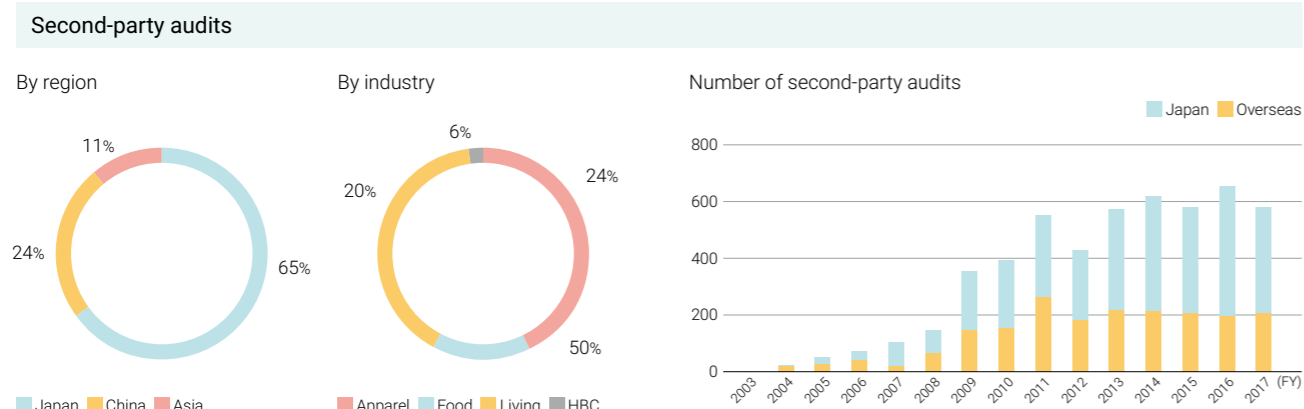
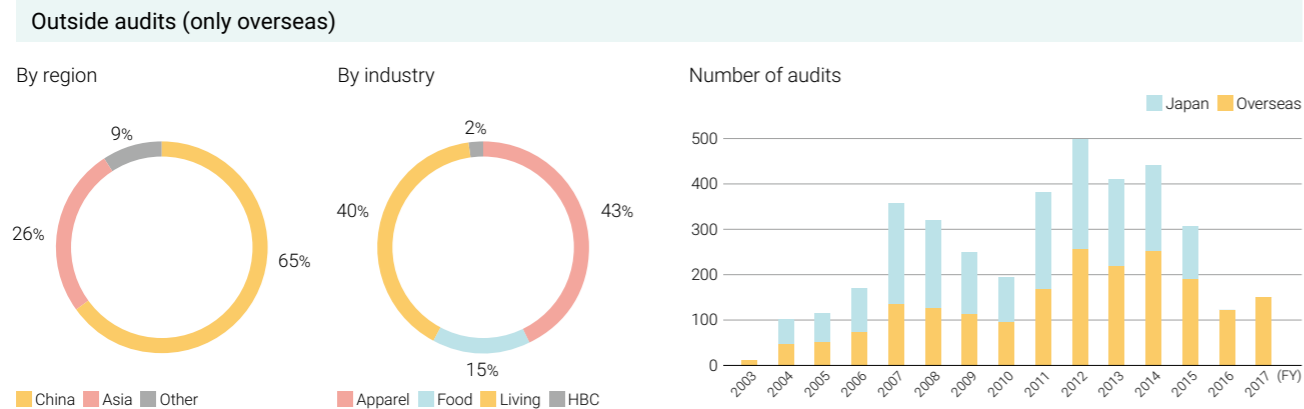
Reform of Overseas Audits and Management System

In FY2017, we reformed our existing third-party audits and began a new system (Please see the "Outside Audits" section of this page.). To ensure fairness, Aeon did not have a mediating role in the evaluation system of the previous third-party audits. However, we changed to the new system because only being apprised of audit results was insufficient for our purposes. Under the previous system, there was no continuity between third-party audits and the subsequent second-party audits conducted by Aeon's auditors. This made it difficult to coherently monitor the improvement activities of suppliers. We expect that, by combining the advantages of an external viewpoint and our approach, the new outside audits will help suppliers make steady improvements from the initial audit stage onward.

Further, Aeon has transferred responsibility for managing overseas plants from the head office in Japan to Aeon Topvalu (Hong Kong) Co., Limited. Locating a management base in Hong Kong enables us to reflect local conditions more precisely. Linguistically, this base is better for communicating with other overseas bases, and geographically it is closer to them. The benefits of this change are emerging in training and other areas.



● FY2017 Audit Results



Significant audit findings

Significant audit findings in FY2017



Reference: Actual Auditing Examples

Top priority management: Private TOPVALU brand suppliers

Management method:
After checking all final processing plants through initial outside audits of overseas plants and second-party audits of domestic plants, we request improvements and conformity with our standards.
Contracted manufacturers audit plants meeting certain standards to check that they are continuing to conform to these standards and implementing continuous improvements.
Since FY2016, overseas plants have been subject to outside audits, while plants in Japan have undergone second-party audits through Aeon-certified auditors.

Target contracted manufacturers:
Japan 879; Overseas 498; Total 1,377
(Conducting business as of the end of February 2018)

Target plants:
Japan 1,665; Overseas 959; Total 2,624
(As of the end of February 2018)

* Figures differ significantly from those of the previous fiscal year due to the use of the total number of operating plants rather than the cumulative number of plants, which was the figure used until the previous fiscal year.

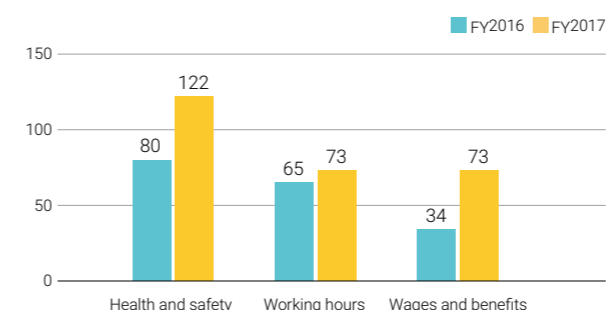
Audits conducted in FY2017:
Third-party audits: Total 151
By region: China 98; Asia (excluding China) 40; Europe 7; North America 3
By industry: Apparel 65; Food 22; Living 61; HBC 3

Second-party audits: Total 582
By region: Japan 376; China 141; Asia (excluding China) 65
By industry: Apparel 138; Food 294; Living 115; HBC 35
Japan: Apparel 14; Food 281; Living 57; HBC 24
Overseas: Apparel 124; Food 13; Living 58; HBC 11

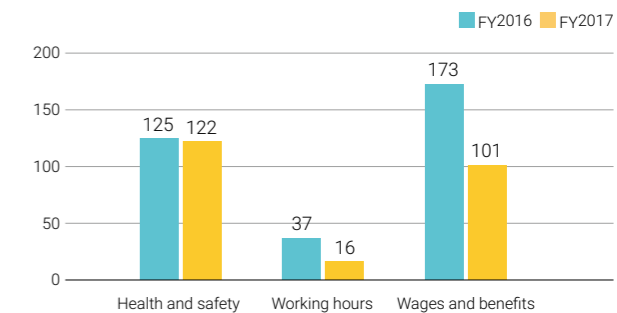
First-party audits: Total 200
By region: Japan 184; Overseas 16
By industry: Apparel 9; Food 150; Living 18; HBC 23
Japan: Apparel 4; Food 147; Living 13; HBC 20
Overseas: Apparel 5; Food 3; Living 5; HBC 3

Revision of audit items for outside audits in FY2017

1. Outside audits
We revised the weighting of audit items and evaluations. In particular, we increased the detail of items concerning working hours, wages, fire prevention, and other aspects of health and safety. The number of stipulations increased overall.



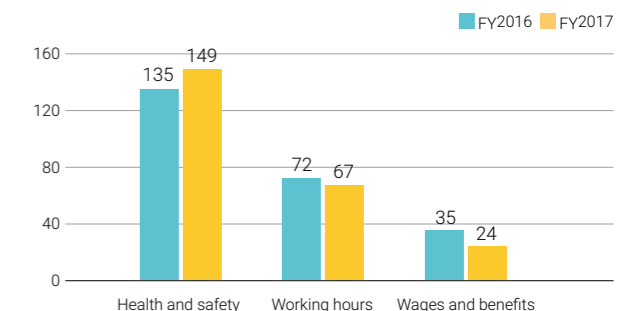
2. Second-party audits: Japan
We reduced stipulations related to working hours and the environment compared with those of the previous fiscal year.
Reasons:
As a result of the progress of initiatives in response to the focus on long working hours as a social issue, the number of stipulations requiring corrective action has decreased. Further, we increased the content of the prior questionnaire and enhanced the level of preparedness of plants for accommodating audits.



3. Second-party audits: Overseas
(China and other Asian countries)
Although stipulations related to health, safety, wages, and benefits increased, stipulations related to the environment decreased compared with those of the previous fiscal year.

Reasons:

- In coordination with outside audits, we further developed confirmation items related to health and safety. We increased stipulations for social insurance participation and paid maternity leave, which had not emerged as issues in the previous fiscal year.
- In China, the government has strengthened control of environmental pollution, and companies have begun independently complying with environmental laws and regulations and conducting environmental preservation activities. In coordination with outside audits, we increased the detail of confirmation items related to the management of fire prevention.



SA8000 Certification

In 2004 we acquired SA8000 certification, an international standard, becoming the first Japanese retailer to do so. The standard establishes normative guidelines for protecting the human rights of workers in international labor markets. It requires compliance in eight areas that include protecting human rights and nondiscriminatory employment practices as well as the development of and ongoing improvements to a related management system.

The contents of the Aeon Supplier Code of Conduct established in 2003 are based on the requirements of SA8000. The SA8000 certification applies to the head office's operational management of Aeon Co., Ltd., Aeon Retail Co., Ltd., and Aeon Topvalu Co., Ltd. as well as supplier management of Aeon's TOPVALU brand. The certification is renewed after receiving a renewal audit every three years and a maintenance audit every six months.

Aeon will continue to pursue appropriate business processes together with suppliers on the dual basis of the Aeon Supplier Code of Conduct and SA8000.

Objectives of Aeon SA8000

1. We will respect the basic human rights of employees at the workplace and establish comfortable working conditions by ensuring safety, security, and health.
2. Along with our suppliers, who are equal business partners, we will respect laws related to human rights and labor standards and will continue to make improvements to help build a society where universal human rights are respected and efforts are constantly made to improve working conditions.

Policies for Promoting Aeon SA8000

1. We will respect international norms and laws related to human rights and labor standards and will make improvements on an ongoing basis.
 - a. Child labor: We will prohibit child labor and take remedial measures.
 - b. Forced labor: We will reject forced labor in all its forms.
 - c. Health and safety: We will ensure the health and safety of employees and provide healthy work environments.
 - d. Freedom of association and collective bargaining: We will ensure freedom of assembly and the right to collective bargaining.
 - e. Discrimination: We will not discriminate on the basis of nationality, race, gender, academic background, religion, physical disability, or age.
 - f. Disciplinary practices: We will not engage in corporate punishment, psychological or physical force, or verbal abuse.
 - g. Working hours: We will observe laws and labor agreements related to working hours, breaks, and days off.
 - h. Remuneration: We will observe laws related to payment of fair wages.
2. We will conduct training programs to fully educate all employees in order to make this policy a reality, conduct regular reviews of this initiative, and work to make improvements on an ongoing basis.
3. We will encourage business partners (suppliers) to create and observe a code of conduct related to human rights and labor standards and to work together with Aeon to make improvements on an ongoing basis.
4. We will work to broadly disclose this policy and provide appropriate information and we will practice corporate social accountability.

Fairtrade-Certified Products

Responding to customers' desires to make contributions through their purchases to the world's underprivileged, Aeon developed and began marketing Japan's first Fairtrade*-certified coffee in 2004 and Fairtrade-certified chocolate in 2010, both under the private brand.

In order to make these products available to a greater number of customers, Aeon has been participating in the new Fairtrade Sourcing Program launched by Fairtrade International in January 2014. We have also announced a plan to increase the purchase of Fairtrade-certified cacao beans up to ten times the trade volume of 2012, by 2020.

In the fall of 2016, we renewed our lineup of products that use cacao bean ingredients certified by Fairtrade International, and results are surpassing our procurement plans. Going forward, we plan to continue rolling out a wide range of Fairtrade International-certified products.

In the future, we plan to expand Fairtrade-certified products even more broadly by acquiring certifications for other products such as raw cane sugar.

In addition, Aeon has been visiting junior high and high schools across Japan to provide the younger generation with a better understanding of Fairtrade.

* Fairtrade: An initiative for doing business with producers in need of support in developing countries and setting product prices at levels appropriate to the labor involved. The initiative helps producers attain economic and social autonomy and also supports environmental conservation.



FLO (Fairtrade International) certification mark



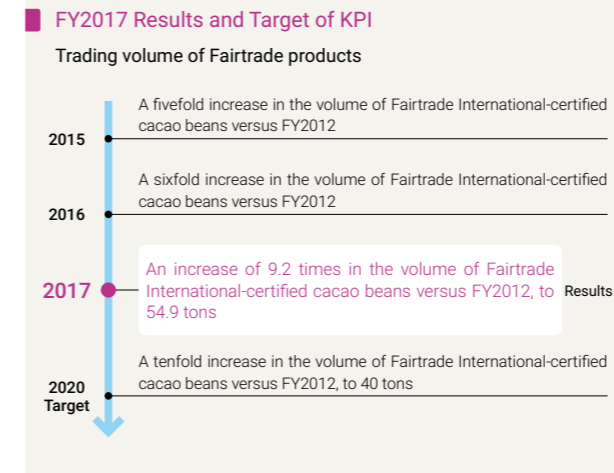
TOPVALU Fairtrade milk chocolate and dark chocolate



Fairtrade Sourcing Program label (cocoa)



TOPVALU smooth, melts-in-your-mouth bite-sized milk chocolate



Promotion of Diversity and Respect for Employees' Human Rights

Basic Principles on Personnel

With the primary objective of management based on respect for human rights, Aeon's Basic Principles on Personnel revolve around listening to employees' aspirations, understanding employees' feelings and making the most of what employees have to offer, based on the guiding philosophy of ensuring that all Aeon People lead a full life at work, at home, and in the community.

Basic Approach to Personnel

- Creation of a corporate environment in which human resources can continue to grow as they work over the long term
- Management of personnel based on ability and achievement, not nationality, age, gender or job category

Five Human Resources Principles

1. Fairness
2. Respect
3. Openness to change
4. Rationality
5. Skills Development



Promoting Diversity

Since its founding, Aeon has respected human rights and has aimed to be a company where diverse human resources can play active roles without any discrimination on grounds such as nationality, race, gender, academic background, religion, mental or physical disability, or any other attribute.

Amid business globalization and the need for timely response to differences, Aeon established the Diversity Promotion Office in July 2013 as an organization under the direct control of the Group CEO to continually create new value by leveraging its diverse pool of human resources and respecting the unique traits of each individual employee. As the first step in this process, we have begun efforts to reach our goal of being recognized as the best employer for female workers in Japan and the company where they want to work at the most.

In April 2014, we established systems at around 70 Group companies, and the Group is working together to promote diversity.

The keyword in Aeon's activities for promoting diversity is *daimanzoku*, which means "very satisfied" in Japanese. *Daimanzoku* is about satisfying employees and their families, customers, and the Company through diversity. With a view to realizing *daimanzoku*, in FY2017 we held diversity promotion seminars and our fourth in-house awards. Also, we increased the number of nurseries at our operating bases. In addition, we concentrated on developing the skill sets of incumbent managers by conducting an intermediate version of our original IkuBoss test—which aims to foster caring bosses—to follow on from the introductory test (For details about IkuBoss initiatives, please see page 116.)



Building Diversity Promotion Systems—Daimanzoku Summit

Aeon has designated a person responsible for diversity promotion, a leader to realize a corporation offering exceptional opportunities for women, and a leader to achieve an excellent workplace for women at its 70 Group companies. All Aeon companies are now analyzing their status, identifying issues, and implementing their own ideas to solve the issues. The

Group regularly holds the Daimanzoku Summit, which is attended by leaders and people responsible for diversity promotion, to share information between Group companies to be utilized in activities within their own company.

The Daimanzoku Summit was held two times in FY2017. One of these was designated as a review meeting for the presentation of the Group's diversity awards at which we formed networks and shared the initiatives of each company.



Conducting Diversity Training—Daimanzoku College

Aeon conducts diversity training to address issues that are common to the whole Group.

In FY2018, we will further develop the four training programs that we have conducted to date through such initiatives as incorporating joint hosting of training programs with companies from other industries.



Senior management training program
Targeting incumbent female managers, this program develops female candidates for executive positions.



Management training program
This program changes the mind-set of male and female managers.



Career advancement training program
This program fosters female managers who can balance family and work commitments.



Career design training program
This program helps female managers plan their careers and continue to work after such life events as marriage and having children.

Establishing a Commendation Program—

The Daimanzoku Awards

To recognize the achievements of Group companies in promoting diversity, Aeon has established the Daimanzoku Awards. At the fourth awards in FY2017, we presented commendations in four categories that correspond to important initiatives for promoting diversity.



Companies that received commendation at the fourth awards

Diversity category (women's empowerment section):

Maxvalu Tokai Co., Ltd.

Diversity category (new diversity section): Aeon Big Co., Ltd.

Inclusion category: Aeon Topvalu Co., Ltd.

Workstyle reform category: Cosmeme CO., LTD.

Lifestyle reform category: Aeon Kyushu Co., Ltd.

We also established the IkuBoss (caring boss) Company

Awards and the IkuBoss Individual Awards.

IkuBoss Company Awards:

Aeon Kyushu Co., Ltd. and Aeon Topvalu Co., Ltd.

IkuBoss Individual Awards:

<Senior management category>

Kikuko Fujita, President, Cosmeme CO., LTD.

<Management category>

Naoko Iwakiri, Store Manager, Daiei Takarazuka Nakayama,

The Daiei, Inc.

* Positions when receiving the awards

FEEDBACK

Comments from a Grand Prize Winner in the First IkuBoss Individual Awards

I am always thinking about how to get the most out of a variety of individuals with different capabilities so that we can strengthen teamwork at the store. I was probably rated as an IkuBoss because my management style is strongly focused on people. As a caring boss, I will continue creating workplaces that allow personnel to leverage their capabilities.



Naoko Iwakiri
Store Manager,
Daiei Takarazuka Nakayama
The Daiei, Inc.

Appointment of Female Managers

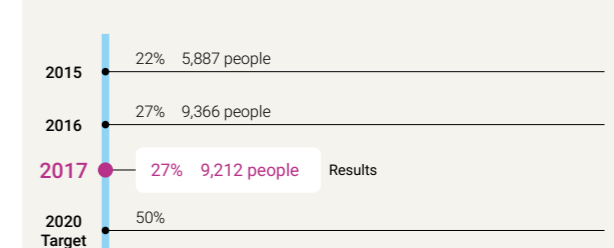
Aiming to have women account for 50% of managers by FY2020, Aeon is actively promoting female employees.

As of the end of February 2018, 27% of our managers, or 9,212 managers, were women (including consolidated subsidiaries).

Aeon will make positive efforts to appoint women to managerial positions toward achieving its FY2020 target.

FY2017 Results and Target of KPI

Female manager ratio



Hiring Employees of Foreign Nationalities, Conducting International Personnel Exchanges within the Group

Based on the *shift to Asian* strategy set out in the Aeon Group Medium-term Management Plan, Aeon is actively hiring young people who will become tomorrow's leaders in Japan, China, Taiwan, Malaysia, Thailand, Indonesia, Vietnam, and other Asian countries. As well as actively hiring globally competent personnel, Aeon is increasing international personnel exchanges throughout the Group. Our goal is to have a cumulative total of 1,500 employees involved in international personnel exchanges by FY2020. A total of 498 employees participated in international personnel exchanges between FY2013 and FY2017.



Training overseas (Aeon Thailand)



Training overseas (Myanmar)

FY2017 Results and Target of KPI

International personnel exchanges within the Group



Employment for People with Disabilities

Aeon is working to establish conditions throughout the Group that allow people with disabilities to work with a sense of purpose.

Abilities JUSCO Co., Ltd., established in 1980, has expanded to four Scrum CD/DVD & Books stores, where people with disabilities work alongside able-bodied staff, and 10 business establishments for employment transfer support. Furthermore, Aeon Supercenter Co., Ltd. has adopted a telecommuting system for people with disabilities as a part of its diversity promotion action plan in cooperation with Abilities JUSCO.

As of June 2018, the total number of people with disabilities employed at Group companies was 7,240 with an employment ratio of 2.40%.

This employment ratio exceeds the statutory employment ratio of 2.0%, and we will continue to advance our efforts in order to reach our targeted 3.0% employment ratio for people with disabilities, or 10,000 people, for 2020.



Employees working at Scrum



Promoting Equal Opportunities for Part-Time Employees

We have developed various programs that allow part-time employees to thrive at the workplace.

For example, Aeon Retail Co., Ltd. has a system that allows all employees to utilize the same training and hiring programs. Based on the Community Employee Program, the system eliminates differences in roles, expectations, and treatment depending on employee classifications (permanent employee or part-time employee) and enables the continuous growth of all employees based on ability, performance, and motivation. The program eliminates differences in educational and hiring opportunities. It also makes it possible for anyone to advance to the position of permanent employee or higher, including ambitious employees whose duties are currently based in local communities, if they fulfill certain conditions set by the company.

Developing Our Employment System for Senior Citizens

With the aim of becoming a company in which the "Grand Generation" (G.G), in other words the senior generation, can enjoy an active life and contribute significantly, in March 2018 Aeon Retail Co., Ltd. introduced the G.G Partner and G.G Expert

System. Under this system, we reemploy personnel between the ages of 65 and 70 and pay them by the hour. Those who so desire can continue working at Aeon Retail, where they can contribute by drawing on the knowledge, skills, and experience they have accumulated. The system enables employees to lead fulfilling daily lives and work energetically and youthfully until the age of 70.

- * As of the end of February 2018, number of employees aged 65 or older Approximately 8,600 (employees paid by the hour)
- * As of the end of February 2018, number of employees aged 60 or older Approximately 27,500 (employees paid by the hour, day, or month)

Human Rights Training

With a view to promoting Aeon Human Rights Policy (P.34) and increasing all employees' understanding and awareness of human rights, the Group has established an in-house system for advancing human rights training. By continuing such training activities, Aeon will address various issues related to human rights and become a corporate group with an employee-friendly workplace environment that enables a range of different personnel to contribute to operations. Aeon holds training programs for a variety of issues, including issues pertaining to social discrimination, foreign residents, abuse of power, diversity, people with disabilities, and work-life balance, to increase the understanding and awareness of all of our employees.

1) Human Rights Awareness Promotion Committee (convenes once every six months)

Committee to define the direction of human rights enlightenment at Aeon, assess and make decisions regarding issues, and train individuals responsible for promoting human rights at each Group company.

2) Human Rights Enlightenment Study Group (convenes once every six months)

Study group to educate individuals responsible for promoting human rights at each Group company.

3) Human Rights College (convenes four times a year)

College with courses on learning about Aeon's basic human rights principles. This college is primarily a place where managers and individuals responsible for or in charge of administrative education as well as individuals responsible for or in charge of promotion participate to receive basic education.

Human Rights and Aeon Code of Conduct Training has provided guidance to each company by selecting themes in line with the training needs of each Group company while linking to the Aeon Human Rights Enlightenment Office and Corporate Ethics Team. In FY2018, we plan to continue conducting Human Rights and Aeon Code of Conduct Training for all of our employees.

We also published a Human Rights Enlightenment Guidebook in 2015 as a tool to promote basic knowledge about human rights. We will continue to strive to build tools and develop training materials that utilize this guidebook. In March 2018, we partially revised the guidebook to reflect the enforcement of related laws.



Human Rights Enlightenment Guidebook

Workshop on LGBT

Responding to the increasing attention on the human rights of sexual minorities (LGBT: Lesbian, Gay, Bisexual, and Transgender), Aeon is holding workshops on LGBT to provide the latest knowledge on human rights and to create a workplace where employees can work in their own ways.

Since FY2015, we have incorporated this training into new employee orientation, and roughly 10,400 new employees have participated in the workshops to date. Also, in FY2017 we began holding the Universal Manners Test and Training on Catering to LGBT Individuals, which was conducted by Mirairo Inc. Approximately, 4,000 employees participated in the test and training.

In FY2016, Aeon Co., Ltd. and Aeon Topvalu Co., Ltd. both received a Silver Award in the PRIDE Index, formulated by work with Pride,* Japan's first index for the evaluation of LGBT initiatives. Aeon will extend its LGBT initiatives to encompass all Group companies while collecting examples from Group companies that are actively engaged in such initiatives.



* work with Pride: A private organization that supports the promotion and consolidation of LGBT diversity management

Creation of Pleasant, Comfortable Workplaces

Supporting the Balance between Work Life and Child Raising

Aeon is a strong advocate of helping employees balance work life with child-raising needs. Specifically, we strive to encourage employees raising children to reduce their overtime work, take childcare leave (including fathers), and take annual paid leave.

Aeon Group companies have been advancing initiatives under a "General Business Owner Action Plan" pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children. As a result, Aeon Co., Ltd. has earned Platinum Kurumin certification, and 16 Group companies have also been certified to display the Kurumin logo.*

* Companies that have acquired Platinum Kurumin certification: Aeon Co., Ltd.
Companies that have acquired Kurumin certification: Aeon Kyushu Co., Ltd., Aeon Credit Service Co., Ltd., Aeon Global SCM Co., Ltd., Aeon Topvalu Co., Ltd., Aeon Big Co., Ltd., Aeon Mall Co., Ltd., Aeon Retail Co., Ltd., Aeon Ryukyu Co., Ltd., Origin Toshu Co., Ltd., Kasumi Co., Ltd., Sunday Co., Ltd., The Daiei, Inc., Maxvalu Tohoku Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinoh Co., Ltd., Maxvalu Hokkaido Co., Ltd. (in alphabetical order)



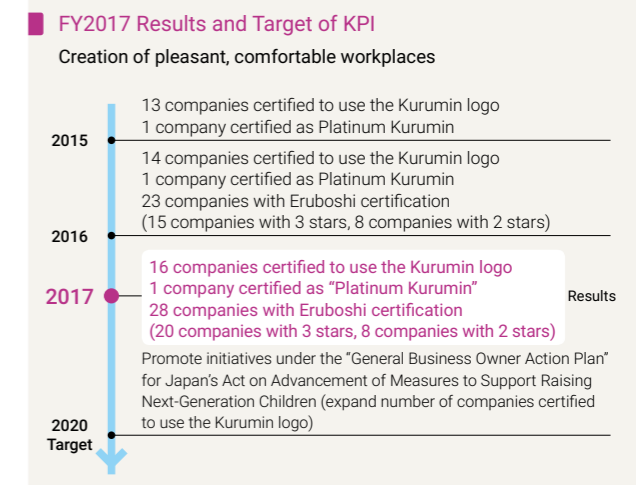
Kurumin
This is a system through which the Ministry of Health, Labour and Welfare certifies companies that implement initiatives to help employees combine work and child-rearing. The system is based on the Act on Advancement of Measures to Support Raising Next-Generation Children. To receive certification companies must prepare a "General Business Owner Action Plan", achieve the plan's targets, and meet certain standards. Companies that satisfy these accreditation criteria are granted a logo certifying their support for child-rearing, normally referred to as the Kurumin logo.

Eruboshi
This is a system under which the Ministry of Health, Labour and Welfare provides certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The criteria for evaluating companies' performance in empowering women are the hiring of women, the retention of female employees, working hours and other aspects of work style, the percentage of female managers, and the diversity of career paths. There are three levels of certification, each of which reflects the number of these criteria that companies have met. Further, the stars on each Eruboshi logo, ranging in number from one to three, indicate a company's level of certification.

Acquiring Eruboshi Certification

The Group is making a concerted effort to acquire Eruboshi (star) certification under the Act on Promotion of Women's Participation and Advancement in the Workplace. At present, 28 of Aeon's Group companies have acquired this certification.*

* Eruboshi-certified Group companies
Three stars
Aeon IBS Co., Ltd., Aeon Credit Service Co., Ltd., Aeon Supercenter Co., Ltd., Aeon Delight Co., Ltd., Aeon Big Co., Ltd., Aeon Insurance Service Co., Ltd., Aeon Hokkaido Corporation, Aeon Marketing Co., Ltd., Aeon Mall Co., Ltd., Aeon Retail Co., Ltd., Aeon Ryukyu Co., Ltd., Aeon Co., Ltd., Aeon Kyushu Co., Ltd., Claire's Nippon, Co., Ltd., Maxvalu Kyushu Co., Ltd., Maxvalu Chubu Co., Ltd., Ministop Co., Ltd., Reform Studio Co., Ltd., Aeon Bank, Ltd., Kasumi Co., Ltd.
Two stars
Aeon Product Finance Co., Ltd., Talbots Japan Co., Ltd., Maxvalu Tokai Co., Ltd., Maxvalu Nishinoh Co., Ltd., Maxvalu Hokkaido Co., Ltd., Aeon Fantasy Co., Ltd., GFoot Co., Ltd., Zwei Co., Ltd.



Creating Infrastructure to Support the Balance between Work Life and Child Raising

We established Aeon Yumemirai Nursery Schools at Group company facilities so that not only our employees but also the employees of tenants inside of Aeon Mall as well as local residents are able to work and receive childcare with peace of mind.

For the purposes of employees' smooth return to work from childbirth and subsequent child-rearing, and to support employees working while raising children, the nursery is open from 7 a.m. to 10 p.m. almost every day, including Saturdays, Sundays, national holidays, and year-end and New Year holidays. The childcare fees are calculated based on hours of care regardless of the day or time period in order to reduce the burden on employees from paying additional fees or arranging secondary childcare.



Aeon Yumemirai Nursery

In FY2017, we opened nurseries at Aeon Mall Shin-Komatsu, Aeon Mall Fukuoka Higashi, Aeon Town Aira, Aeon Mall Tokushima, Aeon Mall Otogana, Aeon Mall Matsumoto, Aeon Mall Kobe Minami, and Aeon Haebaru Shopping Center. In FY2018, we have already opened nurseries at Aeon Mall Zama, Aeon Town Shunan, and THE OUTLETS HIROSHIMA, bringing our total number of nurseries to 23. We will continue to support those who are raising children while working.

Furthermore, in April 2015 we opened Aeon After-school Class at the Aeon Marinpia Annex and at the Daiei Narimasu Store. The classes, which offer a comprehensive after-school care program with physical, academic, moral, and dietary education, are located near train stations, making it convenient for parents to drop off and pick up their children and for children to come to the class.

Moreover, based on the belief that the existence of bosses and organizations that recognize diversity and make use of it in management is key to achieving a balance between work life and child raising, Aeon Co., Ltd. and The Daiei, Inc. became the first retailers to join the IkuBoss* Alliance in June 2015. As of June 2018, 44 Group companies have joined the IkuBoss Alliance.



Aeon is using its original IkuBoss tests to increase the number of IkuBoss managers within the Group. To date, 18,259 employees have passed the introductory test, and 2,357 have passed the intermediate test.



*IkuBoss: The ideal advocated and promoted by non-profit organization Fathering Japan. It refers to a boss who considers the work-life balance of subordinates and staff working with him or her in the workplace and supports their careers and lives while producing outcomes for the organization and being able to enjoy his or her own work and private life.

TOPICS

Aeon and Aeon Mall Selected as Nadeshiko Brand Companies in 2018

Aeon Co., Ltd. and Aeon Mall Co., Ltd. were included in the list of Nadeshiko Brand companies for FY2018 on March 22, 2018.

Aeon's favorable evaluation was based on the Group's concerted efforts aimed at having women account for 50% of managers as well as the Group's efforts to encourage employees to take child-rearing leave by explaining the child-rearing leave system to male employees whose spouses have given birth as well as to the superiors of such employees.

Meanwhile, Aeon Mall earned its selection thanks to its creation of employee-friendly work environments by establishing additional Aeon Yumemirai Nursery School facilities at operating bases, the issuance of a guidebook designed to support career development, and the inclusion of work-efficiency enhancement as an evaluation indicator.

The Group will continue moving forward with diversity-focused management with a view to developing personnel, enhancing workplace environments, and empowering a range of different personnel.



Award ceremony held on May 19

Ensuring Work-Life Balance

Aeon Retail Co., Ltd., which accounts for about one quarter of all Group employees, introduced a personnel system in 2017 based on the concepts of "fairness" and "challenge."

The system aims to create an environment that allows employees with diverse abilities to pursue careers reflecting their ambitions and aptitudes. We hope that such opportunities will give employees a sense of empowerment and job satisfaction and enable them to work enthusiastically and grow in a manner suited to their lifestyle.

Moreover, the system includes the Career Style Plan as a program to support independent career development and the

Lifestyle Plan as a program to support the ability to keep working long term in the midst of changes in life stages.

Going forward, we will further develop our programs and systems so that female employees in particular are in a workplace environment where they can thrive professionally, while achieving a work-life balance between their job and marriage or childcare.

Aeon Retail Co., Ltd. "3 career paths" and "Employee working area"

Career paths

- General path
A path that aims for career development across a wide area while building up diverse experiences
- Unit path
A path that aims for specialization while advancing specialist knowledge and skills
- Professional path
A path that aims for an advanced profession

Employee working area

- Category N employee: In principle, transfers nationwide and overseas
- Category R employee: Transfers within a certain block
- Category L employee: No transfers that require moving house
- Community employee and part-time: No transfers that require moving house/part-time only

Childcare and Nursing Care Support Programs

To help employees combine childcare and work, Aeon Retail Co., Ltd. has established a childcare leave system and a "childcare-and-work" period that lasts until April 20 of the year that an employee's child enters middle school. Japan's Child Care and Family Care Leave Act calls on companies to provide a childcare-and-work period that lasts until an employee's child begins elementary school. However, given that employees sometimes need to take time off to attend to their children who are at elementary school, we provide a longer period.

In addition, for employees with family members requiring nursing care, we have established a nursing care leave system and a "nursing care-and-work" system that provide time off and shortened working hours, respectively.

Welfare Programs

The Aeon Good Life Club, Aeon's mutual aid society, has an enrollment list of nearly 270,000 Aeon Group employees. Programs include the payment of gift money for celebratory occasions or condolences (mutual assistance), subsidies for childcare and nursing care, various forms of insurance (self-help support), and support for leisure activities and health (motivational assistance). We aim to administer various programs contributing to the achievement and enhancement of common welfare to enable Group employees to have a sense of security, solidarity, and pride.

Aeon's Employee-Focused Health Management

Aeon promotes health management based on the belief that the promotion of employee health is a cornerstone of corporate activity. Moreover, we believe healthy employees are better able to provide services that contribute to the health and happiness of local customers.

In FY2016, we announced the Aeon Health Management Declaration, aiming for the physical and mental health of our employees and their families and the continuous development of human resources able to continue working over the long term.

Aeon Health Management Declaration

Aeon will support the health of employees and their families
Aeon will achieve health and happiness in the local community together with employees

To promote health management, the Group has established the Aeon Health Promotion Section, in which the executive officer in charge of human resources and management at Aeon Co., Ltd. is responsible for advancing measures. The section comprises the executive officer responsible for advancing measures, the head industrial doctor, and managers responsible for the Group's human resources department as well as the human resources departments of Group companies, Aeon's corporate health insurance society, and the Aeon Good Life Club.

Keeping in mind management strategies, the section considers and implements measures aimed at maintaining and promoting employee health. Furthermore, each Group company has appointed a manager responsible for health promotion and takes autonomous health promotion measures. The Aeon Health Promotion Section conducts health management activities to enable the achievement of numerical targets throughout the Group. For example, the section establishes criteria for selecting which employees are subject to priority health management. To support these activities, Aeon's corporate health insurance society issues health report cards that show the health ages and issues of Group companies.

As a Groupwide initiative to heighten health awareness among employees, we conduct the Health Challenge Campaign program. All employees participate in this program and choose a challenge from among the options. Moreover, in April 2018 we launched the PepUp health portal to heighten the health literacy of employees and support their independent health improvement efforts. Through PepUp, employees can manage their own health and obtain advice. If health improvements are confirmed, employees receive health points, which they can exchange for WAON points.

The Aeon Health Promotion Section will continue leading the Group's concerted health management initiatives.

[The Aeon Health Promotion Section's criteria for selecting employees for priority health management]
Systolic blood pressure of 180 mmHg or higher or diastolic blood pressure of 110 mmHg or higher
Blood sugar of 250 mg/dL or higher (regardless of whether post-prandial) or HbA1C of 9.0% or higher

TOPICS

Aeon and Aeon Retail Certified as White 500 Enterprises for Second Consecutive Year

In 2018, Aeon Co., Ltd. and Aeon Retail Co., Ltd. were certified as "White 500" enterprises with outstanding health and productivity management. White 500 is a certification system jointly conducted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This is the second straight year that the companies have earned this certification. Also, Aeon Kyushu Co., Ltd. has received certification under this system.



Certification System for Enterprises with Outstanding Health and Productivity Management

This is a system for citing major corporations and small and medium-sized companies that have outstanding health and productivity management. More specifically, the system recognizes corporate measures that address the health issues of local communities or that support the health promotion initiatives of Nippon Kenko Kaigi.

* Nippon Kenko Kaigi: This organization was formed to conduct practical measures in collaboration with private-sector organizations and with comprehensive support from the government focused on extending the healthy lifespan of each Japanese citizen and realizing appropriate medical care. The organization's mission is to have private-sector organizations, such as economic bodies, medical bodies, and insurers, collaborate with municipal authorities to realize concrete measures in workplaces and local communities.

Employee Satisfaction Survey

Aeon conducts an employee satisfaction survey on morale targeting all Aeon Group employees every other year. The results of this survey and employee feedback will be utilized to develop our organization and systems to improve motivation and make our workplaces more employee-friendly to enhance employee and customer satisfaction.

Aeon objectively identifies the situation and works to further enhance employee satisfaction by drafting and implementing concrete measures to enhance satisfaction based on the results of the survey.

Labor Union

Aeon emphasizes dialogue between labor and management, and discussions are held with the labor union through health and safety committees and the labor management council. The labor union has encouraged part-time employees to become members, and as of the end of April 2018, the labor union had roughly 277,000 members, including 276,000 part-time employees. Through workplace meetings in which union members participate, we actively work to incorporate employee feedback and promote efforts to resolve issues based on collaboration between labor and management.

Conclusion of a Global Framework Agreement and Implementation of Related Verification Activities

In November 2014, Aeon Co., Ltd. concluded a Global Framework Agreement on labor, human rights, and the environment with the UNI Global Union, which is an international labor organization, the UA ZENSEN, and the Federation of Aeon Group Workers' Unions. At verification meetings held annually, we conduct mutual checks on the progress of initiatives in relation to labor, human rights, and the environment with respect to notification, performance, and verification.

Based on the agreement, the four aforementioned parties are cooperating toward the advancement of initiatives for labor, human rights, and the environment with a view to establishing a model for favorable labor-management relations in Asia.



Training Programs Supporting the Growth of Employees

Aeon believes that the greatest form of welfare is education. This phrase embodies the thought that education, in addition to wages and benefits, is key to enriching the lives of its employees. Given this, we have created a wide range of training programs that support the growth of employees and their desire for advancement.

In addition, we have created a system for employees to meet twice a year with their supervisors to discuss and reflect on their work performance and work challenges, and to look ahead to their future aspirations. There are also regular assessments of individual work results and career achievements.

Aeon Fundamental Education

This is provided for the first three years following employment with the Company using the same curriculum Groupwide. In addition to sharing Aeon's basic philosophy and set of values, the education aims to have employees completely master the corporate culture and basic skills as Aeon People.

Aeon Group Self-Declaration Form System

This system encourages transfer within the Aeon Group beyond the framework of the Company amid the many different business domains covered by the Group. In FY2017, the system was implemented targeting the senior management level at 69 Group companies.

Sending Personnel to Graduate Schools in Japan

To develop personnel who will lead the Group's business management, Aeon invites applications from Group company employees who meet certain requirements and sends successful candidates to enroll in MBA courses at graduate schools in Japan. The aim is for them to learn specialized knowledge related to management and build networks outside of the Company.

Global Trainee System

Under this system, Aeon posts outstanding human resources across national borders to Group companies in Japan, China, and the ASEAN region in order to train the future leaders of its overseas business and provide human resources with the ability to act at the global level. The aim is to acquire essential knowledge and skills through practical experience and training overseas.

Aeon Business School

The Aeon Business School offers courses that allow personnel to acquire the knowledge needed for the positions for which they aspire through self-learning. The school's system supports the self-actualization of motivated personnel. In FY2017, there were 284 participants in the eight courses offered by the school.

Group Recruitment System

This system allows any employee—irrespective of the business or company to which they belong—to be ambitious and apply for other positions or positions in other businesses. In FY2017, we sought applications for positions at Bio c' Bon Japon Co., Ltd., A-Colle Co., Ltd., Research Institute for Quality Living Co., Ltd., and Aeon IBS Co., Ltd. Also, we invited applications for positions at overseas businesses in China and the ASEAN region, including applications to participate in our global training system.

Internal Certification Systems

Aeon has established a wide array of internal certification systems for specific jobs. Eight of these certifications have been accredited by the Ministry of Health, Labour and Welfare and recognized for their high quality.



A skills competition for masters of fresh fish preparation

Internal Certifications and Number of Holders* (As of the end of February 2018)

- ◎Master of fresh fish preparation (grade 1) 25
- ◎Master of fresh fish preparation (grade 2) 1,848
- ◎Master of fresh fish preparation (grade 3) 3,411
- Baby advisor 796
- Fashion advisor 1,254
- Liquor advisor 782
- Fish advisor 460
- Digital advisor 281
- Home appliance advisor 79
- General appliance advisor 63
- Cycle advisor 1,206
- Senior cycle advisor 281
- Beauty advisor 942
- Handcraft advisor 620
- Senior care advisor 59
- ◎Hot deli master 2,723
- ◎Sushi master 2,522
- ◎Farm product master 1,425
- ◎Greenery master 740
- ◎Gardening master 367
- Energy advisor 660

◎ denotes qualifications accredited by the Ministry of Health, Labor and Welfare.
 * Total for Aeon Retail Co., Ltd., Aeon Retail Store Co., Ltd., Aeon Hokkaido Corporation, Aeon Kyushu Co., Ltd., Aeon Store Kyushu Co., Ltd., Aeon Supercenter Co., Ltd., Aeon Ryukyu Co., Ltd., Aeon Bike Co., Ltd., Aeon Liquor Co., Ltd., Maxvalu Hokkaido Co., Ltd., Maxvalu Tohoku Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Kyushu Co., Ltd., Maxvalu Minami Tohoku Co., Ltd., Maxvalu Kanto Co., Ltd., Maxvalu Nagano Co., Ltd., Maxvalu Hokuriku Co., Ltd., Aeon Big Co., Ltd., Kohyo Co., Ltd., and Aeon Food Supply Co., Ltd. (20 companies)

Aeon DNA University

In September 2012, Aeon instituted the Aeon DNA University to train the next generation of Aeon management by instilling the philosophy and values of the Company passed down since its founding. The Group CEO himself is an instructor at the university.

In FY2017, we started providing guidance for 19 10th term students in April and 20 11th term students in October. Approximately 180 employees have been trained and are active in each Group company as of the end of April 2018.



DNA University class

Collaborating with Communities

Management Approach

Recognition of Challenges

Each region faces distinctive social challenges, such as poverty, education, food, healthcare, health, low birthrate, and aging population. Under these circumstances, in many countries and regions, local governments, NPOs and NGOs, and international organizations have been working together to solve these challenges. However, in recent years, there have been more active moves attempting to continuously demonstrate even greater power through the effective

harnessing of corporate resources such as technology, knowledge, information, funds, and management know-how.

Meanwhile, there has been a growing recognition among corporations that the development of local communities is essential for stable business operations, including the development of products and services that respond to social challenges and smooth business operations through human networks.

Aeon's Approach

Aeon has established "rooted in local community life and dedicated to making a continuing contribution to the community" as a basic principle, and set out The Local Community and Aeon in the Aeon Code of Conduct formulated in 2003. We have been working to solve social challenges in each region by interacting with people in Japan, China, and the ASEAN region over many years.

We have also put our efforts into developing a value chain that aims to stimulate industries in the regions where we do business, including actively developing and selling products that match the local food culture. Aeon aims to be a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

Future Initiatives

Going forward, Aeon will continue to communicate with local people through business activities in order to put into practice its belief that "the retail industry is rooted in the local community." One of these initiatives is the construction of "local community ecosystems" (P.50). This aims to achieve a lifestyle and industry platform that supports the sustainable

development of local communities through mechanisms to jointly develop the appeal and competitive edge of a community while its various members, including local people, government administration, and corporations, work together to solve the challenges facing each community.

Aeon Code of Conduct—The Local Community and Aeon (Its Partners and Aeon)

Aeon aims to set an example as a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

At Aeon, we promote management practices that are in step with the local community.

We believe that Aeon forms a "partnership" with the local community. We proactively exchange information with local partners about the lifestyles of our customers in the community, reflecting local community values in our business practices.

At Aeon, we respond to the needs of the local community, and provide a place where people can come together.

We conduct business that anticipates the widely various lifestyle needs of our customers, offering high-quality products and services in convenient and pleasant facilities. At the same time, we provide a place for the local community to gather for educational and information-sharing opportunities.

At Aeon, we work in partnership with the local community to promote environmental conservation activities.

We endeavor to bring about clean streets with lush greenery, and support a recycling-oriented society by reusing resources and reducing the amount of garbage we produce as much as possible. Our objective is to be the leading corporation working beyond local and national borders, showing the world how to preserve our beautiful planet Earth.

At Aeon, we actively support volunteer activities together with the citizens of local communities.

We actively support welfare and other volunteer activities, working together with those in the local community who share the Aeon philosophy. We believe that both locally and internationally, contact and interaction with others is an important, worthwhile activity.

At Aeon, we respect the culture and traditions of local communities, offering support whenever and wherever we can.

We respect the oral traditions and culture handed down over generations in each local community. We support local efforts to discover and preserve these valuable cultural links with the past.

FY2017 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY2017 Results	Summary of Actions/Initiatives Undertaken in FY2017
Community involvement	Making contributions to local communities	Aeon Happy Yellow Receipt Campaign submission rate	Consolidated Group companies in Japan for GMS, SM, and DS businesses	FY2017: Submission rate of 20% or more at all GMS Submission rate of 15% or more at all SM/DS FY2020: Submission rate of 30% or more at all GMS Submission rate of 20% or more at all SM/DS	GMS businesses: Submission rate of 20% or more at 388 stores (63.1% overall) SM/DS businesses: Submission rate of 15% or more at 482 stores (44.2% overall)	1) Strengthened communication in stores 2) Strengthened communication utilizing media 3) Conducted proper management
	Handling of region-specific products		Consolidated Group companies in Japan for GMS and SM businesses	Expand handling of region-specific products Expand handling of artisanal food products Promote sixth industrialization using artisanal food ingredients	Artisanal food products: ASC: 27 prefectures, 39 items (as of the end of February 2018)	Sold local specialty foods produced by food artisans, such as <i>meiji gonbo</i> from Ibaraki City in Okayama Prefecture and <i>gokayama bobera</i> from Nanto City in Toyama Prefecture
	Developing the human resources of the future	Number of activities by the Aeon Cheers Club	Consolidated GMS companies and some SM companies in Japan	Conduct activities more than four times at all stores carrying out activities	Stores with more than four activities per year: 332 stores (73.0% overall)	1) Focused rigorously on fundamentals and strengthened foundations • Held Aeon Cheers Club opening ceremony at all stores • Implemented upgraded version of coordinator training on a trial basis 2) In addition to the one-off Aeon TOPVALU Agricultural Eco-experience Project and Aeon Agri Experience Farm Program, we conducted an ongoing educational program, the Aeon Cheers Club Farmers' Program, at six locations, including two existing locations and four new locations. 3) Strengthened publicity
Great East Japan Earthquake reconstruction assistance	Tree planting in affected areas	Regeneration of coastal forests in affected areas	Consolidated Group companies in Japan	Plant 300,000 trees within 10 years (FY2012–FY2021)	FY2017: 47,627 trees (total 250,309 trees)	In cooperation with national, prefectural, and municipal governments and local residents, we implemented tree planting activities and tended to planted trees to restore coastal forests lost due to the tsunami.
	Participation of Group employees in volunteer activities	Promotion of volunteer activities among Group employees as disaster relief	Consolidated Group companies in Japan	Have 300,000 employees participate in volunteer activities within 10 years (FY2012–FY2021)	FY2017: 46,604 people (total 284,509 people)	1) Conducted local volunteer activities in affected areas 2) Conducted volunteer activities within Group companies and in regions to enable the provision of support without going to Tohoku 3) Promoted the Aeon Future Co-creation Program with the aim of supporting solutions to local challenges through exchanges 4) Supported respective company activities that resulted from the Aeon Future Co-creation Program

Community Involvement Making Contributions to Local Communities

Aeon Happy Yellow Receipt Campaign

A countless number of volunteer organizations* throughout local communities in Japan is in need of support. At the same time, there is a countless number of Aeon customers who would like to support organizations devoted to their local communities. Aeon, as a local community member, launched the Aeon Happy Yellow Receipt Campaign to link together customers and volunteer organizations. The Aeon Happy Yellow Receipt Campaign started from these feelings. Customers participate in the campaign simply by taking the yellow receipts they receive when making purchases on "Aeon Day," the 11th of every month, and placing them in a box labeled with the name of an organization or a particular activity. Aeon then contributes goods accordingly at a value of 1% of the total amount of the receipts.

In FY2017, the campaign expanded to include 1,710 stores, and we contributed goods worth approximately ¥313.95 million to a total of around 25,700 organizations. Of participating stores, 51% had a submission rate of at least 20% for GMS companies and at least 15% for SM and DS companies, targets that have been established as KPIs.

Since the campaign's inception in 2001, 293,700 organizations have received donations totaling around ¥3,429.35 million. The campaign was also launched at Aeon (China) in 2012, and Aeon (Thailand) and Aeon (Cambodia) in 2015.

With a view to achieving our KPIs and encouraging more customers to submit receipts, we are proactively increasing the profile of this campaign. For example, the personnel at cash registers ask customers if they would like to participate, and we invite volunteer organizations to conduct activities in our stores. Further, we receive the cooperation of the members of local communities by introducing volunteer organizations that conduct activities in local communities to social welfare councils or volunteer centers.

How the Aeon Happy Yellow Receipt Campaign Works



- Volunteer organizations' activities should fall under one of the following five categories.
1. Activities to promote welfare
 2. Activities to promote environmental preservation and environmental education
 3. Activities to promote urban development
 4. Activities to advance arts and culture
 5. Activities to enhance the health and safety of children

Clean & Green Activities

Aeon is actively involved in community landscaping projects around its stores. Clean & Green Activities, conducted since 1991, consist of employees volunteering to clean up parks and rivers around stores and areas surrounding public facilities. These activities have been conducted on Aeon Day, the 11th of every month, since 2001 at all general merchandise stores and supermarkets as well as the head office and other business offices. We began collecting garbage and removing weeds as part of the Clean & Green Activities from the area where trees were planted for the Aeon Hometown Forests Program.

Issuing Local WAON Cards

WAON is a system of e-money prepaid cards available at over 383,000 participating stores throughout Japan (as of the end of February 2018). In the case of Aeon's Local WAON cards, a part of the proceeds from sales goes to social contributions for communities.*

The social contributions that result from using Local WAON cards are wide ranging, and include community environment conservation efforts, promotion of tourism and sports, preservation of cultural assets, and animal welfare. As of the end of February 2018, we have issued 134 different Local WAON cards, which reflect distinctive regional identities and include donation functions. The total amount of local contributions comes to about ¥1,272.47 million. Aeon can offer customers the convenience of an e-money prepaid card while at the same time actively contributing to the support of local communities.

* Some exceptions apply

Types of Local WAON cards

As of the end of February 2018



Concluding Comprehensive Cooperation Agreements

Aeon has entered into cooperation agreements with local governments to effectively combine respective resources for expanding sales of local products, disaster preparedness, public health, social welfare, and environmental conservation, and, through Local WAON cards, to stimulate commerce and tourism. The first agreement was concluded in June 2010 with the Osaka Prefectural Government. At the end of February 2018, we had agreements with 44 prefectural governments, 18 government ordinance-designated cities, and 44 cities and towns.

Through these agreements, we provide emergency supplies and emergency shelters during times of disaster upon request, hold local product fairs and promote local tourism through our stores, and work with local governments to plan and market boxed lunches made with local foods. In this way, we are also helping to stimulate local communities and improve daily life services.



Signing ceremony in Minoh City, Osaka Prefecture

Supporting Revitalization of Local Industries and Preservation of Traditional Food Culture

Aeon actively contributes to local ecosystems and the preservation of local traditions.

Direct Business Transactions with Fishery Cooperatives

Aeon has been transacting directly with fishery cooperatives since 2008 to provide customers with even fresher fish and to help sustain Japan's traditional fish cuisine. As of the end of February 2018, we conduct business directly with four fishery cooperatives.*

In July 2013, we began providing "fresh fish caught in the morning." By arranging fresh fish that landed in the morning over the counter in the afternoon of the same day, we are able to provide homes with enjoyment through fresh fish. We also provide delicious menu suggestions for children who do not like to eat fish.

We also began an initiative in which we freeze freshly caught seasonal fish to enable consumers to enjoy them during other times of the year. We mince rockfish caught in season and also sell minced fish products using small fish that do not meet standards and cannot be shipped to market.

Through dialogue with the National Federation of Fisheries Cooperatives Association, Aeon intends to continue conducting initiatives that benefit our customers, and continue to help resolve issues associated with marine products.



Aeon purchases all fish caught by this fishing vessel

* JF Shimane, JF Hiroshima, JF Ishikawa, JF Katase-Enoshima



Fresh fish caught in the morning

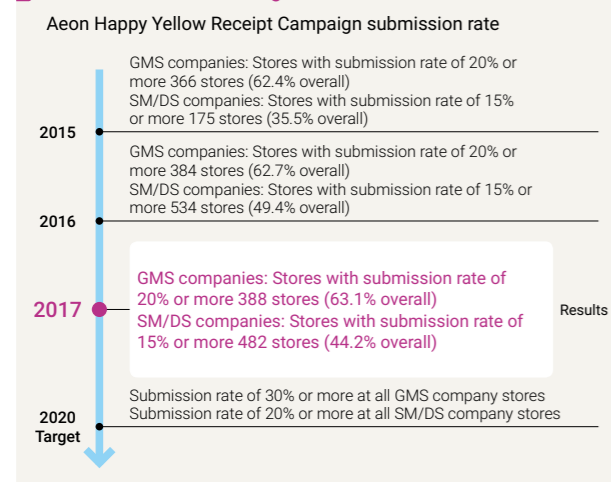
Promoting the Food Artisan Project

Aeon has conducted the Food Artisan Project since 2001 with many producers across Japan dedicated to preserving local flavors. The project seeks to preserve and build local culinary cultures as brands. Everyone involved pools their wisdom and works to publicize the ingredients and traditional techniques that support exceptional local culinary cultures in an effort to protect, preserve, and create new brands.

As of the end of February 2018, our artisanal food product activities cover 29 prefectures and 39 dishes, whose unique local flavors are delivered to customers across Japan.



FY2017 Results and Target of KPI





Meiji Gonbo
These are burdock roots cultivated in Ibara City, Okayama Prefecture. Burdock roots grown in the reddish soil of Ibara's Meiji area are renowned for their soft texture, fragrance, and long shelf life.



Gokayama Bobera
These are pumpkins cultivated in Nanto City, Toyama Prefecture. More specifically, *gokayama bobera* is a traditional rugby ball-shaped pumpkin grown in the neighborhood of Gokayama, a mountain hamlet of thatched roof houses that has become a World Heritage Site.

Aeon Welfare Fund

The Aeon Welfare Fund was established in 1977 to promote the welfare of persons with disabilities and to support their independent participation in society. Aeon has carried out various projects, focusing on donating special vehicles and contributing to volunteer activities, through monthly contributions of ¥50 per employee matched by the employer. As of the end of March 2018, 62,000 Aeon employees from 92 companies are participating in this program.

In FY2017, neighborhood welfare facilities for people with disabilities were presented with welfare vehicles upon opening new stores. This brings the total number of donated special vehicles to 86 since the inception of the Welfare Fund. In addition, our volunteer activities included roughly 1,900 visits to welfare facilities, with events such as Christmas parties. About 12,025 facilities have been visited thus far.



A welfare vehicle presentation ceremony

Establishment of Voting Centers

For the general election of members of the House of Representatives held on October 22, 2017, we established voting centers at 58 Aeon stores nationwide.

Hoping to make our commercial facilities useful for public activities, we first established voting centers at stores for the 2007 election for Akita Prefectural Assembly members. Since then, we have been using our stores around Japan as voting centers for early voting in national and regional elections.

Each day, large numbers of customers visit Aeon stores to shop or have a meal. Customers have responded favorably to our establishment of voting centers for early voting and common voting centers due to the convenience of being able to vote while out shopping. Further, having voting centers in stores serves the public good because it helps boost voter turnout by making elections feel more accessible to customers visiting our stores, who belong to a wide range of age groups.

Community Involvement Developing the Human Resources of the Future

Aeon Cheers Club

The Aeon Cheers Club provides hands-on opportunities for first-grade to ninth-grade students to learn about the environment. The children get together once a month or once every two months to participate in Aeon Cheers Club environmental activities.

The theme for FY2017 was "animals." Around 460 clubs and 7,700 students from all over Japan participated in the activities. In July and August 2017, the seventh Aeon Cheers Club National Meetings were held in Okinawa and Hokkaido, respectively. A total of 50 clubs, representing the top clubs selected at regional meetings, and 232 awardees gathered, with each club reporting on learning outcomes for the year and participating in nature experience programs.

Further, as part of an education program focused on garbage and recycling, we held a contest themed on food waste reduction in the South Kanto area. The competition challenged Aeon Cheers Club members to come up with lists of ideas on how they can avoid wasting food, such as making a shopping list before shopping, not being choosy about food, and not over peeling vegetables. The competition received entries from 63 Aeon Cheers Club members in the South Kanto area.

In FY2018, we plan to conduct activities themed on energy.



Making coasters from empty bags



A study tour of a food tray recycling plant

Expansion in China and ASEAN Region

The Aeon Cheers Club began activities at Aeon Malaysia in 2012 and at Aeon China in 2014.

Approximately 2,476 children have participated in activities at about 34 clubs in Aeon Malaysia, while around 2,195 children have participated in activities at about 66 clubs in Aeon China.

Farming Experience Program

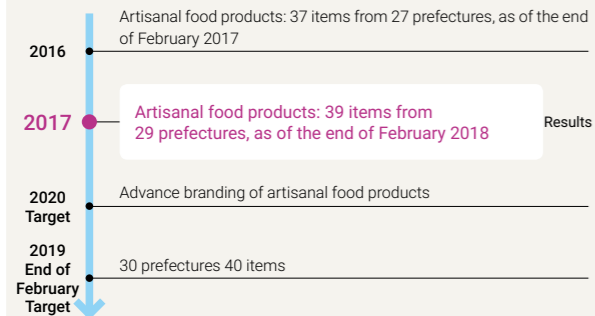
Since 2012, we have been conducting the Agricultural Eco-experience Project for children who belong to the Aeon Cheers Club. The aim of the project is for children to learn about environmentally friendly vegetable production, innovations for safety and security, and the commitment to taste, while having fun by visiting *TOPVALU* production sites around Japan and farms managed by Group company Aeon Agri Create Co., Ltd. to experience farming, including vegetable harvesting and packaging. In FY2017, 372 children from 29 Aeon Cheers Clubs took part in 17 visits to 14 production sites. A cumulative total of 5,228 children have participated in visits to 126 production sites as of FY2017.

Further, in FY2016 we launched the Aeon Cheers Club Farmers' Program, which offers opportunities for ongoing study of the growth processes of crops. In FY2017, 367 children from 16 Aeon Cheers Clubs participated in the program at six locations nationwide. The locations were Aeon Mie Inabe Farm, Aeon Hyogo Miki Satowaki Farm, Aeon Hokkaido Mikasa Farm, Aeon Saitama Hanyu Farm, the Home of Flowers and Greenery and Agriculture (Shibayama, Sanbu District, Chiba Prefecture) of The Public Interest Incorporated Foundation for the Agriculture of Flowers and Greenery, and Isumi City in Chiba Prefecture.

In FY2018, we will expand the program to nine locations around Japan.

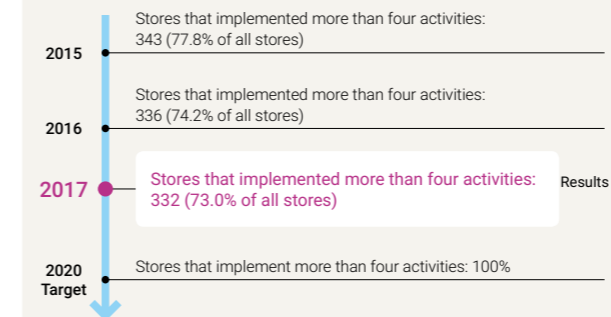
FY2017 Results and Target of KPI

Handling of region-specific products



FY2017 Results and Target of KPI

Number of activities by the Aeon Cheers Club



Children at Aeon Supercenter Mikasa selling the broccoli they cultivated

Aeon Sukesuku Laboratory

The Aeon Sukesuku Laboratory has been carried out every year since FY2007 in order to assist those raising children. This program focuses on families raising children in areas across Japan and includes seminars on childcare led by experts in the field, as well as the singing of Japanese nursery rhymes and songs with both children and parents enjoying a meaningful chance to sing together.

In FY2017, Aeon Sukesuku Laboratory was held in three cities across Japan. A total of 341 people attended the sessions, including 216 adults and 125 children. As of the end of March 2018, the Aeon Sukesuku Laboratory has been held a

total of 49 times involving a total of approximately 9,600 participants. In FY2018, we plan on holding three sessions nationwide.



Child-raising seminar by Prof. Katsumi Tokuda, professor in the Faculty of Medicine, University of Tsukuba



Ms. Saori Yuki and Ms. Sachiko Yasuda holding a nursery rhyme concert

TOPVALU Project for Specially Cultivated Rice

The TOPVALU Project for Specially Cultivated Rice was conducted at three schools in three prefectures with the hope of having children learn about the nature we are blessed with and the importance of food through the cultivation of rice. This is an ongoing effort undertaken with local agricultural cooperatives, government administration, and educational committees to teach children about food and sustenance by allowing them to experience the production process, from planting through harvest, and ultimately, the sale of rice at a retail store, with activities tailored to each region of each prefecture.

At Hayami Elementary School in Shiga Prefecture, students also learn the importance of protecting and raising living creatures, by raising juvenile *nigorobuna* fish (Lake Biwa's endemic crucian carp) in rice paddies.

We will mark the 10th year of activities in Shiga Prefecture and Akita Prefecture in 2018.



Observation of *nigorobuna* fish (Hayami Elementary School, Shiga Prefecture)



Rice-selling experience (Shibutami Elementary School, Iwate Prefecture)



Rice-planting experience (Kyowa Elementary School, Akita Prefecture)



Rice-harvesting experience (Kyowa Elementary School, Akita Prefecture)

Initiatives of Aeon and AEON 1% Club Foundation for Developing the Next Generation

We provide a host of programs to support the learning development of youth in various life stages, from infants to university students.



PET Bottle Cap Collection Campaign

Aeon has been collecting PET bottle caps at its stores from customers since 2008. The caps are collected as recycling resources and converted into money, which is then donated to three international support organizations.*1 This effort plays a role in supporting the children in developing Asian countries.



Children enjoying reading at a library



Providing nutritious food to children in Vietnam



A child brought to receive vaccination



In FY2017, ¥4,335,170 from 365.47 million bottle caps*2 was donated to these organizations. The funds will provide vaccines, nutritious food, and books to children in Asia.

*1 The three international support organizations:
Plan International Japan
Save the Children Japan
Japan Committee, Vaccines for the World's Children

*2 Number of caps collected between March 1, 2017 and February 28, 2018

TOPICS

Riceball Action 2017 Campaign: Make It, Eat It, Give Someone a Meal!

From October 9 to October 22, 2017, 400 Aeon and Aeon Style stores conducted the Riceball Action 2017 Campaign, using riceballs as a starting point for thinking about and taking action with respect to the importance of food and the world's food problem. Numerous customers participated in the campaign, which provided food to children in need in Africa and Asia, and 18 supporting companies donated a portion of their revenues from sales of riceball-related products. Through the NPO TABLE FOR TWO, in 2017 the campaign provided children in Africa and Asia with 289,126 nutritious meals, equivalent to a year's worth of food for 1,445 people.*

By tackling issues related to food, Aeon will help realize a better future.

* ¥20 per meal, equivalent to 200 meals a year

Fundraising Activities (FY2017)

Activity	Activity period	Number of participating stores and locations	Donations from customers and employees nationwide (¥)	AEON 1% Club donations (¥)	Donations through TOPVALU products (¥)	Total (¥)	Donees
Donation for support of school establishment in Myanmar	April 1, 2017 to May 28, 2017	9,778	34,757,673	23,242,327	—	58,000,000	ADRA Japan
24-hour television 40 fundraising	June 16, 2017 to September 3, 2017	12,777	277,182,627	—	—	277,182,627	24-Hour Television Charity Committee
Aeon and UNICEF Safe Water Campaign Fund	October 1, 2017 to October 31, 2017	6,597	12,879,673	12,879,673	909,840	26,669,186	Japan Committee for UNICEF
Fundraising for support of people with disabilities in Asia	November 4, 2017 to December 3, 2017	8,205	15,118,996	15,118,996	203,325	30,441,317	Association for Aid and Relief, Japan (AAR Japan)
Fundraising for support of manufacturing by people with disabilities	February 10, 2018 to March 11, 2018	8,153	20,195,257	20,195,257	—	40,390,514	Association for Aid and Relief, Japan (AAR Japan)
Total			360,134,226	71,436,253	1,113,165	432,683,644	

Continuous Fundraising Activities

Activity	Activity period	Funds raised from customers and employees (¥)	Cumulative total (¥)	Donees
Red Feather Community Chest	October 1, 2017 to December 31, 2017	19,522,753	313,387,457	Central Community Chest of Japan

Emergency Relief Fundraising Activities

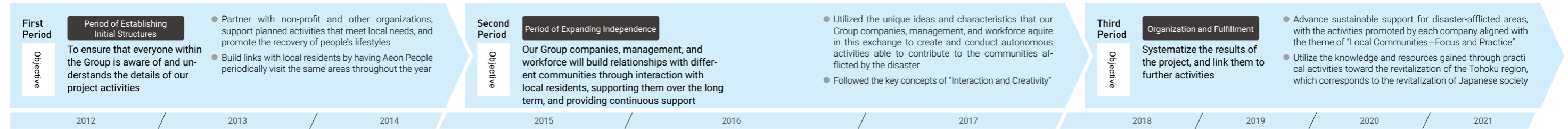
Activity	Activity period	Number of participating stores and locations	Donations from customers and employees nationwide (¥)	AEON 1% Club donations (¥)	Total (¥)	Donees
Fundraising for the emergency relief of those affected by the torrential rain in northern Kyushu in July 2017	July 7, 2017 to July 23, 2017	5,708	31,433,372	15,000,000	46,433,372	Fukuoka Prefecture and Oita Prefecture

Activity Report for Second Period of Project Aeon Joining Hands (FY2017)

Project Aeon Joining Hands was launched in March 2012. In the ten years leading to FY2021, we are aiming to drive creativity and contribute to recovery after the Great East Japan Earthquake by utilizing the diverse resources gained through the management activities of all Aeon employees.

Since FY2016, we have been working with local communities in the Aeon Future Co-creation Program, which aims to support the resolution of community issues through exchange, while understanding that the sustainable recovery of local communities is a social challenge facing the disaster afflicted areas of Tohoku. We are advancing this project to connect learning and networks through project activities energizing the local industries of disaster-afflicted areas.

Project Aeon Joining Hands 10-Year Project



Project Aeon Joining Hands

Basic Concept

Based on the three principles of Aeon—"Peace," "People," and "Community"—Aeon People are committed to utilizing the diverse resources made available through Aeon's business activities, exercising their creativity and taking the initiative in contributing to the recovery of the areas affected by the Great East Japan Earthquake. For Aeon People, this is an opportunity to both realize and experience firsthand Aeon's principles, as well as an opportunity for personal growth. By extension, it is also an opportunity for them to grow as business people.

Purpose of Supporting Recovery

We are supporting the sustainable recovery of local communities, in which people and industry coexist with nature, and where individuals feel connected with one another.

The Project's Vision

By combining the three principles of Aeon—"Peace," "People," and "Community"—with the purpose of supporting recovery, we are able to objectively consider what we want to do and what we are able to do in order to achieve our aims. We will continue to contribute by being creative, engaging in activities, and walking alongside people living in disaster-affected areas, who are standing up to rebuild their communities.

Aeon Tohoku Reconstruction Hometown Forests Program

Outline of First Period Initiatives

- Conducted tree-planting activities on the coasts of Iwate, Miyagi, and Fukushima
- Engaged with everyone in the local community through tree-planting activities with the objective of revitalizing a homeland rich in nature



Outline of Second Period Initiatives

- Promoted interaction with local communities through tree-planting activities in each region of Tohoku
- Planted fruit and shrubs in addition to trees and supported reconstruction of industry and tourism
- Conducted recovery of the woods in the village shrine, a favorite spot for local residents, and planted trees in squares in front of stations, many of which were washed away



April 2016
Tree-planting ceremony at the Soma Matsukawaaura coastal disaster prevention forest



October 2017
Reconstruction tree-planting ceremony for residents of Minamisoma City in memory of those who lost their lives in the Great East Japan Earthquake

Aeon's support of recovery efforts as of the end of February 2018

Number of trees planted in affected areas **250,309**



Targeted number of trees by FY2021 300,000

Deployment of Volunteers to Disaster Afflicted Areas

Outline of First Period Initiatives

- Implemented activities in Rikuzentakata City, Iwate Prefecture since FY2012, and in Minamisoma City, Fukushima Prefecture since FY2013
- Conducted volunteer activities for many Aeon People to visit disaster-afflicted areas to engage through their own efforts and experience what is happening on the ground firsthand
- Worked in a manner that is able to best match the hopes of everyone in the community



Outline of Second Period Initiatives

- Confirmed the challenges in disaster-afflicted areas on-site through activities in Hamadori, Fukushima to regenerate the local community and bring people back from the places they dispersed to after the nuclear accident
- Utilized the experience gained through these activities in the social lives and work of Aeon People



October 2016
3rd volunteer gathering



September 2017
Fourth group of volunteers from Tokyo

Aeon's support of recovery efforts as of the end of February 2018

Employees who participated in the affected areas as volunteers **Total 3,311**

Aeon Future Co-creation Program

- We will strive together with the regions afflicted by the disaster and our Group companies in the Aeon Future Co-creation Program, aiming to support the resolution of community issues through exchange, while understanding that the sustainable recovery of local communities is a social challenge facing the disaster afflicted areas* of Tohoku

*Six regions in Iwate, Miyagi, and Fukushima prefectures

- Kamaishi City and Ootsuchi Town, Iwate Prefecture
- Kome-dori, Tono City, Iwate Prefecture
- Oshima, Kesennuma City, Miyagi Prefecture
- Marumori Town, Miyagi Prefecture
- Namie Town (Nihonmatsu City), Fukushima Prefecture
- Odaka, Minamisoma City, Fukushima Prefecture



Development of "Hokki-meshi" bento lunch box by ODAKA Industrial Technology and Commerce High School and Aeon Retail Co., Ltd.



Creation of products from yuzu (citrus junos) in Oshima, Kesennuma City

Volunteer Activities Conducted by Each Group Company

Outline of First Period Initiatives

- Designated a person in charge of advancing activities at each company within the Group, and continually implemented local training in disaster-hit areas
- Developed unique activities at each Group company, and with each member of our management and workforce
- Conducted Tohoku Recovery Markets and communicated the start of the project both inside and outside the Company through activities such as the screening of the Utogokoro documentary film in each region



Outline of Second Period Initiatives

- Promoted ongoing support able to be conducted from a distance in order for Group companies to generate recovery in Tohoku
- Advanced support encompassing local communities with voluntary and independent thinking toward generating recovery in areas afflicted by the disaster at each Group company



December 2016
"100 Santas Visit" Christmas event for reconstruction support



November 2017
Volunteering to harvest organic cotton in disaster-afflicted areas

Aeon's support of recovery efforts of the end of February 2018

Employees who participated in volunteer activities in and around the Company **Total 284,509**



Targeted number of employees by FY2021 **Total 300,000**

* Includes number of full-time employees who participated in volunteer activities in disaster-hit areas



“Bustling Tohoku—Connect with Hometown Power” Main FY2017 Tohoku Reconstruction Support Activities

Aeon has carried out various support activities for disaster-stricken areas since immediately after the Great East Japan Earthquake. In March 2012, one year after the calamity, Aeon commenced recovery and reconstruction activities under the slogan, “Making our wishes for recovery from the 3.11 disaster come true.” Since March 2016, five years after the catastrophe, Aeon has aimed to move from “reconstruction assistance” to its next stage “creation of local areas (hometowns),” and has started efforts, under the catchphrase “Bustling Tohoku,” to help connect the energy of Tohoku throughout Japan and around the world. With this desire to create the future of Tohoku with “bustling energy,” and with our four policy pillars, we will walk together with everyone towards creation in Tohoku.

Four Policies for Recreating Tohoku

- 1 Revitalization of local industries through business
- 2 Creation of employment and creation of an environment that is easy to work in
- 3 Environmental and social contribution activities that “co-create” the future of the region
- 4 Development of towns where people can live with safety and peace of mind

1. Revitalization of local industries through business

In order to make Tohoku even more vibrant than in the past, we are engaged in projects to bring amazing products developed by local Tohoku producers into the hands of customers, including not only local customers but also customers in Tohoku, across Japan, and around the world, thereby revitalizing local industries and the economy.

Expanding sales of Tohoku products by holding Bustling Tohoku Fairs
By holding fairs and other events at stores throughout Japan, we are working to expand the market for excellent Tohoku products.

In March 2018, at approximately 300 Aeon and Aeon Style stores in Honshu and Shikoku, we held Bustling Tohoku Fairs to help people connect with the strength of their hometowns, and these fairs received significant support from customers.



2. Creation of employment and creation of an environment that is easy to work in

We are creating employment by opening stores in areas afflicted by the disaster.

We are also working to build an environment that is comfortable for anyone to work, including employees who are raising children, with initiatives such as the establishment of nursery schools at our business facilities.

Opening of nursery school at Aeon Mall Natori

We opened an Aeon Yumemirai Nursery School at Aeon Mall Natori in the fall of 2016 in light of the increasing number of children on waiting lists in Natori City due to factors such as families moving from other areas. We are working to build a secure environment in which everyone in the region can work with peace of mind now and into the future.



An Aeon Yumemirai Nursery School

3. Environmental and social contribution activities that “co-create” the future of the region

We are also working with the people of local communities in environmental and social contribution activities such as Project Aeon Joining Hands (P.128). This is supporting the healthy growth of Tohoku, urbanization, and the children of the region.

Supporting the Tohoku Aeon Happy Yellow Receipt Campaign

We would like to encourage everyone affected by the earthquake in Iwate, Miyagi, and Fukushima with our customers throughout Japan. On the 11th of every month, also known as Aeon Day, we conduct the “Aeon Happy Yellow Receipt Campaign.” Beginning in 2012, we extended our March campaign to three days, from the 9th to 11th. During this campaign period, we will donate 1% of the total amount on receipts given to us by our customers. The total amount of donations given to the areas afflicted by the disaster through this campaign by the spring of 2018 was ¥925.18 million.



Supporting children through Tohoku Reconstruction Support WAON

In May 2012, we issued Tohoku Reconstruction Support WAON through which we donate 0.1% of the amount used for scholarship funds to support the lives and learning of children in the three prefectures of Iwate, Miyagi, and Fukushima who were affected by the disaster. The total amount donated by the spring of 2018 was ¥30,975,027.



4. Development of towns where people can live with safety and peace of mind

We are aiming to build safe and secure places for people to live by enhancing preventative measures based on our experience from the Great East Japan Earthquake.

Expanding local temporary shelters

Aeon is strengthening safety measures that include securing energy supply systems such as independent power generation facilities, which allow shopping centers to be used as evacuation centers during a disaster. We have already completed the installation of these facilities at 40 locations and aim to have 100 locations outfitted by 2020.



Gas-engine generator at Aeon Mall Makuhari New City

List of External Awards (FY2017) and Primary Environmental Conservation and Social Contribution Activities

List of External Awards (FY2017)

Date	Awards
March 2017	Earned the highest rank in the Development Bank of Japan's environmental rankings; received a special award as a retailer (Aeon Co., Ltd.)
March 2017	Acquired ISO 22301 certification, the international standard for business continuity management (Aeon Co., Ltd.)
April 2017	Selected as a Nadeshiko Brand, which is granted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to enterprises that are outstanding in terms of encouraging the empowerment of women in the workplace (Aeon Mall Co., Ltd.)
May 2017	In the 2017 Best 100 Companies with Active Female Employees joint survey by Nikkei Woman and Nikkei Womenomics Project, received first place for degree of promotion of female participation (Aeon Co., Ltd.)
September 2017	Received an award under the environmental ratings program operated by the Development Bank of Japan (DBJ), and was the first retail company in Kyushu to receive an award under the DBJ's employee health management ratings program (Aeon Kyushu Co., Ltd.)
September 2017	Became the first retail company in Kyushu to be certified under the SMBC program a loan program operated by Sumitomo Mitsui Banking Corporation that evaluates corporate initiatives in the areas of food and the environment (Aeon Kyushu Co., Ltd.)
December 2017	In the 2017 Oricon Japan Customer Satisfaction Survey, Aeon Mobile received the No. 1 ranking in the category of inexpensive smartphones and the No. 2 ranking in the category of inexpensive SIMs (Aeon Retail Co., Ltd.)
December 2017	Mirai College Kikuchi, in Kikuchi City, Kumamoto Prefecture was recognized and received the Minister of the Environment's Award in the municipality category at the fifth Good Life Award (ZWEI CO., LTD.)
December 2017	In the DBJ BCM Ratings implemented by the Development Bank of Japan, acquired the highest ranking of A, which is awarded for especially superior initiatives that address business continuity (Aeon Co., Ltd.)
December 2017	Acquired Minister of Health, Labour and Welfare's Kurumin certification mark (Aeon Hokkaido Corporation)
December 2017	Received first award as an excellent performer under the “Kyoto City Operator Emission Reduction Plan Regulations,” and received award for excellence for third consecutive year under the “Osaka Stop Global Warming” Awards (Aeon Mall Co., Ltd.)
February 2018	For the second consecutive year, recognized as a “White 500” company under the 2018 Certified Health and Productivity Management Organization Recognition Program, which was started jointly by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Aeon Co., Ltd., Aeon Retail Co., Ltd.)
February 2018	Received award for excellence at the 21st Environmental Communication Awards, Environmental Report category (Aeon Co., Ltd.)
February 2018	Received a Special Jury Prize at the NIKKEI Smart Work Awards 2018 program, an awards program that is held by Nikkei Inc. to select companies that are advancing work style reforms (Aeon Co., Ltd.)
February 2018	Recognized as a “White 500” company under the 2018 Certified Health and Productivity Management Organization Recognition Program, which was started jointly by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Aeon Kyushu Co., Ltd.)
February 2018	Acquired the highest level of the Minister of Health, Labour and Welfare's Eruboshi certification mark (Maxvalu Chubu Co., Ltd.)
March 2018	Received Hokkaido Social Contribution Award (distinguished service in disaster prevention) for high evaluation of disaster-prevention initiatives in the local community (Aeon Hokkaido Corporation)
March 2018	For the second consecutive year, selected as a Nadeshiko Brand, which is granted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to enterprises that are outstanding in terms of encouraging the empowerment of women in the workplace (Aeon Mall Co., Ltd.)



Primary Environmental Conservation and Social Contribution Activities

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| <ul style="list-style-type: none"> 1965 Donated of 1,000 cherry trees to Okazaki City at the opening of Okazaki Okadaya Store 1977 Established JUSCO Company Welfare Fund (currently Aeon Welfare Fund) 1979 Established Cultural Foundation of Okada 1989 Established Aeon Group 1% Club (currently AEON 1% Club Foundation) 1990 Launched the JUSCO Earth-Friendly Committee AEON 1% Club started Small Ambassadors (currently Teenage Ambassadors) Program Established Aeon Group Environmental Foundation (currently AEON Environmental Foundation) 1991 Launched Aeon Hometown Forests Program, at JUSCO Malacca Store (currently Aeon Malacca Store) in Malaysia as its first store Started Clean & Green Activities Commenced Bring Your Own Shopping Bag Campaign on a trial basis (Began trial operation of food tray collection and recycling campaign) 1992 Planted trees at JUSCO Shin Hisai Store (currently Aeon Hisai), the first store in Japan under the Aeon Hometown Forests Program 1993 Started development of organic and other agricultural produce for <i>Gurinaï</i> (now <i>TOPVALU Gurinaï</i>) private label 1994 Formulated the independent Aeon Heart Building Design Standards based on the Heart Building Law (the New Barrier Free Law from December 2006) Opened JUSCO Minamikata Store as the first building in Japan certified under the Heart Building Law 1995 Introduced returnable food container and reusable hanger systems 1996 Launched the Environment Committee 1997 Founded JUSCO Children's Eco Club (currently Aeon Cheers Club) 1998 AEON Environmental Foundation conducted first tree planting project to revitalize the forests at the Great Wall of China 2000 Launched My Basket and My Bag campaigns Commenced development of SELF+SERVICE ecology shops Acquired ISO 14001 certification across the entire company 2001 Changed company name to Aeon Co., Ltd. and started Aeon Day Started Aeon Happy Yellow Receipt Campaign AEON 1% Club started support for construction of schools 2002 Started Aeon Clean Road Activities in partnership with the Volunteer Support Program of the Ministry of Land, Infrastructure, Transport and Tourism 2003 Began use of biomass packaging materials Formulated Aeon Supplier Code of Conduct 2004 Formulated Basic Policy for the Prevention of Global Warming Announced participation in Global Compact advocated by the United Nations Achieved SA8000 certification for <i>TOPVALU</i> supplier management and Aeon headquarters operations Commenced sales of <i>TOPVALU Fairtrade Coffee</i> under <i>TOPVALU</i> label 2005 Opened first Eco Store, Aeon Chikusa SC (currently Aeon Town Chikusa) 2006 Acquired chain of custody certification at stores and shopping centers for processing and distribution of MSC-certified products (MSC-CoC), becoming the first general retailer in Japan to receive such certification AEON 1% Club started Aeon Scholarship Program 2007 Began Stop Free Plastic Shopping Bag Program, at JUSCO Higashiyamanijou Store Aeon Co., Ltd. became the first general retailer to sign an agreement on initiatives towards the establishment of a recycling-oriented society with the Japanese Ministry of the Environment AEON 1% Club started Aeon Sukusuku Laboratory | <ul style="list-style-type: none"> 2008 Aeon Co., Ltd. formulated Aeon Manifesto on the Prevention of Global Warming, becoming the first retailer in Japan to name a specific goal for reducing CO₂ emissions Started Aeon Clean Japan Campaign Started PET Bottle Cap Collection Campaign Started Rice Paddy Activities for Elementary School Students 2009 Commenced trial sales of Carbon Footprint product labeling for nine varieties across seven <i>TOPVALU</i> products AEON Environmental Foundation established Japan Awards for Biodiversity Participated in Japan Climate Leaders' Partnership as a founding member Opened FSC®-certified store for first time as a convenience store in Japan 2010 Formulated the Aeon Biodiversity Principle AEON 1% Club started ASEAN University Students Environmental Forum (currently Asia Youth Leaders) and Aeon-UNICEF Safe Water Campaign Number of trees planted reached one million for tree planting project to revitalize the forests at the Great Wall of China by the AEON Environmental Foundation AEON Environmental Foundation established MIDORI Prize for Biodiversity 2011 Formulated the Aeon Sustainability Principle Announced Aeon Natural Refrigerants Declaration 2012 Developed KPI system AEON Environmental Foundation started Asian Students Environment Platform AEON 1% Club started Aeon eco-1 Grand Prix Opened twelfth Eco Store, Aeon Mall Funabashi Established the Sustainable Management Committee Started Aeon Eco Project Started Project Aeon Joining Hands 2013 Opened first store of Smart Aeon, Aeon Mall Yahata Higashi Obtained ISO 50001, becoming first retailer in Japan to receive the certification Total number of trees planted exceeded 10 million 2014 Formulated the Aeon Sustainable Procurement Principle and Aeon Sustainable Seafood Procurement Policy Started sales of Aquaculture Stewardship Council (ASC) certified products Opened seventh Smart Aeon, Aeon Mall Kisarazu Concluded Global Framework Agreements 2015 Opened eighth and ninth Smart Aeon, Aeon Mall Okinawa Rycom and Aeon Mall Sijonawate Aeon Yumemirai Nursery School in Aeon Mall Makuhari New City acquired certification in Chiba City Commenced sales of first Completely Farm-Raised Bluefin Tuna Japanese private brand product 2016 Celebrated 25 years of Aeon tree planting activities Opened 10th Smart Aeon, Aeon Mall Sakai Teppochou Launched <i>TOPVALU Gurinaï</i> “Organic,” “Natural,” and “Free From” products 2017 Formulated Aeon Sustainable Procurement Policy and 2020 Goals Formulated Aeon Group Food Waste Reduction Targets 2018 Formulated Aeon Decarbonization Vision 2050 Opened 11th Smart Aeon, Aeon Mall Zama |
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Aeon is contributing environmentally and socially through business operations, and also through promoting initiatives of the AEON 1% Club Foundation and the AEON Environmental Foundation.

AEON 1% Club Foundation

AEON 1% Club Foundation

The AEON 1% Club Foundation was established in 1989 with the philosophy that Aeon is a company that makes proper use of the benefits received from customers for the future and for the community. Our activities are centered around the sound upbringing of children who will lead the next generation, the promotion of international friendship and goodwill, and sustainable development of the local community. Major companies within the Aeon Group contribute 1% of their pretax profits.

The Sound Upbringing of Children Who Will Lead the Next Generation

Aeon Cheers Club

The Aeon Cheers Club provides hands-on opportunities for first- through ninth-grade students to learn about the environment. Young people can come together once a month or once every two months to participate in Aeon Cheers Club environmental activities.

The theme for FY2017 was "Recycling Garbage." Around 460 clubs and around 7,700 students from all over Japan participated in the activities. In July and August 2017, the Aeon Cheers Club National Meetings were held in Okinawa and Hokkaido, respectively. A total of 50 clubs, representing the top clubs selected at regional meetings, and 232 awardees gathered, with each club reporting on learning outcomes for the year and participating in nature experience programs.

In FY2018, we will be working on activities under the theme "Energy."



Creating coasters out of empty bags

Aeon eco-1 Grand Prix

The Aeon eco-1 Grand Prix recognizes commendable eco-activities of high school students. The event offers a forum for high school students from across Japan to report results and share information on their environmental activities. The Grand Prix was started in 2012 with the hope that it would be an opportunity for the young people who will lead the next generation to think about and act on environmental issues.

In FY2017, the venue for the Grand Prix was changed to a facility that enables the general public to attend, and area meetings were held for the first time at two venues, in Tokyo and Aichi. In these ways, we worked to expand the sphere of eco-activities.



Creating a green tunnel from 12 types of plants
Receipt of the Prime Minister's Prize (Dissemination & Education Category)
Photography club from a high school in Tadotsu, Kagawa Prefecture

Essay Contest for Junior High School Students

On the theme of "Food" that fosters healthy minds, bodies, and well-rounded humanity, we hold our Essay Contest for Junior High School Students in which students express their feelings of gratitude about memorable meals or dishes to a special someone through their essays. We are striving to heighten awareness of dietary education by honoring and widely publicizing outstanding essays from junior high school students around the country. In FY2017, we received a total of 222 essays on the theme of "Thanking the Cook: Gratitude for Memorable Meals and Dishes." Recipients of the Gold Prize were able to experience the preparation of traditional dishes and participate in a "Hocho-shiki" ceremony, in which they learned about the traditions of Japanese cuisine. Through these experiences, they were able to deepen their understanding of dietary education.



Experiencing hometown cuisine at a traditional Japanese house
(Minamiboso City, Chiba Prefecture)

School Construction Support Project

Under the belief that "enhancing basic education is indispensable for achieving a peaceful society," we have been conducting school construction support projects since 2000 in five Asian countries with lagging development of educational infrastructure.

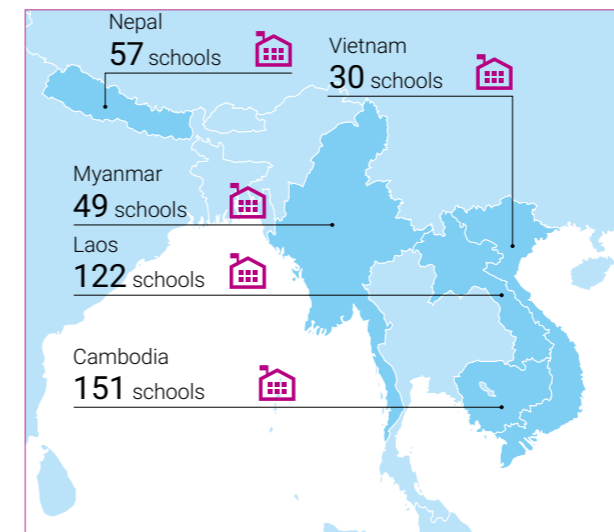
Donations from Aeon customers across Japan and funding from the AEON 1% Club are utilized to build a total of 409 schools in five countries: Nepal, Vietnam, Laos, Myanmar, and Cambodia. Some 370,000 students are studying at the schools that have been constructed.

In addition to physically building the schools and establishing plumbing facilities, we are also offering less tangible support in the form of faculty education and so on. Part of the opening ceremonies have included a concert featuring children's songs performed by sisters Saori Yuki and Sachiko Yasuda, in addition to visits by participants who came from Japan in order to share in the joy of the events.

In FY2018, we plan to support the construction of schools in Myanmar.



Children having fun in their new classroom
(Vietnam)



Aeon and UNICEF Safe Water Campaign

In some areas of Cambodia, Laos, and Myanmar, it is difficult to obtain clean water, so water for daily use is drawn from unhygienic ponds or from groundwater that may contain unhealthy substances. Furthermore, children have to spend valuable time walking long distances to collect water, with some of them unable to attend school. The Aeon and UNICEF Safe Water Campaign was started in 2010 in order to support the health and education of children in this situation. Through the Japan Committee for UNICEF, donations from Aeon customers across Japan and funding from the AEON 1% Club go toward the supply of safe water and the building of water supply infrastructure. To date, the campaign has brought safe drinking water to approximately 509,000 people in three countries (Myanmar, Laos, and Cambodia), while it has also lessened the labor required to collect water, which thereby allows more children to attend school.

In FY2018, we plan to continue to carry out the campaign in Cambodia and Myanmar.

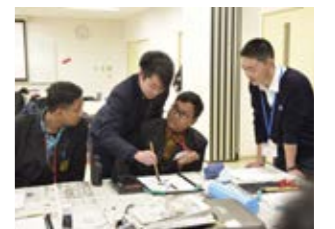


Children washing their hands at new water supply facilities (Myanmar)

Promoting Friendship with Foreign Countries

Teenage Ambassadors Program

The Teenage Ambassadors Program facilitates school visits for Japanese and foreign students and builds international understanding and friendship through exchange. Interaction takes place through ambassador activities, exchange activities, and history/culture activities that bring together students of similar age but different cultures, traditions, and lifestyles. This program has been carried out every year since 1990, with 2,470 students from 18 countries (including Japan) participating to date. The bonds of friendship between Japan and foreign countries continue to spread through activities such as a 2009 reunion that invited past participants from around the world to come to Japan.



A high school student in Indonesia learning how to use a brush for calligraphy

Japan-ASEAN Teenage Ambassadors

Since the first Teenage Ambassadors Program was held in Malaysia in 1990, exchange programs have been conducted with eight ASEAN countries, including Indonesia, Cambodia, Thailand, the Philippines, Vietnam, Myanmar, and Laos. In each country, the program has been able to step outside its specific boundaries by, for example, visiting schools built with the

support of the AEON 1% Club and observing the welfare facilities of international NGOs receiving support through fund-raising activities in Japan. This provides ambassadors with the opportunity to deepen their understanding of social circumstances in each country. In FY2017, exchange was carried out with Cambodia and Indonesia. Plans for FY2018 include conducting exchange with Thailand.



Japanese high school students participating in a class at a high school in Cambodia

● Japan-China Teenage Ambassadors

The Teenage Ambassadors Program held with China in 2009 brought students together from Japan and Beijing. The exchange received high praise from both the governments involved and from the participants themselves. To facilitate further friendship between Japan and China, the program has been held every year since 2009, with the program area expanding to include Wuhan and Qingdao, thanks to cooperation between the Chinese Ministry of Foreign Affairs, the People's Government of Beijing Municipality, and the Chinese Embassy in Japan. To date, a total of 1,200 high school students from Japan and China have become small ambassadors for building bonds of friendship.



High school students from both countries taking on the challenge of sumi ink painting

Asia Youth Leaders

Asia Youth Leaders is a program for bringing together youth from different Asian countries to address social problems in the host country by taking part in discussions after doing field work and listening to lectures by experts. A total of 722 students with different backgrounds from six countries (Indonesia, Thailand, China, Japan, Vietnam, and Malaysia) explore solutions to issues through debates and dialogues in English to foster global sensitivity and mutual understanding of diverse values.

In FY2018, the program is scheduled to be held in Indonesia with under theme of "Food & Health."



Students from different countries engaging in discussions

Aeon Scholarship Program

The Aeon Scholarship Program is a subsidy program for college students from countries throughout Asia, as well as privately financed international students from Asia coming to study in Japan. The program started in 2006 with the hope that recipients would serve as a bridge between Japan and their home countries by helping these students actively engage in their future fields of specialty. In addition to economic support throughout the year in Japan, scholarship recipients are provided with assistance for furthering their growth as global human resources by holding training seminars and offering opportunities to participate in volunteer activities. At certificate award ceremonies in each country, scholarship students present speeches highlighting their dreams and aspirations. To date, the program has supported 5,675 students at 35 universities in seven countries.



Students from Vietnam holding their certificates

Sustainable Development of Local Communities

Hometowns and Future Support

As a member of local communities, the AEON 1% Club works to spread traditional culture and historically significant customs that need to be handed down to children in future generations, while providing opportunities for local residents to deepen ties and form better communities.

● Supporting Local Traditional Events

Aiming to carry on traditional culture and history rooted in local communities, Aeon supports festivals and citizen events across Japan. In FY2017, we provided support for 56 events, while also assisting with hosting a Traditional Handicrafts Exhibition under the theme of "Look, Use, Enjoy, and Buy." The event helped bring traditional handicrafts closer to people's lives.



Yokkaichi Festival (Mie Prefecture)

● Hometowns and Folktales

Seeking to help reacquaint children who will lead the next generation with the appealing aspects of their hometowns, we enlisted actress Atsuko Asano to perform readings of local folktales on stages erected at shrines and famous historical sites throughout Japan. The project started as a restoration support effort in the Tohoku region in 2012, then branched out to other regions. Currently, junior high school students are invited to attend local performances across Japan.



Junior high school students expressing gratitude for the storytelling performance

● Aeon Sucusuku Laboratory

The Aeon Sucusuku Laboratory is an activity that supports people engaged in child-rearing in local communities and provides opportunities for participants to become familiar with Japanese nursery rhymes and songs. This activity has been implemented mainly at Aeon Malls throughout Japan since 2008 for children up to three years of age and their families. The program consists of two parts. Professor Katsumi Tokuda, who is known as a leading authority on child-rearing, conducts a seminar to offer child-rearing advice, and sisters Saori Yuki and Sachiko Yasuda lead a nursery rhyme concert in which they sing together with parents and children at the venue.

In FY2017, the Aeon Sucusuku Laboratory was held in three locations in Japan, and a total of 341 people participated—216 adults and 125 children. By the end of March 2018, it had been held a total of 49 times, with approximately 9,600 people participating. In FY2018, this activity is scheduled to be held in three locations throughout Japan.



Child-rearing seminar taught by Katsumi Tokuda, Professor in Faculty of Medicine at University of Tsukuba



Nursery rhyme concert led by sisters Saori Yuki and Sachiko Yasuda

● Fund-raising to Support People with Disabilities in Asia

We are supporting the activities of the NPO Association for Aid and Relief, Japan (AAR Japan), which actively provides support for the education and employment of people with disabilities in Cambodia, Myanmar, and Laos, where social welfare programs are underdeveloped in comparison with those of other countries. We have been conducting fund-raising activities since FY2016.



Presentation ceremony for fund-raising to support people with disabilities in Asia

● Future Agriculture Days

In cooperation with organizations working to revitalize agriculture, we started this activity in FY2016 as an initiative to support Japan's next generation.



University students from an agriculture club planting rice seedlings

Supporting Disaster Recovery

We provide support for disaster relief and reconstruction so that people who have been affected by large-scale disasters can resume their normal daily lives as quickly as possible. Furthermore, looking toward the future, we are implementing initiatives to support further development in areas affected by the Great East Japan Earthquake.

● Fukushima Kids Forest Project

Since the Great East Japan Earthquake, there has been concern that children in Fukushima Prefecture are not getting enough playtime outside and are not receiving enough experience with nature. In response, children were invited to Shinano Town, Nagano Prefecture, and the Afan Woodland in the Kurohime area of this town, because these locations are known for their advanced forest therapy. The program provides children with the opportunity to exercise and come in closer contact with nature.

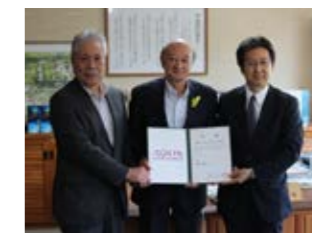


Fukushima children experiencing nature at Afan Woodland

● Emergency Relief and Recovery Donations

In order to be of service to recovery efforts in disaster-stricken areas inside and outside Japan, we are quick to seek contributions for emergency relief and recovery donations.

In FY2017, we provided emergency financial support for the reconstruction of major bridges damaged by heavy rains in northern Kyushu in July 2017 and by typhoon No. 10 in 2016.



Presentation of emergency financial support to Fukuoka Prefecture for disaster recovery from heavy rains in northern Kyushu



Presentation of financial support to Iwazumi Town, Iwate Prefecture for reconstruction of a major bridge

● Support Fund for Manufacturing by People with Disabilities

Aeon started this project in 2011 to support recovery efforts and revitalization in Tohoku. Through an NPO called the Association for Aid and Relief, Japan, donations have been provided to facilities in Iwate, Miyagi, and Fukushima prefectures to support employment opportunities for people with disabilities. The aim is to be of assistance in furthering the independence and social participation of people with disabilities.



Working diligently to create weaving products



AEON 1% Club Foundation
<http://aeon1p.or.jp/1p/en/>

AEON Environmental Foundation

AEON Environmental Foundation

The AEON Environmental Foundation was founded in 1990 to provide support to like-minded groups actively developing projects to protect the global environment. The Foundation has planted trees around the world and promoted a variety of joint environmental protection initiatives, such as the development of human resources in the fields of the environment and conservation of biodiversity.

AEON Environmental Foundation's Tree-Planting Activities

The AEON Environmental Foundation, with cooperation at the national and local government levels of each country, conducts tree-planting activities that aim to regenerate forests devastated by natural disasters. The Foundation's current tree-planting initiatives are being carried out in different parts of the world, particularly in Asia, in addition to Japan.

During FY2017 in Japan, tree-planting activities were conducted in Atsuma Town, Hokkaido Prefecture; Iwaki City, Fukushima Prefecture; Watari Town, Miyagi Prefecture; Taketa City, Oita Prefecture; Chiba City, Chiba Prefecture; and Itoman City, Okinawa Prefecture. Overseas, tree-planting activities were implemented in Phnom Penh, Cambodia; Yangon, Myanmar; Miyun District in Beijing, China; and Hanoi, Vietnam.

During FY2018 in Japan, tree-planting activities will be conducted in conjunction with tree-planting ceremonies throughout the country as well as in Matsuzaka City, Mie Prefecture; Watari Town, Miyagi Prefecture; Aya Town, Miyazaki Prefecture; Taketa City, Oita Prefecture; Chiba City, Chiba Prefecture; and Okinawa Prefecture. Overseas, tree-planting activities will be implemented in Yangon, Myanmar and Jakarta, Indonesia.



First Aeon Forest initiative in Aya Town, Miyazaki Prefecture



Second tree planting in Chiba City, Chiba Prefecture



Third tree planting in Phnom Penh, Cambodia



Second cherry tree planting in Hanoi, Vietnam

Awarding Grants for Environmental Activities

Since its establishment in 1990, the AEON Environmental Foundation has awarded grants for activities related to the sustainable use and the preservation of biodiversity in Japan and developing countries.

In FY2017, ¥95 million was awarded to 102 organizations in Japan and overseas that are engaged in tree planting and forest improvement, anti-desertification, regeneration of mountain villages and the nearby woodlands and ocean, cleanup of lakes and rivers, wildlife protection, and endangered species conservation. A total of 2,846 organizations were awarded grants, with a total of ¥2,592 million in grant money.



Chainsaw practice with a group that protects wild grasses and flowers in natural woodlands near populated areas (location: Nara Prefecture)

In FY2018, we will continue to provide grants for environmental activities.

Promoting Environmental Education

The Asian Students Environment Platform

The Asian Students Environment Platform (ASEP) has been held since FY2012, following the 2011 United Nations Decade on Biodiversity. The objective of this forum is to develop human resources who will be active globally in the field of the environment. University students from across Asia gather to exchange views on biodiversity while learning about differences in the natural environment, history, culture, and values of each other's countries.

FY2017 was the sixth year for ASEP and followed the theme of "Biodiversity – Wisdom." A total of 64 students from the Royal University of Phnom Penh (Cambodia), Tsinghua University (China), Universitas Indonesia (Indonesia), Waseda University (Japan), Korea University (South Korea), the University of Malaya (Malaysia), and Vietnam National University, Hanoi (Vietnam) gathered for the Platform hosted in Japan.

For the FY2017 Platform, the activities were centered on Miyagi Prefecture. In Watari Town, participants engaged in tree planting together with high school and college students who had experienced an earthquake disaster. Since 2016, the AEON Environmental Foundation has conducted tree-planting activities in Watari Town in order to help restore the coastal disaster prevention forest. In addition, at Tohoku University's International Research Institute of Disaster Science (IRIDeS), participants experienced conservation and restoration of historical materials and learned about disaster mitigation. Furthermore, the participants also toured a Smart Aeon store at Aeon Mall Makuhari New City. These next-generation eco

stores reflect consideration for such issues as energy conservation and power saving, disaster prevention in collaboration with local communities, and biodiversity. Through fieldwork, participants studied about the environmental and ecosystem issues faced by disaster-afflicted areas and deepened their understanding of disaster prevention and recovery of local communities after a disaster. They offered their opinions concerning "Biodiversity – Wisdom."

In FY2018, the Platform will be held in Malaysia under the theme of "Gifts from the Tropical Rain Forest."



In front of Okuma Auditorium at Waseda University, where the sixth Asian Students Environment Platform (ASEP) was held

Donating Solar Systems to Elementary and Junior High Schools

Since 2009, the AEON Environmental Foundation has been donating solar systems to elementary and junior high schools with the aim of promoting and spreading the use of renewable energy, and to provide schools with the opportunity to utilize the systems for environmental studies. In 2017, systems were donated to a total of 45 schools in Japan, Malaysia, Vietnam, and China.

In FY2017, we continued these activities from FY2016 and provided systems to five elementary and junior high schools in the city of Wuhan, China.



Teacher and students observing a solar power generation system on a roof after the presentation ceremony

EcoPro 2017

In December 2017, for the first time the AEON Environmental Foundation exhibited a booth at EcoPro 2017, one of Japan's largest environmental exhibitions. EcoPro 2017 was held at Tokyo Big Sight (Tokyo International Exhibition Center). Under the theme of "Environment and Education," the initiatives of the AEON Environmental Foundation were introduced, and activities included the making of straps using timber from forest thinning at a UNESCO biosphere reserve, as well as a quiz rally. Participants learned about the conservation of biodiversity.



EcoPro 2017

Collaborative Initiatives

Cooperation with Universities

To support the realization of a sustainable society, we are strengthening our initiatives in the area of environmental education, working in collaboration with leading universities, national governments, and academic research institutions. In collaboration with the University of Tokyo, in January 2018 at the University of Tokyo Yasuda Auditorium. In collaboration with Waseda University, we held "Beyond Biodiversity 2017" in October 2017 at the Royal University of Phnom Penh in Cambodia, under the theme of "Biodiversity and Peace." Furthermore, together with the Kanda Gaigo Group and the Yomiuri Shimbun, we sponsored the "All Japan Student English Presentation Contest" in December, and we established the AEON Environmental Foundation Award.



Cooperation with universities
Second "Aeon Future Earth Forum"
Yasuda Auditorium at the University of Tokyo



"Beyond Biodiversity 2017"
Royal University of Phnom Penh

Biodiversity Awards

The AEON Environmental Foundation inaugurated the "Japan Awards for Biodiversity" in 2009 to promote biodiversity conservation and sustainable use of biodiversity in Japan, as well as the MIDORI Prize for Biodiversity in 2010 (with the latter award being an international prize). With these two awards, we publicly honor individuals and organizations every other year for outstanding environmental conservation activities.

At the Fifth "Japan Awards for Biodiversity (Domestic Awards)" in FY2017, a total of five organizations received awards—the NPO Kuroshio Jikkan Center in the Grand Prix category, and the following four organizations in the excellence awards category: Japan Business Initiative for Biodiversity (JBIB); Sanyo Gakuen, Sanyo Girls Junior and Senior High School, geography and history club; Miyagi Prefecture Fishermen's Cooperative Association, and the Tonbo Wa Doko Made Tobuka Forum.

In FY2018, we will hold the Fifth MIDORI Prize for Biodiversity (International Awards).



NPO Kuroshio Jikkan Center

Areas of Collaboration

1. Conservation of biodiversity
2. Sustainable resource use and development
3. Environmental education that utilizes the UNESCO biosphere reserves
4. Fostering understanding of the value of and providing information about UNESCO biosphere reserves



Collaboration agreement with the Japan Biosphere Reserve Network



AEON Environmental Foundation
<https://www.aeon.info/ef/en>

Collaboration with the Japan UNESCO Biosphere Reserve Network

In August 2017, the Japan UNESCO Biosphere Reserve Network and the AEON Environmental Foundation concluded the first collaboration agreement in Japan related to the three functions (conservation, economic and social development, and academic research support) of Japan's domestic UNESCO biosphere reserves. The aim of this agreement is harmony between "ecological conservation" and "sustainable use."

This collaboration agreement was concluded on the basis of the AEON Environmental Foundation's support for the philosophy of the UNESCO biosphere reserves, which calls for placing importance not only on the protection and conservation of ecosystems but also on a harmonious relationship between nature and human society.

The UNESCO biosphere reserves program was started in 1976 by the United Nations Educational, Scientific and Cultural Organization (UNESCO). It has spread to every region of the world as one of the activities of the Man and the Biosphere Programme of UNESCO's Natural Sciences Sector. As of June 2017, there were a total of 669 registered UNESCO biosphere reserves in 120 countries. Nine biosphere reserves have been registered in Japan.

In order to deliver abundant nature to the children who will support the future, both parties will leverage the opportunity presented by this agreement and work together to implement initiatives in the following four areas.

GRI Guidelines Indicators

GENERAL STANDARD DISCLOSURES

Strategy and Analysis

Indicator	Description	Page
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	- Message from the CEO (P.14)
G4-2	Provide a description of key impacts, risks, and opportunities	- Message from the CEO (P.14) - Message from the CFO (P.16) - Course of the Aeon Group's Growth(P.4) - Aeon's Sustainable Management(P.6) - Aeon's Value Creation Model(P.8) - Dialogue with Stakeholders(P.38) - Risk Management(P.35) - Aeon's CSR(P.44)

Organizational Profile

Indicator	Description	Page
G4-3	Report the name of the organization	- Corporate Data (P.140)
G4-4	Report the primary brands, products, and services	- Corporate Data (P.140)
G4-5	Report the location of the organization's headquarters	- Corporate Data (P.140)
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	- Global Expansion (P.139)
G4-7	Report the nature of ownership and legal form	- Corporate Data (P.140)
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	- Corporate Data (P.140)
G4-9	Report the scale of the organization	- Corporate Data (P.140) - Global Expansion (P.139)
G4-10	a. Report the total number of employees by employment contract and gender b. Report the total number of permanent employees by employment type and gender c. Report the total workforce by employees and supervised workers and by gender d. Report the total workforce by region and gender e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	- Implementing Fair Business Practices Based on Respect for Human Rights (P.104 Key Issue 5)
G4-11	Report the percentage of total employees covered by collective bargaining agreements	- Labor Union Status (P.118)
G4-12	Describe the organization's supply chain	- Aeon's Value Chain (P.50)
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	-

Commitment to External Initiatives

G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	- Compliance (P.32) - Risk Management (P.35) - Aeon Supplier Code of Conduct (P.106) - Quality Management of TOPVALU Brand Products (P.92)
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	- An Overview of Aeon (P.10) - Aeon's CSR (P.45)
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	-

Identified Material Aspects and Boundaries

Indicator	Description	Page
G4-17	- List all entities included in the organization's consolidated financial statements or equivalent documents - Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	- An Overview of Aeon (P.10)
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	- Aeon's CSR (P.44) - Editorial Policy (P.2)
G4-19	List all the material Aspects identified in the process for defining report content	- Aeon's CSR (P.44)
G4-20	For each material Aspect, report the Aspect Boundary within the organization	- Aeon's CSR (P.44) - Progress of KPI of FY 2017 (P.61, 71, 81, 91,105,121)
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	-
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	- Progress of KPI of FY 2017 (P.61, 71, 81, 91,105,121)
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	- Aeon's CSR (P.44)

Stakeholder Engagement

Indicator	Description	Page
G4-24	Provide a list of stakeholder groups engaged by the organization	- Aeon's CSR (P.44)
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	- Aeon's CSR (P.44)

GRI Guidelines Indicators

G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	- Dialogue with Stakeholders (P.38)
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	- Dialogue with Stakeholders (P.38)
Report Profile		
Indicator	Description	Page
G4-28	Reporting period (such as fiscal or calendar year) for information provided	- Editorial Policy (P.2)
G4-30	Date of most recent previous report	- Editorial Policy (P.2)
G4-30	Reporting cycle (such as annual, biennial)	- Editorial Policy (P.2)
G4-31	Provide the contact point for questions regarding the report or its contents	- Back cover
GRI Content Index		
G4-32	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured	- GRI Guidelines Indicators
Assurance		
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report - If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organization and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	-
Governance		
Indicator	Description	Page
Governance Structure and Composition		
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body b. Identify any committees responsible for decision-making on economic, environmental and social impacts	- Corporate Governance (P.28) - Framework for Sustainable Management (P.58)
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	- Framework for Sustainable Management (P.58)
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	- Framework for Sustainable Management (P.58)
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	- Corporate Governance (P.28)
G4-38	Report the composition of the highest governance body and its committees	- Corporate Governance (P.28)
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	- Corporate Governance (P.28)
G4-40	- Report the nomination and selection processes for the highest governance body and its committees - Criteria used for nominating and selecting highest governance body members	- Corporate Governance (P.28)
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.	- Corporate Governance (P.28)
Role of Highest Governance Body in Setting the Purpose, Value and Strategies		
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	- Framework for Sustainable Management (P.58)
Ability of the Highest Governance Body and Evaluation of its Performance		
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	- Framework for Sustainable Management (P.58)
G4-44	- Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment - Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	- Aeon's Promotion Framework for Sustainable Management (P.58)
Role of the Highest Governance Body in Risk Management		
G4-45	- Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes - Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	- Risk Management (P.35)
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	- Risk Management (P.35)
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	- Risk Management (P.35)

Role of the Highest Governance Body in the Sustainability Report		
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	- Materiality Determination Process (P.47)
Role of the Highest Governance Body in the Evaluation of Social, Environmental and Social Performance		
G4-49	Report the process for communicating critical concerns to the highest governance body	- Compliance (P.32) - Risk Management (P.35)
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	-
Remuneration and Incentives		
G4-51	Remuneration policies for the highest governance body and senior executives	- Corporate Governance (P.28)
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	- Corporate Governance (P.28)
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	- Corporate Governance (P.28)
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	-
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	-
Ethics and Integrity		
Indicator	Description	Page
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	- Aeon Basic Principles (P.0) - Aeon Sustainability Principle (P.49) - Aeon Code of Conduct (P.90,104,120)
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	- Code of Conduct Hotline (P.32) - System for Listening to Customers (P.102)
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	- Code of Conduct Hotline (P.32) - System for Listening to Customers (P.102)

SPECIFIC STANDARD DISCLOSURES

Indicator	Description	Page
Disclosures on Management Approach		
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material b. Report how the organization manages the material Aspect or its impacts c. Report the evaluation of the management approach	- Aeon's CSR (P.49) - Management Approach (P.60,70,80,90,104,120)
Economic		
Indicator	Description	Page
Aspect: Economic Performance		
G4-EC1	Direct economic value generated and distributed	- Financial and Non-Financial Highlights (P.12)
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	- Realization of a Decarbonized Society (P.60) - Aeon Decarbonization Vision 2050 (P.60)
G4-EC3	Coverage of the organization's defined benefit plan obligations	- Welfare Programs (P.117)
G4-EC4	Financial assistance received from government	-
Aspect: Market Presence		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-
G4-EC6	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-
Aspect: Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investments and services supported	- Collaborating with Community (P.120)
G4-EC8	Significant indirect economic impacts, including the extent of impacts	-
Aspect: Procurement Practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	-
Environment		
Indicator	Description	Page
Aspect: Materials		
G4-EN1	Materials used by weight or volume	- Environmental load in FY 2017 business activities (P.57)
G4-EN2	Percentage of materials used that are recycled input materials	-

GRI Guidelines Indicators

Aspect: Energy		
G4-EN3	Energy consumption within the organization	- Environmental load in FY2017 business activities (P.57)
G4-EN4	Energy consumption outside of the organization	-
G4-EN5	Energy intensity	- Reducing CO2 Emissions and Improving Energy Efficiency (P.62)
G4-EN6	Reduction of energy consumption	- Reducing CO2 Emissions and Improving Energy Efficiency (P.62)
G4-EN7	Reductions in energy requirements of products and services	-
Aspect: Water		
G4-EN8	Total water withdrawal by source	- Environmental load in FY2017 business activities (P.57)
G4-EN9	Water sources significantly affected by withdrawal of water	-
G4-EN10	Percentage and total volume of water recycled and reused	-
Aspect: Biodiversity		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected area	- Conservation of Biodiversity (P.70)
G4-EN13	Habitats protected or restored	- Aeon Sustainable Procurement policy and 2020 Goals (P.72) - Aeon Forest Circulation Program (P.78) - AEON Environmental Foundation (P.136)
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-
Aspect: Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	-
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	-
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	- Scope 3 Emissions (P.67)
G4-EN18	Greenhouse gas (GHG) emissions intensity	- Reducing CO2 Emissions (P.63)
G4-EN19	Reduction of greenhouse gas (GHG) emissions	-
G4-EN20	Emissions of ozone-depleting substances (ODS)	-
G4-EN21	NOx, SOx, and other significant air emissions	-
Aspect: Effluents and Waste		
G4-EN22	Total water discharge by quality and destination	-
G4-EN23	Total weight of waste by type and disposal method	-Environmental load in FY2017 business activities (P.57)
G4-EN24	Total number and volume of significant spills	-
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	-
Aspect: Products and Services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	-Development of Eco Stores (P.64) -Installation of Recharging Stations for Electric Vehicles (P.64) -Promoting Sustainable Procurement (P.72) -Initiatives for Zero Waste in Stores and products (P.82) -Zero Waste Initiative Concept with customer(P.87)
G4-EN28	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	-Usage of Returnable Containers (P.86) -Reducing Waste by Collecting Resources in Stores (P.88)
Aspect: Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	-
Aspect: Transport		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	-Aeon Supplier Code of Conduct (P.106)

Aspect: Overall		
G4-EN31	Total environmental protection expenditures and investments by type	- Environmental Accounting (P.56)
Aspect: Supplier Environmental Assessment		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	-
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	- Aeon Supplier Code of Conduct (P.106)
Aspect: Grievance Mechanisms		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Not applicable

Society

Indicator	Description	Page
Labor practices and decent work		
Aspect: Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	-
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	-
G4-LA3	Return to work and retention rates after parental leave, by gender	- Creation of Pleasant, Comfortable Workplaces(P.115) - Ensuring Work-Life Balance (P.116)
Aspect: Labor/Management Relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	-
Aspect: Occupational Health and Safety		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	- Labor Union Status (P.118)
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	-
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	- Global Framework Agreements (P.118)
Aspect: Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	-
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	- Training Programs Supporting the Growth of Employees (P.118)
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	- Training Programs Supporting the Growth of Employees (P.118)
Aspect: Diversity and Equal Opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	- Promotion Diversity (P.112) - Employment for People with Disabilities (P.114) - Workshop on LGBT (P.115)
Aspect: Equal Remuneration for Women and Men		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-
Aspect: Supplier Assessment for Labor Practices		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	-
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	- Aeon Supplier Code of Conduct (P.106)
Aspect: Labor Practices Grievance Mechanism		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	- Global Framework Agreements (P.118)
Human Rights		
Aspect: Investment		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	- Human Rights Training (P.114)
Aspect: Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	-
Aspect: Freedom of Association and Collective Bargaining		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	- Aeon Supplier Code of Conduct (P.106)
Aspect: Child Labor		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	- Aeon Supplier Code of Conduct (P.106)

Aspect: Forced or Compulsory Labor		
G4-HR 6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	- Aeon Supplier Code of Conduct (P.106)
Aspect: Security Practice		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-
Aspect: Indigenous Rights		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-
Aspect: Assessment		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-
Aspect: Supplier Human Rights Assessment		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	-
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	- Aeon Supplier Code of Conduct (P.106)
Aspect: Human Rights Grievance Mechanisms		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	-
Society		
Aspect: Local Communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	- Aeon's Value Chain (P.50) - Community Involvement (P.122)
G4-SO2	Operations with significant actual or potential negative impacts on local communities	-
Aspect: Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	-
G4-SO4	Communication and training on anti-corruption policies and procedures	- Compliance training (P.33) - Sharing and Encouragement at Overseas Companies (P.33)
G4-SO5	Confirmed incidents of corruption and actions taken	-
Aspect: Public Policy		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	-
Aspect: Anti-competitive Behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-
Aspect: Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	-
Aspect: Supplier Assessment for Impacts on Society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	-
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	- Aeon Supplier Code of Conduct (P.106)
Aspect: Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	-
Aspect: Customer Health and Safety		
Aspect: Customer Health and Safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	- Quality Control of TOPVALU Brand Products (P.92)
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-
Aspect: Product and Service Labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	- Labeling of Genetically Modified Ingredients (P.94) - Labeling of Nutritional Content (P.96)
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-
G4-PR5	Results of surveys measuring customer satisfaction	System for Listening Customers (P.102)
Aspect: Marketing Communications		
G4-PR6	Sale of banned or disputed products	Not applicable
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Not applicable
Aspect: Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not applicable
Aspect: Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable

Aeon Review 2018

Financial Information

Aeon Co., Ltd., and its Consolidated Subsidiaries

Consolidated Financial Statements as of and for the Year Ended February 28, 2018, and Independent Auditor's Report

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Note: In this section, "FY" refers to the fiscal year ended February 28 or 29, as applicable.

Financial Review

As of February 28, 2018

Years Ended February 28, 2014, 2015,
February 29, 2016, and February 28, 2017 and 2018

	Millions of Yen					Thousands of U.S. dollars *1	
	'14	'15	'16	'17	'18	'18	
OPERATING RESULTS							
OPERATING REVENUES							
Net sales	¥5,619,270	¥6,202,210	¥7,235,084	¥7,253,529	¥7,380,567	\$68,977,266	
Operating revenues from financial services business	256,445	294,387	319,174	329,923	363,824	3,400,231	
Rental and other revenues—net	519,426	581,978	622,473	626,691	645,620	6,033,836	
Total operating revenues	6,395,142	7,078,577	8,176,732	8,210,145	8,390,012	78,411,333	
OPERATING COSTS							
Cost of sales	4,101,766	4,525,231	5,268,101	5,245,626	5,325,422	49,770,307	
Operating costs in financial services business	24,863	27,198	30,233	28,842	31,260	292,155	
Total operating costs	4,126,630	4,552,430	5,298,334	5,274,469	5,356,683	50,062,463	
Operating profit	2,268,512	2,526,146	2,878,398	2,935,675	3,033,329	28,348,870	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES							
Operating income	2,097,079	2,384,778	2,701,420	2,750,935	2,823,056	26,383,701	
Operating income	171,432	141,368	176,977	184,739	210,273	1,965,168	
OTHER INCOME (EXPENSES)—NET	(23,892)	3,492	(7,752)	(35,400)	(41,678)	(389,520)	
INCOME BEFORE INCOME TAXES	147,540	144,860	169,225	149,339	168,594	1,575,648	
INCOME TAXES	64,445	65,457	108,399	73,617	75,735	707,805	
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	37,493	37,333	54,816	64,466	68,336	638,661	
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	45,600	42,069	6,008	11,255	24,522	229,180	
COMPREHENSIVE INCOME (LOSS)	119,069	146,389	(3,523)	70,710	124,403	1,162,648	
CASH FLOWS							
Net cash provided by operating activities	¥ 482,765	¥ 398,453	¥ 43,156	¥ 294,893	¥ 463,911	\$ 4,335,623	
Purchases of property, buildings and equipment	375,331	435,466	518,317	519,897	465,236	4,348,009	
FINANCIAL POSITION							
Total assets	¥6,815,241	¥7,859,803	¥8,225,874	¥8,750,856	¥9,452,756	\$88,343,518	
Long-term liabilities	1,465,426	1,741,691	1,874,432	1,969,985	2,088,377	19,517,542	
Equity	1,684,569	1,829,980	1,819,474	1,862,410	1,916,737	17,913,433	
PER SHARE OF COMMON STOCK DATA							
Basic net income	¥55.92	¥50.22	¥7.19	¥13.44	¥29.23	\$0.27	
Diluted net income	50.13	49.56	7.02	13.20	28.75	0.26	
Cash dividends applicable to the year*2	26.00	28.00	28.00	30.00	30.00	0.28	

*1 For convenience only, U.S. dollar amounts were translated at the rate of ¥107=\$1, the rate of exchange as of February 28, 2018.

Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

*2 Cash dividends per share of FY'15 include a commemorative dividend of ¥2.00.

Analysis of Operating Results

Summary of Operating Results

For the fiscal year ended February 28, 2018 (March 1, 2017 to February 28, 2018), Aeon Co., Ltd. (hereinafter "Aeon") and its 291 consolidated subsidiaries earned net income attributable to owners of the parent of ¥24.5 billion (USD 229.2 million) (up 117.9% year on year). Consolidated operating revenue for the period totaled a record-high of ¥8,390.0 billion (USD 78,411.3 million) (up 2.2% year on year), while consolidated operating income totaled a record high of ¥210.2 billion (USD 1,965.2 million) (up 13.8% year on year). The GMS (General Merchandise Store) Business, which has been implementing earnings structure reforms, improved its gross profit margin and managed expenses efficiently to achieve the largest margin of improvement among the business segments. The International Business turned profitable on an operating basis by bolstering responsiveness to customer needs in each country. The Financial Services Business, Shopping Center Development Business, and Drugstore and Pharmacy Business all achieved steady growth continuously as profit pillars for the Group, while the Supermarket Business returned to year-on-year profit growth in the fourth quarter of the fiscal year. Consolidated ordinary income rose 14.1% year on year to a record high of ¥213.7 billion (USD 1,997.9 million). All levels of profit achieved the targets for the initial year of the Aeon Group Medium-term Management Plan.

Common Group Strategy:

- Under the Aeon Group Medium-term Management Plan begun in the fiscal year under review, the Aeon Group is implementing earnings structure reforms of existing businesses and Group-wide structural reforms towards new growth as its two main initiatives. In December, "Aeon Group Toward 2020" management policies were also announced to chart the Group's transformation through shifts to regional markets, digital markets, and Asian markets, along with correspondent shifts in investments. Specifically, Aeon will integrate and restructure the food operations of its Supermarket and GMS businesses in each region in response to changes in the food needs of customers and to implement digitalization, with the ultimate aim of attaining top market share in each region. In the apparel and housing and recreational product categories, Aeon is aiming for further growth in the GMS business by spinning off operations into specialized companies and raising their degree of specialization. Other targets include raising the ratio of Group operating income from Asian businesses other than Japan to 23%, as well as raising the ratio of Group operating revenues from the digital business to 12% by shifting investments from the traditional focus of stores to IT, logistics, and digitalization.

- In June, Aeon concluded a Comprehensive Memorandum of Understanding on Investment and Business Promotion in Hanoi with the Hanoi People's Committee (Vietnam), under which Aeon will support the city's economic vitalization and the region's further development through the development of large-scale shopping centers and retail, along with finance and other services. In November, Aeon concluded a Memorandum of Understanding for Cooperation on the Sale of Indonesian Products with the export development office of the Ministry of Trade, Republic of Indonesia. Under this agreement, Aeon and Indonesia will establish a comprehensive collaborative framework to leverage Aeon's global logistics and retail networks to strengthen promotion of certified Halal and other products, for which demand is expected to grow in the future.
- In January, Aeon lowered the prices of 100 Topvalu products, including sliced bread, dishwashing detergent, and other daily necessities. Since November 2016, Aeon has lowered the prices of 263 Topvalu products, gradually increasing the scope of price reductions by redoubling Company-wide efforts to rationalize costs through the maximization of the Group's economies of scale, higher efficiency in production and logistics, and use of optimal sources of raw materials in and outside Japan. As a result, Group sales of Topvalu products increased 1.6% year on year to ¥727.1 billion (USD 6,796.1 million).

Business Segment Information

GMS Business

The GMS Business posted operating income of ¥10.5 billion (USD 98.5 million) (an improvement of ¥11.8 billion (USD 110.8 million) year on year) on operating revenue of ¥3,084.2 billion (USD 28,825.0 million) (up 0.6% year on year) for the fiscal year.

Aeon Retail Co., Ltd. (hereinafter "Aeon Retail") opened nine new stores during the period. Aeon Style Toyota (Aichi Prefecture), which opened in September, has established itself as a community-rooted store by offering a wide range of food products selected to meet the tastes of a local populace with a large proportion of people originally from Kyushu. Additionally, to serve many young families in this region, the store is offering a "Maimai Kitchen" food court welcoming to mothers and children, as well as special car parking slots for parents with children. As a result, the store achieved higher-than-projected increases in sales and profit for the year. In November, Aeon Style Kemigawahama (Chiba Prefecture) opened as the first newly established Aeon store to be dedicated to the "Grand Generation (G.G)." Viewing the senior generation from a new perspective, G.G stands for the generation of senior citizen customers who have aged gracefully and enjoy active lifestyles which make the most of their wealth of wisdom and experience. Aeon

Style Kemigawahama offers a wide range of products and services around the theme of health. Among the services, the store promotes the theme of community by offering group stretching exercises at event spaces and a fitness club specially designed for seniors, along with life-style support services to help customers solve daily living problems—services which have been well—received among customers. Aeon Retail promoted these types of value—added products and services along with reasonable prices to satisfy economizing customers, while also refurbishing 51 existing stores. As a result, the number of goods purchased per customer at existing stores rose 1.1% year on year (after adjustment for days of the week), while gross profit margin also improved through higher sales of Topvalu products and other measures. Additionally, Aeon Retail successfully reduced costs, including marketing and promotion expenses in a more efficient way. As a result, operating profitability improved by ¥3.4 billion (USD 32.1 million) year on year.

Aeon Hokkaido Corporation (hereinafter "Aeon Hokkaido") promoted a strategy of developing stores to best match their communities. In the food section, stores featured seasonal food products and popular foods from around Japan through "Aeon Dosan Day" and local Japanese products fairs. The stores also boosted sales in the health and beauty care category and flower and garden category by strengthening store specialization. The My Basket business and the Online Supermarket business both posted double-digit increases in sales year on year to contribute to the company's highest operating revenue (up 1.2% year on year). Aeon Hokkaido also posted record profits at every level of earnings by improving gross profit margin for the third straight year and reducing SG&A expenses and other measures.

Supermarket Business

The Supermarket Business posted operating revenue of ¥3,240.9 billion (USD 30,289.5 million) (up 0.7% year on year) for the fiscal year. Operating income declined to ¥30.7 billion (USD 287.0 million) (down 8.8% year on year). The business environment remained severe throughout the year due to the impact of lower prices for agricultural products and the impact of October typhoons on same-store sales, higher personnel costs associated with expanded social insurance coverage, and higher unit price of electricity charge. The business responded with continual programs to serve the needs of customers in local communities while promoting productivity improvements. As a result, it rebounded with a year-on-year increase in profit in the fourth quarter.

The Daiei, Inc. (hereinafter "Daiei"), which is concentrating its operations in the Tokyo metropolitan area and Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, implemented retail format, product, and structural reforms. In addition

to refurbishing 15 stores, the company implemented its "Every Day Same Low Price" (EDSLP) program through its "Eh! Yasui Ne!" sales promotion while actively promoting weekly sales boost products. Daiei also lowered workloads at individual stores by expanding usage of food processing centers, while reducing expenses through efficient marketing and promotions and other measures. Since the fiscal year ended February 2016, Daiei has achieved three years continuous improvement in profitability.

United Super Markets Holdings Inc. continued to promote several reforms in products, ICT, cost structure, and logistics, which are the key initiatives under its current medium-term management plan. Consolidated subsidiary Maruetsu, Inc. expanded the use of semi-automatic self-checkout registers to 189 stores as a labor-saving measure, while also rolling out the "Total Labor Scheduling Program (LSP)" at all stores to support efficient store operations.

Maxvalu Nishinoh Co., Ltd. deployed the self-scan system "My-Pi" in January as part of its program to digitalize stores. The My-Pi system is a specialized terminal which customers use to scan items for purchase and check out rapidly by simply reading the scanned item list into the check-out terminal. By proposing a new style of shopping, the company aims to improve customer convenience and raise store efficiency while relieving check-out congestion.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of ¥27.7 billion (USD 258.9 million) (up 25.6% year on year) on operating revenues of ¥696.3 billion (USD 6,508.3 million) (up 11.7% year on year) for the fiscal year.

Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries actively carried out refurbishments of existing stores to promote the "Welcia Model" built on four pillars of "drugstore and pharmacy," "late-night operations," "counseling," and "nursing." Same-store sales increased steadily as the company increased prescription drug sales by expanding the number of drugstores offering prescription drugs (1,160 stores as of February 28, 2018, including two in Singapore), while expanding the number of 24-hour stores to provide customers with peace of mind and enhanced convenience.

Welcia Holdings also actively promoted community-rooted management by developing new products around the key theme of health, responding to customer demand for quick meals with bento lunch boxes and ready-to-eat meals, and expanding the development of Welcafe corners in the stores to serve as community meeting and collaboration sites. On March 1, 2017, Welcia Holdings established Welcia-BHG (Singapore) Pte. Ltd. in Singapore, followed by the opening of the

company's first local store in November and second store in December. On September 1, Welcia Holdings acquired the shares of Marudai Sakurai Pharmacy Limited, an operator of drugstores primarily in the Tohoku region, making the company a subsidiary. Including these stores, Welcia Holdings operated 1,693 stores (including stores outside Japan) as of February 28, 2018.

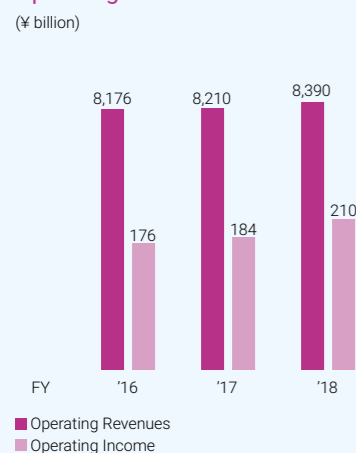
Financial Services Business

The Financial Services Business earned operating income of ¥69.7 billion (USD 652.0 million) (up 12.7% year on year) on operating revenue of ¥408.0 billion (USD 3,813.9 million) (up 9.7% year on year) for the fiscal year.

In Japan, Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") expanded card usage at Aeon Group stores and among external member stores while developing new customers among the younger generations. These initiatives included the issuance of new credit cards developed with external companies and cards featuring popular characters, along with continued promotional efforts with partner companies. The company also made strides reforming its business model through the application of new technologies. The company began a demonstration project using robotic technologies to sign up new card members, while it became the first Japanese financial institution to introduce a system enabling customers to make bank transactions using only biometric data. Aeon Bank, which celebrated its 10th anniversary, continued to bolster its business foundation in Japan, bringing its network to 138 branches. Aeon Bank also launched Aeon Bank iDeCo (individual-type defined contribution pension plan) services and installment-type NISA (Nippon Individual Savings Account) accounts. Additionally, on October 1, Aeon Credit Service transferred to Aeon Bank the management of in-store Aeon Bank branches, which Aeon Credit Service has been managing as the in-store branch agent. The management of all branches directly by Aeon Bank will facilitate the seamless provision of asset formation services.

In the overseas business, in Hong Kong, the business endeavored to expand credit card transaction volume and the number of cardholders by launching a new initiative to award double the normal sales points on Aeon store purchases to holders of the Aeon gold card members, as well as by issuing new collaboration cards featuring popular characters. In Thailand, Aeon collaborated with a major retailer to launch a new joint credit card and implemented joint promotions with partners. Aeon also responded to new credit card regulations while instituting a more rigorous application screening process to reduce bad debt costs. In Malaysia, the business continued to promote paperless systems using tablets and digital signage. In the Philippines, Aeon started an auto loan business for taxi operators using new IoT devices. These and other new technologies

Operating Revenues / Operating Income



Ratio of Operating Income to Operating Revenues

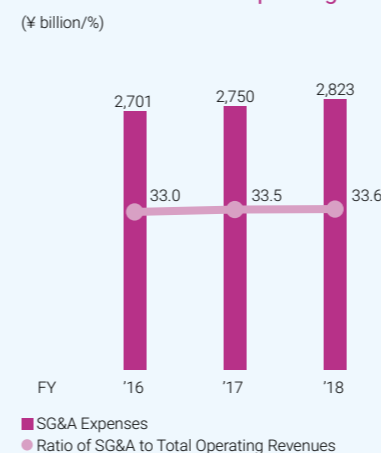


Revenue and Income Share by Business Segment

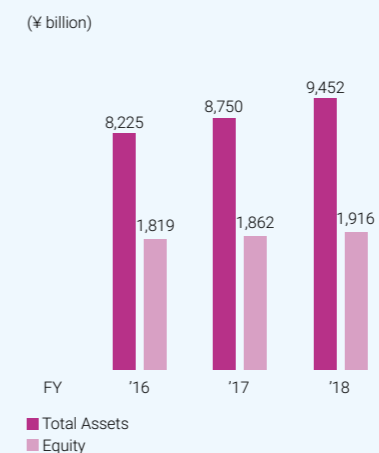
	Revenues	Operating Income
General Merchandise Store Business	36.8	5.0
Supermarket Business	38.6	14.6
Drugstore & Pharmacy Business	8.3	13.2
Financial Services Business	4.9	33.2
Shopping Center Development Business	4.0	24.5
Services & Specialty Store Business	9.2	9.6
International Business	5.0	0.1
Others Business	0.1	0.2
Adjustments*	(6.9)	(0.4)

* Adjustments include figures of shared function companies, corporate, and/or eliminations.

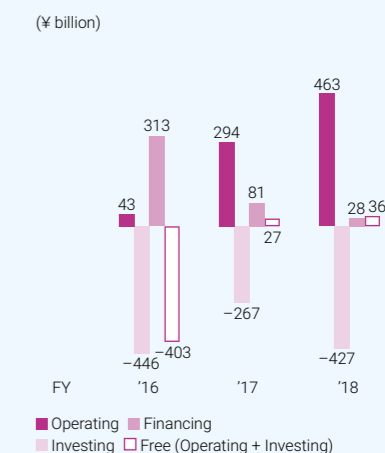
SG&A Expenses / Ratio of SG&A to Total Operating Revenues



Total Assets / Equity



Cash Flows



were also rolled out in Cambodia in order to raise the level of services for customers.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of ¥51.5 billion (USD 481.7 million) (up 10.0% year on year) on operating revenue of ¥335.6 billion (USD 3,137.0 million) (up 6.2% year on year) for the fiscal year.

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") actively promoted refurbishments and floor space expansion of existing shopping centers, completing floor expansions of two shopping centers and refurbishments of 12 shopping centers in Japan. The company appealed to senior citizens and other new customer segments by promoting the "Happiness Mall" program with such initiatives as "Opera de Aeon Mall" and mall-walking. The company also implemented sales initiatives with the goal of enhancing localization. As a result, Aeon Mall posted higher customer traffic and specialty store sales year on year. In the year, the company opened five new shopping centers, including Aeon Mall New Komatsu (Ishikawa Prefecture) and Aeon Mall Matsumoto (Nagano Prefecture). At overseas shopping centers, which are positioned as critical growth drivers for the future, 14 of 19 shopping centers opened as of the end of the previous fiscal year were profitable in the period, and the overseas shopping center business as a whole showed the prospect of turning profitable in future quarters.

OPA Co., Ltd., which operates urban fashion buildings, opened Mito OPA (Ibaraki Prefecture) in March, its first new store in four years. In October, the company opened Takasaki OPA (Gunma Prefecture) as its flagship store since its corporate rebirth, while also transforming Akita FORUS, which closed at the end of the previous fiscal year, into the Akita OPA (Akita Prefecture) following a complete refurbishment.

Overall, Aeon Mall posted record annual operating revenue and record income at all levels of earnings.

Services and Specialty Store Business

The Services and Specialty Store Business posted operating income of ¥20.2 billion (USD 189.4 million) (down 23.2% year on year) on operating revenue of ¥774.2 billion (USD 7,235.9 million) (up 1.1% year on year) for the fiscal year.

Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") strove to develop new customers in and outside Japan, while strengthening its appeal to existing customers to enhance asset value. Aiming to improve automation and efficiency in the facility management business, Aeon Delight conducted demonstration tests and research and development on such new technologies as IoT and AI, including the deployment of

remote monitoring and automated control systems for various types of facilities.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") continued to enjoy higher sales from amusement machines at existing outlets in Japan, which have risen year on year for 30 straight months since September 2015. The company also expanded its offerings of original prizes and successfully continued online sales promotions begun in the previous fiscal year, leading to a strong increase in sales from crane-type game machines. Aeon Fantasy opened eight new outlets and refurbished 42 existing outlets in Japan during the year, leading to a 15% year-on-year increase in sales at refurbished outlets. Outside Japan, Aeon Fantasy opened 44 new outlets in China and 34 in ASEAN. In China, the number of customers joining the mobile phone application program grew steadily, boosting sales and profit in the country. In ASEAN, existing outlet sales rose steadily year on year and the region achieved profitability. As a result, Aeon Fantasy posted record results for sales and incomes at all levels of earnings.

International Business

(Aeon's consolidated financial statements for the International Business reflect results mainly for January through December.)

The International Business posted operating income of ¥0.2 billion (USD 2.2 million) (an improvement of ¥5.6 billion (USD 52.7 million)) on operating revenue of ¥418.8 billion (USD 3,914.8 million) (up 5.1% year on year).

In Malaysia, Aeon Co. (M) Bhd. opened a new store in the State of Johor in September. The new store is proposing new lifestyles through a kitchen studio located next to the fresh foods section, and sections for imported food products. The company also continued to open new AEON Wellness drugstores as solution stores helping customers solve daily beauty and health issues, expanding the chain to more than 50 stores. Refurbishments of existing stores, reforms to product lineups and sales floors, and strengthened initiatives for social events led to higher gross profit margins and boosted the company's overall performance.

Aeon Vietnam Co., Ltd. (hereinafter "Aeon Vietnam") posted higher sales by enhancing responsiveness to social events, including new product proposals for Black Friday sales and Christmas. As the popularity of fresh food products continues to grow each year, Aeon Vietnam succeeded in generating new demand through such initiatives as launching sales of imported pears from Japan for the first time in the country in August, while also expanding the number of in-house developed products. In the apparel category, the company developed sales floors, products, and services to match the changing lifestyles and

new needs of its customers, which supported the development of new customers, particularly younger customers. In shopping center management, the company actively pursued new tenants. Overall, the success of these initiatives led to strong increases in sales and profits for the period.

In China, Guangdong Aeon (Guangdong Aeon Teem Co., Ltd.) opened a new store in December, expanding the number of Aeon Group GMS stores in China (including Hong Kong) to 55 stores. Aeon Qingdao (Qingdao Aeon Dongtai Co., Ltd.) returned to profitability after closing underperforming stores in the previous fiscal year, refurbishing flagship stores, and refocusing management resources into existing stores. As a result of these initiatives, performance in mainland China improved significantly.

Cost of Sales and Selling, General and Administrative Expenses

Consolidated operating costs increased to ¥5,356.6 billion (USD 50,062.5 million) (up 1.6% year on year), reflecting the increase in consolidated operating revenues. The ratio of operating costs to operating revenues improved by 0.3 percentage points to 63.8%.

SG&A expenses rose to ¥2,823.0 billion (USD 26,383.7 million) (up 2.6% year on year). The ratio of SG&A expensed to revenues increased by 0.1 percentage points to 33.6%.

As a result, consolidated operating income for the year ended February 28, 2018 amounted to ¥210.2 billion (USD 1,965.2 million) (up 13.8% year on year). The ratio of operating income to operating revenues increased by 0.2 percentage points to 2.5%, reflecting the increase in operating income against the increase in revenues.

Consolidated Net Income

Income before income taxes increased by ¥19.2 billion (USD 180.0 million) to ¥168.5 billion (USD 1,575.6 million), after deducting income taxes of ¥75.7 billion (USD 707.8 million), which increased ¥2.1 billion (USD 19.8 million) year on year. Net income increased by ¥17.1 billion (USD 160.2 million) year on year to ¥92.8 billion (USD 867.8 million). After deducting net income attributable to non-controlling interests of ¥68.3 billion (USD 638.7 million), net income attributable to owners of the parent for the current fiscal year under review resulted in ¥24.5 billion (USD 229.2 million) (up 117.9% year on year).

Consolidated Financial Position

Consolidated assets at February 28, 2018 totaled ¥9,452.7 billion (USD 88,343.5 million), an increase of ¥701.8 billion (USD 6,559.8 million), or 8.0% from the end of the previous fiscal year (February 28, 2017). The increase was chiefly attributable to increases of ¥349.5 billion (USD 3,266.7 million) in loans and bills discounted for the banking business; ¥104.6 billion (USD 977.7 million) in notes and accounts receivable—trade, consisting mostly of installment plan accounts receivable at financial subsidiaries; ¥95.3 billion (USD 891.0 million) in property, buildings and equipment; and ¥75.3 billion (USD 704.1 million) in cash and time deposits.

Consolidated liabilities at February 28, 2018 totaled ¥7,536.0 billion (USD 70,430.1 million), an increase of ¥647.5 billion (USD 6,052.1 million), or 9.4%, from February 28, 2017. The increase was chiefly attributable to increases of ¥508.5 billion (USD 4,752.9 million) in deposits for the banking business, ¥44.3 billion (USD 414.7 million) in corporate bonds (including bonds redeemable within one year), and ¥37.5 billion (USD 350.9 million) in commercial paper.

Consolidated net assets at February 28, 2018 totaled ¥1,916.7 billion (USD 17,913.4 million), an increase of ¥54.3 billion (USD 507.7 million), or 2.9%, from February 28, 2017. The increase was chiefly attributable to increases of ¥34.0 billion (USD 318.2 million) in non-controlling interest and ¥25.2 billion (USD 236.1 million) in unrealized gain on available-for-sale securities.

Consolidated Cash Flows and Capital Expenditures

Consolidated Cash Flows

The balance of cash and cash equivalents at February 28, 2018 was ¥870.0 billion (USD 8,131.0 million), an increase of ¥67.9 billion (USD 634.7 million), or 8.5%, from February 28, 2017.

Net cash provided by operating activities in the fiscal year ended February 28, 2018 was ¥463.9 billion (USD 4,335.6 million) (up 57.3% year on year). The ¥169.0 billion (USD 1,579.6 million) increase from the previous fiscal year reflects an increase of ¥90.8 billion (USD 848.8 million) in loans in banking business, a factor reducing cash flows, which was outweighed by increases of ¥126.0 billion (USD 1,177.7 million) in deposits received in the banking business and ¥96.6 billion (USD 903.3 million) in other assets and liabilities, which were factors increasing cash flows.

Net cash used in investing activities during the fiscal year ended February 28, 2018 was ¥427.8 billion (USD 3,998.6 million) (up 59.8% year on year). The ¥160.1 billion (USD 1,496.7 million) increase from the previous fiscal year reflects a decline of ¥54.6 billion (USD 510.8 million) in purchase of fixed assets, which was outweighed by decreases of ¥106.9 billion (USD 999.3 million) in proceeds from sale of fixed assets and ¥77.6 billion (USD 725.3 million) in proceeds from sale and redemption of marketable securities in the banking business.

Net cash provided by financing activities during the fiscal year ended February 28, 2018 was ¥28.6 billion (USD 267.7 million) (down 64.8% year on year). The ¥52.8 billion (USD 493.5 million) decrease mainly reflects an increase of ¥57.3 billion (USD 535.8 million) in short-term borrowings and commercial paper, a factor increasing cash, as well as a decrease of ¥62.8 billion (USD 587.7 million) in proceeds from issuance of bonds and an increase of ¥32.8 billion (USD 307.2 million) in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, factors which reduced cash.

Capital Expenditures

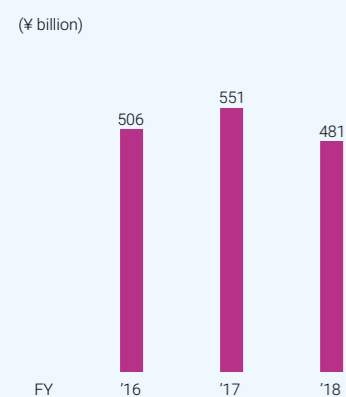
Capital expenditures during the year under review (including payments for fixed leasehold deposits to lessors) amounted to ¥481.7 billion (USD 4,502.1 million), a decrease of ¥69.7 billion (USD 652.1 million), or 12.6% from the previous fiscal year (February 28, 2017). Capital expenditures of the Shopping Center Development Business increased by 10.8% to ¥204.0 billion (USD 1,906.7 million), which accounts for 42.3% of total capital expenditures.

Consolidated Financial Ratios

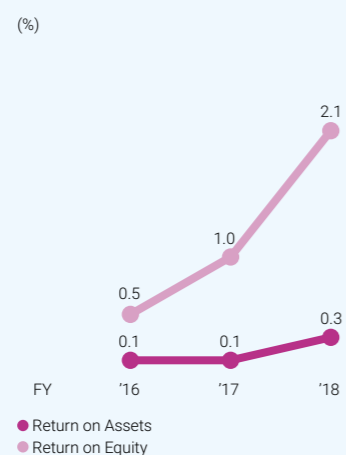
The return on assets for the year ended February 28, 2018 was 0.3%. The return on equity* raised by 1.1 percentage points to 2.1%. The equity ratio* decreased by 0.7 percentage points to 12.2%, reflecting the increase in total liabilities.

* The equity figures used in calculation of the return on equity and the equity ratio do not include stock acquisition rights and minority interests.

Capital Expenditures



Return on Assets / Return on Equity*



Equity Ratio*



Consolidated Balance Sheet

As of February 28, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	'17	'18	'18
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 9, 16.a, and 18)	¥ 805,646	¥ 873,122	\$ 8,160,019
Time deposits (Note 18)	15,078	19,468	181,948
Call loans (Note 18)	25,000		
Marketable securities (Notes 5, 9, and 18)	185,098	208,866	1,952,021
Receivables:			
Notes and accounts—trade (Note 18)	65,529	70,531	659,171
Installment (Notes 4, 9, and 18)	1,121,959	1,221,571	11,416,559
Financial loans (Notes 4, 9, and 18)	299,271	347,829	3,250,739
Loans and bills discounted in banking business (Notes 4, 18, and 23)	1,470,142	1,819,681	17,006,368
Other (Note 18)	232,068	196,713	1,838,445
Inventories (Note 6)	586,202	600,287	5,610,159
Deferred tax assets (Note 15)	53,257	45,707	427,175
Prepaid expenses and other current assets (Note 23)	113,583	126,867	1,185,675
Allowance for doubtful accounts (Note 18)	(53,061)	(56,525)	(528,271)
Total current assets	4,919,774	5,474,121	51,160,014
PROPERTY, BUILDINGS, AND EQUIPMENT (Notes 2.h, 7, 8, and 9):			
Land	804,884	828,326	7,741,366
Buildings and structures	1,487,044	1,529,041	14,290,110
Furniture and fixtures	224,190	228,380	2,134,397
Vehicles	4,592	459	4,290
Lease assets	68,483	75,653	707,038
Construction in progress	70,584	93,251	871,511
Total property, buildings, and equipment	2,659,779	2,755,112	25,748,714
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9, and 18)	137,135	178,101	1,664,502
Investments in, and advances to, unconsolidated subsidiaries and associated companies (Note 18)	74,026	78,848	736,902
Asset for retirement benefits (Note 10)	10,693	16,209	151,494
Goodwill (Notes 2.a and 7)	161,694	155,628	1,454,474
Intangible assets (Note 7)	133,142	139,471	1,303,476
Fixed leasehold deposits to lessors (Notes 9, 18, and 23)	404,255	404,025	3,775,936
Deferred tax assets (Note 15)	87,341	96,951	906,090
Long-term prepaid expenses	114,952	125,277	1,170,814
Other (Note 7)	67,014	41,109	384,203
Allowance for doubtful accounts (Note 18)	(18,953)	(12,102)	(113,105)
Total investments and other assets	1,171,302	1,223,522	11,434,790
TOTAL	¥8,750,856	¥9,452,756	\$88,343,518

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	'17	'18	'18
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 18)	¥ 397,973	¥ 413,536	\$ 3,864,824
Current portion of long-term debt (Notes 2.x, 9, and 18)	347,326	317,558	2,967,836
Deposits received in banking business (Note 18)	2,498,725	3,007,289	28,105,513
Payables:			
Notes and accounts—trade (Note 18)	888,422	906,195	8,469,118
Construction	103,093	124,861	1,166,931
Other	109,350	114,245	1,067,714
Income taxes payable	49,277	50,003	467,320
Accrued expenses	121,846	130,144	1,216,307
Provision for store closing expenses	5,505	5,790	54,113
Provision for point program	21,358	19,435	181,638
Other (Notes 9, 11, and 17.a)	375,579	358,581	3,351,225
Total current liabilities	4,918,460	5,447,642	50,912,543
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.x, 9, and 18)	1,507,206	1,608,192	15,029,839
Lease deposits from lessees (Notes 9 and 18)	262,850	264,591	2,472,817
Liability for retirement benefits (Note 10)	25,735	25,643	239,656
Retirement allowances for directors and Audit & Supervisory Board members	1,345	927	8,672
Provision for store closing expenses	4,237	3,776	35,295
Provision for loss on refund of interest received	3,808	3,098	28,961
Asset retirement obligations (Note 11)	80,734	85,993	803,675
Deferred tax liabilities (Note 15)	48,350	54,648	510,732
Other (Notes 9 and 17.a)	35,715	41,504	387,890
Total long-term liabilities	1,969,985	2,088,377	19,517,542
COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)			
EQUITY (Notes 2.x, 12, and 13):			
Common stock—authorized, 2,400,000,000 shares; issued 871,924,572 shares in 2017 and 2018	220,007	220,007	2,056,149
Capital surplus	315,813	306,464	2,864,157
Stock acquisition rights	1,820	1,921	17,953
Retained earnings	575,147	574,409	5,368,312
Treasury stock—at cost, 33,734,908 shares in 2017 and 32,347,411 shares in 2018 (Note 2.x)	(40,709)	(38,962)	(364,133)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	52,440	77,701	726,179
Deferred loss on derivatives under hedge accounting	(2,588)	(3,013)	(28,163)
Foreign currency translation adjustments	10,178	13,356	124,823
Defined retirement benefit plans	1,091	1,597	14,930
Total	1,133,201	1,153,482	10,780,209
Non-controlling interests	729,209	763,254	7,133,223
Total equity	1,862,410	1,916,737	17,913,433
TOTAL	¥8,750,856	¥9,452,756	\$88,343,518

See notes to consolidated financial statements.

Consolidated Statement of Income

For the Year Ended February 28, 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	'16	'17	'18	'18
OPERATING REVENUES				
Net sales	¥7,235,084	¥7,253,529	¥7,380,567	\$68,977,266
Operating revenues from financial services business	319,174	329,923	363,824	3,400,231
Rental and other revenues—net (Note 17.b)	622,473	626,691	645,620	6,033,836
Total operating revenues	8,176,732	8,210,145	8,390,012	78,411,333
OPERATING COSTS				
Cost of sales	5,268,101	5,245,626	5,325,422	49,770,307
Operating costs in financial services business	30,233	28,842	31,260	292,155
Total operating costs	5,298,334	5,274,469	5,356,683	50,062,463
Operating profit	2,878,398	2,935,675	3,033,329	28,348,870
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 2.s)	2,701,420	2,750,935	2,823,056	26,383,701
Operating income	176,977	184,739	210,273	1,965,168
OTHER INCOME (EXPENSES):				
Interest and dividend income	5,538	5,241	4,912	45,910
Interest expense	(13,760)	(14,945)	(15,321)	(143,190)
Impairment loss (Notes 7, 17.a, and 24)	(46,518)	(45,253)	(48,332)	(451,709)
Amortization of goodwill (Note 2.a)	(6,181)	(3,443)		
Net gain on sales of securities (Note 5)	18,503	3,673	874	8,171
Gain on negative goodwill	1,475			
Gain on sales of investments in consolidated subsidiaries	7,570			
Dilution gain from changes in equity interest of consolidated subsidiaries	510			
Gain resulting from step acquisitions	7,698			
Equity in earnings (losses) of associated companies	2,012	(40)	3,839	35,885
Gain on return of assets from retirement benefits trust (Note 23)	13,603			
Gain on sales of fixed assets	9,207	26,342	22,582	211,049
Other—net (Note 14)	(7,412)	(6,975)	(10,233)	(95,638)
Other income (expenses)—net	(7,752)	(35,400)	(41,678)	(389,520)
INCOME BEFORE INCOME TAXES	169,225	149,339	168,594	1,575,648
INCOME TAXES (Note 15):				
Current	98,621	75,475	83,807	783,246
Deferred	9,778	(1,857)	(8,072)	(75,440)
Total income taxes	108,399	73,617	75,735	707,805
NET INCOME	60,825	75,721	92,859	867,842
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	54,816	64,466	68,336	638,661
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 6,008	¥ 11,255	¥ 24,522	\$ 229,180

	Yen			U.S. Dollars (Note 1)
	'16	'17	'18	'18
PER SHARE OF COMMON STOCK (Note 22):				
Basic net income	¥ 7.19	¥13.44	¥29.23	\$0.27
Diluted net income	7.02	13.20	28.75	0.26
Cash dividends applicable to the year	28.00	30.00	30.00	0.28

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended February 28, 2018

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	'16	'17	'18	'18
NET INCOME	¥ 60,825	¥ 75,721	¥ 92,859	\$ 867,842
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):				
Unrealized gain (loss) on available-for-sale securities	(6,074)	9,743	23,645	220,985
Deferred (loss) gain on derivatives under hedge accounting	(2,323)	4,398	(54)	(506)
Foreign currency translation adjustments	(34,269)	(20,544)	7,087	66,236
Defined retirement benefit plans	(21,664)	1,466	706	6,599
Share of other comprehensive income (loss) in associated companies	(18)	(75)	159	1,490
Total other comprehensive income (loss)	(64,349)	(5,010)	31,544	294,805
COMPREHENSIVE INCOME (LOSS)	¥ (3,523)	¥ 70,710	¥124,403	\$1,162,648
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the parent	¥(39,381)	¥ 13,253	¥ 53,041	\$ 495,717
Non-controlling interests	35,857	57,457	71,361	666,930

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year Ended February 28, 2018

	Thousands	Millions of Yen											
		Accumulated Other Comprehensive Income										Total Equity	
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total		Non-Controlling Interests
BALANCE, FEBRUARY 28, 2015	835,409	¥220,007	¥316,894	¥1,910	¥609,125	¥(44,235)	¥49,573	¥(3,144)	¥37,587	¥20,497	¥1,208,217	¥621,763	¥1,829,980
Cumulative effects of changes in accounting policy					(3,244)						(3,244)		(3,244)
BALANCE, March 1, 2015 (as restated)	835,409	220,007	316,894	1,910	605,881	(44,235)	49,573	(3,144)	37,587	20,497	1,204,973	621,763	1,826,736
Net income attributable to owners of parent					6,008						6,008		6,008
Cash dividends, ¥28 per share					(23,564)						(23,564)		(23,564)
Purchase of treasury stock	(53)					(86)					(86)		(86)
Disposal of treasury stock	1,386				(18)	1,783					1,765		1,765
Net change in the year				68			(6,758)	(2,093)	(15,936)	(20,601)	(45,320)	53,937	8,616
BALANCE, FEBRUARY 29, 2016	836,743	220,007	316,894	1,979	588,306	(42,538)	42,815	(5,237)	21,651	(104)	1,143,774	675,700	1,819,474
Net income attributable to owners of parent					11,255						11,255		11,255
Cash dividends, ¥29 per share					(24,407)						(24,407)		(24,407)
Purchase of treasury stock	(12)					(19)					(19)		(19)
Disposal of treasury stock	1,459				(6)	1,848					1,842		1,842
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(1,081)								(1,081)		(1,081)
Net change in the year				(159)			9,624	2,649	(11,472)	1,196	1,838	53,508	55,347
BALANCE, FEBRUARY 28, 2017	838,189	220,007	315,813	1,820	575,147	(40,709)	52,440	(2,588)	10,178	1,091	1,133,201	729,209	1,862,410
Net income attributable to owners of parent					24,522						24,522		24,522
Cash dividends, ¥30 per share					(25,249)						(25,249)		(25,249)
Purchase of treasury stock	(15)					(27)					(27)		(27)
Disposal of treasury stock	1,403				(10)	1,775					1,764		1,764
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(9,348)								(9,348)		(9,348)
Net change in the year				100			25,261	(425)	3,177	505	28,620	34,045	62,665
BALANCE, FEBRUARY 28, 2018	839,577	¥220,007	¥306,464	¥1,921	¥574,409	¥(38,962)	¥77,701	¥(3,013)	¥13,356	¥ 1,597	¥1,153,482	¥763,254	¥1,916,737

	Thousands of U.S. Dollars (Note 1)											
	Accumulated Other Comprehensive Income											Total Equity
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-Controlling Interests	
BALANCE, FEBRUARY 28, 2017	\$2,056,149	\$2,951,523	\$17,013	\$5,375,211	\$(380,463)	\$490,093	\$(24,188)	\$ 95,123	\$10,203	\$10,590,666	\$6,815,040	\$17,405,707
Net income attributable to owners of parent				229,180						229,180		229,180
Cash dividends, \$0.2 per share				(235,978)						(235,978)		(235,978)
Purchase of treasury stock					(259)					(259)		(259)
Disposal of treasury stock				(100)	16,589					16,489		16,489
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(87,365)								(87,365)		(87,365)
Net change in the year			940			236,085	(3,974)	29,699	4,726	267,477	318,182	585,660
BALANCE, FEBRUARY 28, 2018	\$2,056,149	\$2,864,157	\$17,953	\$5,368,312	\$(364,133)	\$726,179	\$(28,163)	\$124,823	\$14,930	\$10,780,209	\$7,133,223	\$17,913,433

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended February 28, 2018

	Thousands of U.S. Dollars (Note 1)			
	'16	'17	'18	'18
OPERATING ACTIVITIES:				
Income before income taxes	¥ 169,225	¥ 149,339	¥ 168,594	\$ 1,575,648
Adjustments for:				
Income taxes—paid	(84,486)	(84,877)	(83,662)	(781,892)
Depreciation and amortization	215,033	231,904	239,835	2,241,450
Amortization of goodwill	22,700	19,058	15,405	143,974
Gain on negative goodwill	(1,475)			
Gain on return of assets from retirement benefits trust	(13,603)			
Foreign exchange gain—net	(1,357)	(172)	(1,234)	(11,540)
Equity in (earnings) losses of associated companies	(2,012)	40	(3,839)	(35,885)
Gain on sales of property, buildings, and equipment	(9,207)	(26,342)	(22,582)	(211,049)
Loss on disposals and sales of property, buildings, and equipment	5,907	12,421	8,787	82,124
Loss on impairment of long-lived assets	46,518	45,253	48,332	451,709
Gain on sales of investments in consolidated subsidiaries	(7,570)			
Gain resulting from step acquisitions	(7,629)			
Dilution gain from changes in equity interest of consolidated subsidiaries, net	1,004			
Gain on sales of short-term and long term investment securities	(18,503)	(3,673)	(870)	(8,135)
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(60,196)	(124,076)	(95,615)	(893,607)
(Increase) decrease in financial loans receivable	(17,110)	2,540	(37,224)	(347,888)
Increase in cash loans and bills discounted in banking business	(197,306)	(260,874)	(351,701)	(3,286,925)
Increase in inventories	(18,477)	(13,825)	(9,768)	(91,294)
Increase (decrease) in notes and accounts payable—trade	(66,732)	675	13,112	122,545
Increase in deposits received in banking business	179,565	382,554	508,564	4,752,936
Increase in allowance for doubtful accounts	1,914	906	2,056	19,223
(Decrease) increase in liability for retirement benefits	(33,608)	175	(1,315)	(12,293)
Decrease in provision for loss on refund of interest received	(370)	(666)	(709)	(6,630)
Other assets and liabilities	(60,322)	(29,045)	71,539	668,591
Other—net	1,260	(6,422)	(3,791)	(35,437)
Total adjustments	(126,068)	145,554	295,317	2,759,975
Net cash provided by operating activities	43,156	294,893	463,911	4,335,623
INVESTING ACTIVITIES:				
Purchases of marketable securities		(167)		
Proceeds from sales of marketable securities	50	100		
Purchases of securities in banking business	(190,184)	(339,487)	(333,760)	(3,119,256)
Proceeds from sales and redemption of securities in banking business	135,973	390,398	312,791	2,923,287
Purchases of property, buildings, and equipment	(518,317)	(519,897)	(465,236)	(4,348,009)
Proceeds from sales of property, buildings, and equipment	80,361	184,730	77,808	727,180
Purchases of investment securities	(5,534)	(9,630)	(7,228)	(67,553)
Proceeds from sales of investment securities	50,700	12,823	3,802	35,540
Proceeds from sales of investments in subsidiaries	5,462			
Cash paid in conjunction with purchases of consolidated subsidiaries (Note 16.b)	(5,304)		(13,277)	(124,093)
Cash received in conjunction with purchases of consolidated subsidiaries	509			
Collection of loans receivable	1,033	406	327	3,061
Payments for fixed leasehold deposits to lessors	(21,651)	(31,609)	(37,959)	(354,760)
Collection of fixed leasehold deposits to lessors	31,845	40,753	34,991	327,019
Proceeds from lease deposits from lessees	27,826	25,521	23,075	215,655
Repayments of lease deposits from lessees	(24,646)	(26,596)	(21,468)	(200,644)
Other—net	(14,739)	4,944	(1,718)	(16,064)
Net cash used in investing activities	(446,612)	(267,710)	(427,854)	(3,998,636)
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term borrowings	155,450	(44,336)	12,990	121,402
Proceeds from long-term debt	510,635	457,013	404,638	3,781,664
Repayments of long-term debt	(315,950)	(327,731)	(334,002)	(3,121,514)
Purchase of treasury stock	(86)	(19)	(27)	(259)
Proceeds from share issuance to non-controlling shareholders	4,094	17,292	10,185	95,195
Repayments to non-controlling shareholders	(8,260)	(731)	(4,140)	(38,693)
Dividends paid to shareholders	(23,564)	(24,407)	(25,249)	(235,978)
Dividends paid to non-controlling interests	(18,863)	(19,350)	(21,132)	(197,497)
Proceeds of ownership interests in a subsidiary without a change in consolidation scope		10,560	2,859	26,723
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(1,747)	(34,622)	(323,570)
Other—net	9,890	14,909	17,141	160,203
Net cash provided by financing activities	313,344	81,450	28,641	267,675
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2,147)	(7,044)	3,726	34,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(92,258)	101,588	68,425	639,486
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	778,151	700,511	802,099	7,496,261
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE TRANSFER (Note 16.c)	13,745			
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER	873			
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGES IN CONSOLIDATION STATUS			(511)	(4,784)
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 16.a)	¥ 700,511	¥ 802,099	¥ 870,013	\$ 8,130,963
NON-CASH INVESTING AND FINANCING ACTIVITIES (Note 16.c)				

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

As of and for the Year Ended February 28, 2018

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS") and accounting principles generally accepted in the United States of America ("U.S. GAAP").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 and 2017 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Aeon Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107 to \$1, the approximate rate of exchange as of February 28, 2018. Such translation should not be interpreted as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million, except for per share data.

U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand, except for per share data.

2 Summary of significant accounting policies

a. Consolidation—The consolidated financial statements as of February 28, 2018 include the accounts of the Company and its 291 (295 in 2016 and 296 in 2017) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 31 (33 in 2016 and 32 in 2017) associated companies are accounted for by the equity method.

Investments in four (five in 2016 and four in 2017) unconsolidated subsidiaries and three (two in 2016 and four in 2017) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition are recorded as goodwill and are amortized within 20 years (estimated effective period) for the Company and consolidated subsidiaries.

Goodwill recorded upon the acquisition of Origin Toshu Co., Ltd., of ¥41,903 million, Diamond City Co., Ltd. (current Aeon Mall Co., Ltd.), of ¥55,625 million, Aeon Bank, Ltd. ("Aeon Bank"), of ¥21,810 million, and Welcia Holdings Co., Ltd. of ¥54,024 million is amortized over a period of 20 years.

The Company recognized a writedown of its investment in a consolidated subsidiary on the nonconsolidated financial statement for the fiscal years ended February 29, 2016 and February 28, 2017. Accordingly, the Company expensed goodwill of ¥6,181 million and ¥3,443 million, which is included in other expenses in the consolidated statements of income for the years ended February 29, 2016 and February 28, 2017, respectively, in accordance with Paragraph 32 of "Practical Guidelines

on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (the Accounting Practice Committee Report No. 7, issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the latest revision on November 28, 2014).

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

- (a) Transactions with noncontrolling interest—Under the previous accounting standard and guidance, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary was accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard and guidance, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (b) Acquisition-related costs—Under the previous accounting standard and guidance, the acquirer accounted for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard and guidance, acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred.

The Company applied the revised accounting standard and guidance for (a) and (b) effective March 1, 2016 prospectively.

c. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements—Under ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial

statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Cash equivalents—Cash equivalents in the consolidated balance sheets are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits; certificates of deposit; marketable securities, such as Money Management Fund; and others, all of which mature or become due within three months of the date of acquisition. Deposit with the Bank of Japan in the banking subsidiary is also included in cash equivalents. In the consolidated statements of cash flows, the ending balance of bank overdraft is excluded from cash equivalents (see Note 16).

e. Inventories—Substantially all merchandise of consolidated subsidiaries are stated at the lower of cost, determined by the retail method or net selling value. Other merchandise of certain consolidated subsidiaries are stated at the lower of cost determined by the moving-average method or net selling value. Raw materials and supplies are principally stated at the lower of cost determined by the most recent purchase price.

f. Marketable and investment securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for doubtful accounts (Allowance for doubtful accounts)

Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in receivables and other assets, such as fixed leasehold deposits to lessors.

(Allowance for doubtful accounts in the financial services business)

Allowance for doubtful accounts in the financial services business is stated in accordance with internally developed standards for write-offs and provisions mainly described as follows:

The financial services subsidiaries classify their obligors into five categories for self-assessment purposes, namely, "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For credits to obligors classified as normal or in need of caution, the allowance for doubtful accounts is provided based on the bad debt ratio derived from past credit loss experience over a certain period.

For credits classified as possible bankruptcy, the allowance for doubtful accounts is provided only for the required amount of the following: credit amount, less the expected amount recoverable through the disposal of collateral or execution of guarantee.

For credits classified as virtual bankruptcy or legal bankruptcy, the allowance for doubtful accounts is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

All claims are assessed initially by the relevant departments based on the financial services subsidiaries' internal standards for self-assessment of asset quality. The Internal Audit Department, which is independent from the relevant departments, reviews the results of the self-assessments.

h. Property, buildings and equipment (excluding lease assets)—

Property, buildings, and equipment are stated at cost. Depreciation of property, buildings, and equipment is computed using the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 20 to 39 years for store buildings, from 38 to 50 years for office buildings, from 3 to 20 years for structures, from 2 to 20 years for furniture and fixtures, and from four to six years for vehicles. Accumulated depreciation of property, buildings, and equipment, including lease assets, as of February 28, 2017 and 2018, was ¥2,180,827 million and ¥2,282,350 million (\$21,330,381 thousand), respectively.

i. Intangible assets (excluding goodwill and lease assets)—Intangible assets are carried at cost, less accumulated amortization. Amortization of intangible assets of the Group is calculated using the straight-line method. Software is amortized mainly over five years.

j. Long-lived assets—The Company and its domestic consolidated subsidiaries review their long-lived assets, including goodwill, for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Foreign consolidated subsidiaries review their long-lived assets for impairment based on IFRS principally.

k. Provision for store closing expenses—The provision for store closing expenses, including rental agreement cancellation penalties, is recognized at the time when a decision to close a store is made by management and such expenses may be reasonably estimated.

l. Retirement and pension plans—The Company and certain domestic consolidated subsidiaries have a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are mainly recognized in profit or loss on a straight-line basis over 10 years, no longer than the expected average remaining service period of the employees.

Retirement allowances for directors and Audit & Supervisory Board members are recorded by certain domestic subsidiaries as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

m. Provision for loss on refund of interest received—The provision for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by the consolidated credit services subsidiaries and is stated in amounts considered to be appropriate based on the subsidiary's past refund experiences.

n. Provision for point program—The provision for the point program is stated in amounts considered to be appropriate based on the companies' past redemption experience.

o. Asset retirement obligations—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

p. Employee stock ownership plan—In accordance with PITF No. 30, Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts, upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/ asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

q. Leases—Finance lease transactions are capitalized lease assets and lease obligations in the balance sheet. Finance lease assets that deem to transfer ownership of the leased property to the lessee are depreciated using the same method for property, buildings, and equipment. Finance lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

r. Income taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended February 28, 2018.

s. Advertising costs—Advertising costs that are expensed as incurred and included in selling, general and administrative expenses were ¥194,798 million, ¥193,753 million, and ¥184,715 million (\$1,726,315 thousand) for the years ended 2016, 2017, and 2018, respectively.

t. Foreign currency transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

u. Foreign currency financial statements—The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of foreign consolidated subsidiaries are translated into yen at the average exchange rate.

v. Derivatives and hedging activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange and interest rates. Derivative financial instruments are composed principally of foreign exchange forward contracts, currency swaps, and interest rate swaps utilized by the Group to reduce foreign currency exchange and interest rate risks.

The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Gains or losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized in income or loss when the hedged transactions occur.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. In principle, these swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gain or loss, net of applicable taxes, is deferred until maturity as "Deferred Gain (Loss) on Derivatives under Hedge Accounting" in a separate component of equity.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

w. Per share information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted

net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

x. Additional information

Accounting Treatment for the Employee Stock Ownership Plan Trust

The Company has introduced an Employee Stock Ownership Plan Trust (the "ESOP Trust"), which is a trust-type incentive scheme that provides the Company's workforce with ownership interests in the Company, aiming to enhance corporate value over the medium to long term.

The Company's stock held by the ESOP Trust is accounted for as treasury stock within Equity by using the look-through approach for the trust account. As of February 28, 2017 and 2018 the book value and the number of treasury stock recorded under the look-through approach were ¥4,290 million and 3,380,600 shares, and ¥2,617 million (\$2,464 thousand) and 2,062,800 shares, respectively. The book values of long-term loans, including the current portion, recorded under the look-through approach, as of February 28, 2017 and 2018, were ¥3,600 million and ¥1,200 million (\$1,214 thousand), respectively.

y. New accounting pronouncements

Foreign consolidated subsidiaries

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, not yet adopted by the foreign consolidated subsidiaries, and which may have potential impacts are as follows:

The Company is currently evaluating the potential impacts of applying the following in the future period to be adopted by its overseas subsidiaries.

Standard/interpretation	Outline of the new/revised standards	To be adopted by the Group
IFRS 9 Financial Instruments	IFRS 9 replaces a part of the previous IAS 39. Main revisions are: to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement; to revise the treatment of changes in fair values of financial liabilities measured at fair value; to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.	From the fiscal year ending February 28, 2019
IFRS 15 Revenue from contracts with customers	IFRS 15 replaces the previous IAS 11 and IAS 18. Main revisions are: to require revenue recognition by the following five steps: a. identify the contract with the customer b. identify the performance obligations in the contract c. determine the transaction price d. allocate the transaction price to each performance obligation in the contract e. recognise revenue when (or as) a performance obligation is satisfied to revise the treatment for contract costs, license, and guarantee of products	From the fiscal year ending February 28, 2019
IFRS 16 Leases	IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are: Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.	From the fiscal year ending February 29, 2020

3 Business combination

Business combination by acquisition

At the Board of Directors' meeting held on April 18, 2017, the Welcia Holdings Co., Ltd. ("Welcia HD"), a consolidated subsidiary of the Company, resolved to acquire all shares of Marudai Sakurai Pharmacy Co., Ltd. ("Marudai Sakurai Pharmacy") to make it a wholly owned subsidiary.

Accordingly, Welcia HD entered into a share transfer agreement as of the same date. On September 1, 2017, Welcia HD acquired all of the issued and outstanding shares of Marudai Sakurai Pharmacy, which became a wholly owned subsidiary of Welcia HD.

The outline of this business combination is described below.

1. Outline of the business combination

i) Name of the acquired company and its business outline

Name of the acquired company: Marudai Sakurai Pharmacy Co., Ltd.
Business outline: Drugstore business

ii) Major reason for the business combination

The Welcia Group, consisting of by Welcia HD and its subsidiaries, endeavors to be the No. 1 drugstore chain in Japan in terms of both quality and quantity. The Welcia Group provides services to local consumers as a social infrastructure in a highly aging society for local consumers so that they can have convenient and healthy lives.

The Welcia Group is engaged in the drugstore business, which sells both prescription and over-the-counter drugs mainly in the Kanto region, with coverage extending from the Tohoku region to the Kinki region.

Marudai Sakurai Pharmacy operates drugstores mainly in the Aomori prefecture, and acquiring Marudai Sakurai Pharmacy's shares will allow the Welcia Group to further strengthen its business foundation in the Tohoku region and to enhance efficiency by sharing expertise.

iii) Date of the business combination

September 1, 2017

iv) Legal form of the business combination

Share acquisition in consideration for cash

v) Name of the company after the combination

No change – remains the same

vi) Ratio of voting rights acquired

100%

vii) Basis for determining the acquirer

Welcia HD acquired all the shares of Marudai Sakurai Pharmacy in consideration for cash.

2. The period for which the operation results of the acquired company are included in the consolidated financial statements

From September 1, 2017, to February 28, 2018

3. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition— Cash and cash equivalents	¥13,720	\$128,225
Acquisition cost	13,720	128,225

4. Major acquisition-related costs

Advisory fee and others: ¥12 million (\$113 thousand)

5. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization.

i) Amount of goodwill incurred

¥9,334 million (\$87,238 thousand)

ii) Reasons for the goodwill incurred

Goodwill was generated as the acquisition cost exceeded the fair value of the acquired company's net assets at the time of the business combination.

iii) Method and period of amortization

Goodwill is amortized on a straight-line basis over 15 years.

6. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 5,275	\$ 49,299
Fixed assets	6,875	64,253
Total assets	¥12,150	\$113,553
Current liabilities	3,574	33,410
Long-term liabilities	4,189	39,155
Total liabilities	¥ 7,764	\$ 72,566

4 Receivables

Installment and financial loans are operating receivables of the consolidated credit services subsidiaries.

Loans and bills discounted in the banking business are housing, personal, and other loans of the consolidated banking subsidiary.

5 Marketable and investment securities

Marketable securities as of February 28, 2017 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Securities in banking business	¥180,731	¥203,236	\$1,899,408
Monetary claims bought in banking business	4,031	5,183	48,445
Others	335	446	3,233
Total	¥185,098	¥208,866	\$1,951,086

The cost and aggregate fair values of marketable and investment securities as of February 28, 2017 and 2018, were as follows:

February 28, 2017	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 44,752	¥74,368	¥(107)	¥119,014
Debt securities	173,596	2,482	(4)	176,073
Other	8,243	540	(230)	8,554

7. Pro forma information (unaudited)

If this business combination had been completed as of March 1, 2017, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended February 28, 2018, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥11,540	\$107,856
Ordinary income	457	4,277

Outline of the method of calculation for the effects above:

The approximate amount of impact is considered as the difference between the net sales and ordinary income of the Company for the current fiscal year, assuming that the business combination had been completed as of March 1, 2017, and the net sales and ordinary income of the acquired company in its consolidated statement of income, respectively.

The approximate amount of impact is calculated, assuming that the goodwill recognized in this business combination was generated at the beginning of the current fiscal year.

The information above is not necessarily an indication of future performance. It also does not indicate operating results as if the business combination occurred at the beginning of the current fiscal year.

Please note that the approximate amounts of impact are not audited by the independent auditor.

		Millions of Yen			
		Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 28, 2018					
Securities classified as:					
Available-for-sale:	Equity securities	¥ 45,201	¥112,059	¥ (258)	¥157,002
	Debt securities	132,428	1,199	(9)	133,617
	Other	75,915	800	(1,454)	75,261

		Thousands of U.S. Dollars			
		Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 28, 2018					
Securities classified as:					
Available-for-sale:	Equity securities	\$ 422,445	\$1,047,285	\$ (2,417)	\$1,467,313
	Debt securities	1,237,646	11,212	(93)	1,248,765
	Other	709,487	7,484	(13,592)	703,379

Proceeds and realized gains and losses on sales of available-for-sale securities for the years ended February 28, 2017 and 2018, were as follows:

February 28, 2017	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Equity securities	¥12,144	¥3,672	
Debt securities	100		
Other	579	1	
Total	¥12,823	¥3,673	

February 28, 2018	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Equity securities	¥1,636	¥874	¥3	\$15,291	\$8,171	\$35
Debt securities	30			280		
Other	2,136			19,967		
Total	¥3,802	¥874	¥3	\$35,539	\$8,171	\$35

The impairment loss on valuation of investment securities and investment in associated companies for the years ended February 28, 2017 and 2018, was ¥1 million and ¥277 million (\$2,595 thousand), respectively, which included available-for-sale securities whose fair value was extremely difficult to measure of ¥1 million and ¥4 million (\$39 thousand), respectively.

The consolidated banking subsidiary pledged securities of ¥37,288 million and ¥27,983 million (\$261,525 thousand) as collateral for transactions, such as for exchange settlement transactions, as of February 28, 2017 and 2018, respectively.

6 Inventories

Inventories as of February 28, 2017 and 2018, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	'17	'18	'18	
Merchandise	¥575,259	¥587,528		\$5,490,921
Raw materials and supplies	10,942	12,758		119,238
Total	¥586,202	¥600,287		\$5,610,159

7 Long-lived assets

The Group reviewed its long-lived assets for impairment for the years ended February 29, 2016, February 28, 2017 and 2018, and, as a result, recorded impairment losses of ¥46,518 million, ¥45,253 million, and ¥48,332 million (\$451,709 thousand) respectively on the following group of long-lived assets:

For the years ended February 29, 2016, February 28, 2017 and 2018

a. GMS Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Land, buildings and structures and others	Northern Japan	49	¥ 2,594	27	¥ 1,989	23	¥ 2,529	\$ 23,639
		Kanto	130	4,786	125	8,662	104	7,708	72,046
		Chubu	22	2,819	25	2,233	20	2,658	24,841
		Western Japan	63	5,287	59	3,985	38	2,810	26,270
Idle assets	Land	Northern Japan and others	1	5	1		1	1	
Total			265	¥15,493	237	¥16,871	186	¥15,707	\$146,800

b. Supermarket ("SM") Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Land, buildings and structures and others	Northern Japan	78	¥ 1,343	88	¥ 3,912	65	¥ 1,265	\$ 11,827
		Kanto	457	10,226	450	6,819	451	8,808	82,325
		Chubu	111	1,364	109	814	93	893	8,351
		Western Japan	206	7,757	287	6,459	209	4,416	41,276
		China	3	350	49	517	47	213	1,992
		Korea	264	288	401	359	318	407	3,804
		Idle assets	Land, buildings and structures and others	Western Japan and others	25	2,037	16	188	21
Total			1,144	¥23,368	1,400	¥19,071	1,204	¥16,337	\$152,686

c. Drugstore and Pharmacy Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Land, buildings and structures and others	Northern Japan					1	¥ 28	\$ 262
		Kanto	40	¥ 635	58	¥ 908	34	780	7,297
		Chubu	41	810	61	507	33	869	8,127
		Western Japan	58	883	38	376	39	451	4,220
		China	2	5					
		Idle assets	Land, buildings and structures and others	Western Japan and Kanto	1	192	1	16	
Total			142	¥2,527	158	¥1,809	107	¥2,130	\$19,907

d. Financial Services Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Buildings and structures and others	Northern Japan	1	¥ 4	2	¥ 3	1	¥ 4	\$ 41
		Kanto	5	20	12	38	8	10	102
		Chubu	2	10	3	1	8	21	200
		Western Japan	2	2	6	18	8	15	145
Idle assets	Land, buildings and structures and others	Kanto			5	48			
Total			10	¥37	28	¥110	25	¥52	\$490

e. Shopping Center ("SC") Development Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Buildings and structures and others	Northern Japan	2	¥ 8	2	¥ 21	2	¥1,465	\$13,691
		Kanto	4	536	4	1,315	7	4,418	41,295
		Chubu	1	0	1	29	1	2	20
		Western Japan	2	733	5	1,262	5	2,288	21,384
		China			1	386			
Total			9	¥1,278	13	¥3,014	15	¥8,173	\$76,391

f. Services and Specialty Store Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Land, buildings and structures and others	Northern Japan	65	¥ 239	40	¥ 113	74	¥ 454	\$ 4,250
		Kanto	207	1,101	165	861	288	2,278	21,290
		Chubu	60	311	64	277	104	596	5,579
		Western Japan	149	604	105	636	178	1,071	10,017
		China	2	9	5	36	17	92	861
		Malaysia	1	2	6	19	1	7	69
		Thailand			17	131	7	151	1,416
		Taiwan					14	16	155
Idle assets	Buildings and structures and others	Malaysia			1	3			
Total			484	¥2,267	403	¥2,080	683	¥4,669	\$43,641

g. International Business

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars		
			'16	'17	'18	'18			
Stores	Buildings and structures and others	Malaysia	9	¥ 138	11	¥ 229	13	¥ 848	\$ 7,925
		Thailand	7	93	3	41			
		China	7	1,143	4	172	6	413	3,866
—	Goodwill*	Malaysia				1,819			
Total			23	¥1,375	18	¥2,262	19	¥1,261	\$11,791

* The book value of goodwill was written down to zero since the Company has determined that reaching the income target expected in line with the business plan in effect when the subsidiary was acquired is no longer probable.

h. Other Businesses

Use	Type of Assets	Location	Number of Asset Groups		Millions of Yen		Thousands of U.S. Dollars	
			'16	'17	'18	'18		
Stores	Buildings and structures and others	Northern Japan	1	¥ 0				
		Kanto	3	167	1	¥32		
		Western Japan	3	1				
Total			7	¥169	1	¥32		

The Group mainly categorizes stores as minimum cash-generating units and idle assets as individual independent units.

The book values of the stores, which incurred or are expected to incur continuous operating losses, and idle assets, which are not scheduled to be used, were reduced to their recoverable amounts, and such reductions in carrying value were recorded as impairment loss in other expenses.

The recoverable amounts of the asset groups are measured at net selling price or value in use. The net selling price for land is measured based on the real estate appraisal value or assessed value of fixed assets. The net selling price for other assets is estimate based on past transactions.

The value in use is estimated using the discounted future cash flow method.

The discount rates for fiscal years ended February 29, 2016, February 28, 2017 and 2018, were 1.7% to 6.4%, 1.7% to 8.1%, and 1.9% to 10.0%, respectively.

The breakdown of impairment loss for the years ended February 29, 2016, February 28, 2017, and 2018, is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Buildings and structures	¥31,244	¥28,863	¥32,324	\$302,098
Land	2,902	2,236	2,366	22,115
Furniture and fixtures	7,473	8,075	8,713	81,432
Goodwill		1,819		
Leased property held under finance leases	1,630	1,093	2,276	21,271
Other intangible assets and others	3,267	3,165	2,652	24,791
Total	¥46,518	¥45,253	¥48,332	\$451,709

8 Investment properties

Certain consolidated subsidiaries hold some rental properties, such as commercial facilities, in major cities throughout Japan.

The net of rental revenues and operating expenses for those rental properties for the years ended February 28, 2017 and 2018, were ¥74,417 million and ¥71,484 million (\$668,076 thousand), respectively.

The carrying amounts, increases in balances, and fair values of the properties as of February 28, 2017 and 2018, were as follows:

Millions of Yen				Thousands of U.S. Dollars			
'17				'18			
Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Beginning of the year	Increase	End of the year		Beginning of the year	Increase	End of the year	
¥964,600	¥4,599	¥969,199	¥1,379,777	\$9,057,940	\$292,833	\$9,350,773	\$13,570,732

*1 Carrying amounts recognized in the consolidated balance sheets were net of accumulated depreciation.

*2 Increase during the year ended February 28, 2017, was primarily attributable to newly acquired properties of ¥102,223 million, which was partially offset by disposal and sales of fixed assets of ¥63,826 million, depreciation expense of ¥39,163 million, and impairment loss of 2,904 million.

Increase during the year ended February 28, 2018, was primarily attributable to newly acquired properties of ¥136,181 million (\$1,272,724 thousand), which was partially offset by disposal and sales of fixed assets of ¥59,491 million (\$555,999 thousand), depreciation expense of ¥39,029 million (\$364,764 thousand), and impairment loss of 2,538 million (\$23,728 thousand).

*3 Fair values of the properties as of February 28, 2017 and 2018, are mainly determined by the Company based on the "Real Estate Appraisal Standards" or appraisal reports issued by real estate appraisers.

9 Short-term borrowings and long-term debt

Short-term borrowings as of February 28, 2017 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Short-term loans principally from banks, 0.00% to 12.50% (2017) and 0.00% to 12.50% (2018)	¥350,760	¥329,204	\$3,076,680
Bank overdraft, 0.65% to 3.20% (2017) and 1.48% to 3.62% (2018)	3,714	3,281	30,672
Commercial papers, 0.03% to 3.83% (2017) and 0.00% to 3.80% (2018)	43,498	81,049	757,471
Total	¥397,973	¥413,536	\$3,864,824

Long-term debt as of February 28, 2017 and 2018, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	'17	'18	'18	'18
Issued by Aeon Co., Ltd.:				
Unsecured 2.59% Japanese yen notes due in 2026	¥ 15,000	¥ 15,000	\$ 140,186	
Unsecured 1.01% Japanese yen notes due in 2019	20,000	20,000	186,915	
Unsecured 0.72% Japanese yen notes due in 2020	20,000	20,000	186,915	
Unsecured 1.15% Japanese yen notes due in 2023	20,000	20,000	186,915	
Unsecured 0.46% Japanese yen notes due in 2022	10,000	10,000	93,457	
Unsecured 0.82% Japanese yen notes due in 2025	25,000	25,000	233,644	
Unsecured 0.47% Japanese yen notes due in 2021	15,000	15,000	140,186	
Unsecured 0.75% Japanese yen notes due in 2023	10,000	10,000	93,457	
Unsecured 1.07% Japanese yen notes due in 2026	10,000	10,000	93,457	
Subordinated Japanese yen bond with deferral of interest and early redemption provisions due in 2047*1	24,800	24,800	231,775	
Subordinated Japanese yen bond with deferral of interest and early redemption provisions due in 2047*2	21,700	21,700	202,803	
Issued by Aeon Financial Service Co., Ltd.:				
Unsecured 0.35% Japanese yen notes due in 2020	10,000	10,000	93,457	
Unsecured 0.57% Japanese yen notes due in 2022	10,000	10,000	93,457	
Unsecured 0.83% callable subordinated Japanese yen notes due in 2025	30,000	30,000	280,373	
Unsecured 0.83% callable subordinated Japanese yen notes due in 2025	10,000	10,000	93,457	
Unsecured 0.40% Japanese yen notes due in 2021	20,000	20,000	186,915	
Unsecured 0.55% Japanese yen notes due in 2023	10,000	10,000	93,457	
Unsecured Zero-Coupon Japanese yen Convertible Bonds due in 2020	30,000	29,948	279,887	
Issued by Aeon Thana Sinsap (Thailand) Plc.:				
Unsecured 1.05% Thai baht debenture due in 2018	3,385			
Unsecured 1.16% Thai baht debenture due in 2018	2,262			
Unsecured 1.94% Thai baht debenture due in 2019	1,909	1,835	17,149	
Unsecured 1.71% Thai baht debenture due in 2019	3,394	3,245	30,328	
Unsecured 1.50% Thai baht debenture due in 2020	3,356	3,223	30,129	
Unsecured 4.43% Thai baht debenture due in 2018	3,874			
Unsecured 1.25% Thai baht debenture due in 2018	1,692			
Unsecured 0.47% Thai baht debenture due in 2020	2,223	2,233	20,877	
Unsecured 2.87% Thai baht debenture due in 2019	645	683	6,389	
Unsecured 2.00% Thai baht debenture due in 2021	1,684	1,613	15,075	
Unsecured 2.14% Thai baht debenture due in 2021	7,851	7,521	70,296	
Unsecured 2.98% Thai baht debenture due in 2022	1,679	1,607	15,022	
Unsecured 2.50% Thai baht debenture due in 2020	1,290	1,367	12,778	
Unsecured 2.73% Thai baht debenture due in 2020	3,222	3,415	31,915	
Unsecured 3.48% Thai baht debenture due in 2022	3,222	3,413	31,903	
Unsecured 2.49% Thai baht debenture due in 2022	3,354	3,210	30,006	
Unsecured 2.50% Thai baht debenture due in 2021		683	6,386	
Unsecured 2.50% Thai baht debenture due in 2021		1,025	9,580	
Unsecured 2.50% Thai baht debenture due in 2021		341	3,191	
Unsecured 2.37% Thai baht debenture due in 2023		6,830	63,837	
Unsecured 2.93% Thai baht debenture due in 2023		3,414	31,915	
Issued by Aeon Credit Service (M) Berhad:*3				
Medium-term note 3.95% due in 2018	1,267			
Medium-term note 3.95% due in 2018	1,014			
Medium-term note 3.95% due in 2018	1,394			
Medium-term note 3.95% due in 2018	1,394			
Issued by Aeon Co. (M) Bhd.:				
Medium-term note 4.18% due in 2018	1,300			
Issued by Aeon Mall Co., Ltd.:				
Unsecured 0.50% Japanese yen notes due in 2018	10,000			
Unsecured 0.80% Japanese yen notes due in 2020	15,000	15,000	140,186	
Unsecured 0.90% Japanese yen notes due in 2025	20,000	20,000	186,915	
Unsecured 0.44% Japanese yen notes due in 2022	15,000	15,000	140,186	
Unsecured 0.95% Japanese yen notes due in 2027	5,000	5,000	46,728	
Unsecured 0.57% Japanese yen notes due in 2023	30,000	30,000	280,373	
Unsecured 0.48% Japanese yen notes due in 2024	25,000	25,000	233,644	
Unsecured 1.10% Japanese yen notes due in 2037	10,000	10,000	93,457	
Unsecured 0.10% Japanese yen notes due in 2021		15,000	140,186	
Unsecured 0.36% Japanese yen notes due in 2024		15,000	140,186	
Unsecured 0.60% Japanese yen notes due in 2028		20,000	186,915	
Issued by other consolidated subsidiaries:**				
Unsecured notes, due through 2023, with interest rates ranging from 0.15% to 0.61%	620	10,750	100,467	
Loans from banks and insurance companies, due through 2074, with interest rates ranging from 0.00% to 12.95% (2017) and from 0.00% to 8.90% (2018):				
Collateralized	119,795	100,136	935,852	
Unsecured	1,154,965	1,198,738	11,203,166	
Lease obligations	73,176	75,516	705,757	
Accounts payable for capital expenditures-installment	13,055	13,496	126,133	
Total	1,854,533	1,925,751	17,997,675	
Less current portion	(347,326)	(317,558)	(2,967,836)	
Long-term debt, less current portion	¥1,507,206	¥1,608,192	\$15,029,839	

*1 Interest rate: 2.17% until September 21, 2026, and Six-month euroyen LIBOR, plus 3.05% after September 21, 2026

*2 Interest rate: Six-month euroyen LIBOR, plus 2.05% until September 21, 2026, and Six-month euroyen LIBOR, plus 3.05% after September 21, 2026

*3 Percentage figures show profit return rates.

*4 Consolidated subsidiaries: Red Cabbage Co., Ltd. and two other companies.

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion Price*1	Number of Shares of Common Stock (thousands)*2	Exercise Period
Unsecured Zero-Coupon Japanese yen Convertible Bonds due in 2020	¥2,558	11,707	From November 1, 2016 to September 11, 2019

*1 The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2 Number of shares of common stock is calculated on the assumption that all convertible bonds with stock acquisition rights are converted as of February 28, 2018.

Annual maturities of long-term debt as of February 28, 2018, were as follows:

Fiscal Year Ending February	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 317,558	\$ 2,967,836
2020	324,410	3,031,870
2021	315,733	2,950,776
2022	254,354	2,377,145
2023	273,024	2,551,631
2024 and thereafter	440,670	4,118,414
Total	¥1,925,751	\$17,997,675

Collateralized short-term borrowings, long-term debt, and others as of February 28, 2018, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 32,578	\$ 304,472
Long-term debt	100,136	935,852
Lease deposits from lessees	3,577	33,438
Other long-term liabilities	243	2,274
Total	¥136,536	\$1,276,038

The carrying amounts of assets pledged as collateral for short-term borrowings, long-term debt, and others as of February 28, 2018, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures-net of accumulated depreciation	¥ 66,624	\$ 622,661
Land	51,859	484,664
Marketable securities	33,891	316,746
Installment and financial loans receivable	27,452	256,562
Cash and cash equivalents	525	4,911
Investment securities	24	233
Fixed leasehold deposits to lessors	25,681	240,013
Total	¥206,059	\$1,925,793

10 Retirement and pension plans

The Company and certain domestic consolidated subsidiaries have a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees.

Defined benefit plan

(1) The changes in defined benefit obligation for the years ended February 28, 2017 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Balance at beginning of year	¥188,403	¥183,978	\$1,719,421
Current service cost	9,194	8,779	82,055
Interest cost	1,276	1,165	10,888
Actuarial (gains) losses	(5,544)	6,651	62,161
Benefits paid	(7,945)	(10,795)	(100,895)
Prior service cost	(896)		
Increase of newly consolidated subsidiaries		249	2,328
Decrease due to the termination of a defined benefit plan	(644)		
Others	135	(74)	(700)
Balance at end of year	¥183,978	¥189,952	\$1,775,259

(2) The changes in plan assets for the years ended February 28, 2017 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Balance at beginning of year	¥168,946	¥168,936	\$1,578,841
Expected return on plan assets	3,396	3,930	36,734
Actuarial losses	(5,148)	7,488	69,984
Contributions from the employer	8,403	9,161	85,620
Benefits paid	(6,722)	(9,446)	(88,284)
Setting of assets from retirement benefits trust		447	4,177
Others	59	2	22
Balance at end of year	¥168,936	¥180,519	\$1,687,097

(3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of February 28, 2017 and 2018, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Funded defined benefit obligation	¥ 169,031	¥ 174,174	\$ 1,627,803
Plan assets	(168,936)	(180,519)	(1,687,097)
	94	(6,344)	(59,294)
Unfunded defined benefit obligation	14,946	15,777	147,456
Net liability for defined benefit obligation	¥ 15,041	¥ 9,433	\$ 88,162
Liability for retirement benefits	25,735	25,643	239,656
Asset for retirement benefits	(10,693)	(16,209)	(151,494)
Net liability for defined benefit obligation	¥ 15,041	¥ 9,433	\$ 88,162

(4) The components of net periodic benefit costs for the years ended February 29, 2016, February 28, 2017 and 2018, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Service cost	¥ 10,191	¥ 9,194	¥ 8,779	\$ 82,055
Interest cost	1,720	1,276	1,165	10,888
Expected return on plan assets	(2,866)	(3,396)	(3,930)	(36,734)
Recognized actuarial losses (gains)	(1,783)	599	840	7,851
Others	80	157	(31)	(299)
Subtotal (net periodic benefit costs)	¥ 7,343	¥ 7,831	¥ 6,822	\$ 63,762
Gain on return of assets from retirement benefits trust	(13,603)			
Gain on abolishment of retirement benefit plan	(773)	(35)		
Total	¥ (7,033)	¥ 7,795	¥ 6,822	\$ 63,762

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended February 29, 2016, February 28, 2017 and 2018, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Actuarial gains (losses)	¥(31,159)	¥1,005	¥1,678	\$15,683
Prior service cost	(281)	958	(15)	(143)
Other	319			
Total	¥(31,121)	¥1,964	¥1,662	\$15,539

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 28, 2017 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Unrecognized actuarial losses	¥(953)	¥ 724	\$ 6,773
Unrecognized prior service cost	814	798	7,467
Total	¥(139)	¥1,523	\$14,240

(7) Plan assets as of February 28, 2017 and 2018

a. Components of plan assets

Plan assets as of February 28, 2017 and 2018, consisted of the followings:

	'17	'18
Debt investments	40%	39%
Equity investments	31%	34%
Cash and cash equivalents	10%	8%
General account of life insurance	8%	8%
Others*1	11%	11%
Total*2	100%	100%

*1 Mainly includes Alternative investments.

*2 The retirement benefits trust which is contributed to the defined benefit pension plan and retirement lump sum grants plan included in the plan assets total for the years ended February 28, 2017 and 2018 was 37% and 36%.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended February 29, 2016, February 28, 2017 and 2018, were set forth as follows:

	'16	'17	'18
Discount rate	Mainly 0.9%	Mainly 0.8%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 0%–2.37%	Mainly 0.72%–2.51%	Mainly 0.90%–2.67%

* Expected rates of salary increase are based on an index of salary increase by age, calculated using the base date of March 31, 2016.

Defined contribution plan

Contribution for defined contribution plan for the years ended February 29, 2016, February 28, 2017 and 2018, was ¥7,472 million, ¥8,221 million, and ¥8,865 million (\$82,854 thousand), respectively.

Advance payment plan

Payment for advance payment plan for the years ended February 29, 2016, February 28, 2017 and 2018, was ¥750 million, ¥730 million, and ¥666 million (\$6,233 thousand), respectively.

11 Asset retirement obligations

The changes in asset retirement obligations for the years ended February 28, 2017 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Balance at beginning of year	¥76,280	¥81,502	\$761,708
Additional provisions associated with the acquisition of property, buildings, and equipment	4,414	5,464	51,072
Reconciliation associated with passage of time	1,141	1,132	10,588
Reduction associated with settlement of asset retirement obligations	(2,221)	(2,526)	(23,614)
Increase associated with the change of scope of consolidation		264	2,468
Others*	1,887	1,216	11,368
Balance at end of year	¥81,502	¥87,054	\$813,593

* For the year ended February 28, 2017 and 2018, "Others" mainly represents an increase of ¥2,616 million and ¥1,222 million (\$11,425 thousand), respectively, due to changes in accounting estimates of asset retirement obligations (AROs). This is associated with certain consolidated subsidiaries' revised accounting estimates for AROs related to restoration obligations under real estate leasehold contracts.

The AROs were estimated based on restoration cost incurred on store closures. The effects of this change on profit or loss are immaterial.

12 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (including appointment committee, compensation committee, and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of an Audit & Supervisory Board.

The Board of Directors of the Company can declare dividends without resolution at the shareholders' meeting as the Company is organized as a company with board committees and meets the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a liability and are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13 Stock options

For the years ended February 29, 2016, February 28, 2017 and 2018, the Company and domestic consolidated subsidiaries recognized expenses related to stock options of ¥370 million, ¥457 million, and ¥449 million (\$4,204 thousand), respectively, which are included in selling, general and administrative expenses. The Company also recorded ¥17 million, ¥5 million, and ¥0 million (\$0 thousand) of extraordinary income on the expiration of stock options for the years ended February 29, 2016, February 28, 2017 and 2018, respectively.

The stock options outstanding as of February 28, 2018, are as follows:

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Aeon Co., Ltd.	2008 Stock Option	30 executive officers	66,500	April 21, 2007	1	From May 21, 2007, to May 20, 2022
Aeon Co., Ltd.	2009 Stock Option	30 executive officers and 7 executives of Group Companies	84,000	April 22, 2008	1	From May 21, 2008, to May 20, 2023
Aeon Co., Ltd.	2009 Stock Option	26 executive officers and 7 executives of the subsidiaries	21,600	November 20, 2008	1	From November 21, 2008, to November 20, 2023
Aeon Co., Ltd.	2010 Stock Option	8 executives of the subsidiaries	5,300	May 20, 2009	1	From May 21, 2009, to May 20, 2024
Aeon Co., Ltd.	2011 Stock Option	20 executive officers and 20 directors of Group Companies	99,800	June 21, 2010	1	From July 21, 2010, to July 20, 2025
Aeon Co., Ltd.	2012 Stock Option	16 executive officers and 9 directors of Group Companies	78,200	June 21, 2011	1	From July 21, 2011, to July 20, 2026
Aeon Co., Ltd.	2013 Stock Option	18 executive officers and 9 directors of Group Companies	86,500	June 21, 2012	1	From July 21, 2012, to July 20, 2027
Aeon Co., Ltd.	2014 Stock Option	21 executive officers and 9 directors of Group Companies	92,200	June 21, 2013	1	From July 21, 2013, to July 20, 2028
Aeon Co., Ltd.	2015 Stock Option	13 executive officers and 10 directors of Group Companies	37,000	June 21, 2014	1	From July 21, 2014, to July 20, 2029
Aeon Co., Ltd.	2016 Stock Option	17 executive officers and 7 directors of Group Companies	37,900	June 21, 2015	1	From July 21, 2015, to July 20, 2030
Aeon Co., Ltd.	2018 Stock Option	10 executive officers and 10 directors of Group Companies	25,700	June 21, 2017	1	From July 21, 2017, to July 20, 2032
Aeon Hokkaido Corporation	2009 Stock Option	5 directors	20,000	April 30, 2008	1	From May 31, 2008, to May 30, 2023
Aeon Hokkaido Corporation	2010 Stock Option	5 directors	27,100	April 30, 2009	1	From May 31, 2009, to May 30, 2024
Aeon Hokkaido Corporation	2011 Stock Option	5 directors	53,700	April 30, 2010	1	From May 31, 2010, to May 30, 2025
Aeon Hokkaido Corporation	2012 Stock Option	6 directors	59,200	April 30, 2011	1	From May 31, 2011, to May 30, 2026
Aeon Hokkaido Corporation	2013 Stock Option	8 directors	72,200	April 30, 2012	1	From May 31, 2012, to May 30, 2027
Aeon Hokkaido Corporation	2014 Stock Option	7 directors	71,000	April 30, 2013	1	From May 31, 2013, to May 30, 2028
Aeon Hokkaido Corporation	2015 Stock Option	6 directors	60,200	April 30, 2014	1	From May 31, 2014, to May 30, 2029
Aeon Hokkaido Corporation	2016 Stock Option	6 directors	61,200	April 30, 2015	1	From May 31, 2015, to May 30, 2030
Aeon Hokkaido Corporation	2017 Stock Option	5 directors	52,700	April 30, 2016	1	From May 31, 2016, to May 30, 2031
Aeon Hokkaido Corporation	2018 Stock Option	5 directors	53,700	April 30, 2017	1	From May 31, 2017, to May 30, 2032
Aeon Kyushu Co., Ltd.	2011 Stock Option	7 directors	6,800	April 21, 2010	1	From May 21, 2010, to May 20, 2025
Aeon Kyushu Co., Ltd.	2012 Stock Option	7 directors	13,000	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Aeon Kyushu Co., Ltd.	2013 Stock Option	7 directors	6,800	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Aeon Kyushu Co., Ltd.	2014 Stock Option	7 directors	6,600	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Aeon Kyushu Co., Ltd.	2015 Stock Option	7 directors	6,600	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Aeon Kyushu Co., Ltd.	2018 Stock Option	6 directors	5,900	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Sunday Co., Ltd.	2014 Stock Option	5 directors	12,500	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Sunday Co., Ltd.	2015 Stock Option	5 directors	14,100	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Sunday Co., Ltd.	2016 Stock Option	6 directors	10,800	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Sunday Co., Ltd.	2017 Stock Option	6 directors	4,900	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Sunday Co., Ltd.	2018 Stock Option	6 directors	8,600	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Maxvalu Hokkaido Co., Ltd.	2012 Stock Option	6 directors	7,600	April 1, 2011	1	From May 1, 2011, to April 30, 2026

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Maxvalu Hokkaido Co., Ltd.	2013 Stock Option	6 directors	7,600	April 1, 2012	1	From May 1, 2012, to April 30, 2027
Maxvalu Hokkaido Co., Ltd.	2014 Stock Option	5 directors	4,900	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Maxvalu Hokkaido Co., Ltd.	2015 Stock Option	7 directors	7,700	May 9, 2014	1	From June 9, 2014, to June 8, 2029
Maxvalu Hokkaido Co., Ltd.	2016 Stock Option	6 directors	6,800	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Maxvalu Hokkaido Co., Ltd.	2017 Stock Option	6 directors	6,800	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Maxvalu Hokkaido Co., Ltd.	2018 Stock Option	4 directors	5,000	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Maxvalu Tohoku Co., Ltd.	2011 Stock Option	6 directors	6,500	April 21, 2010	1	From May 21, 2010, to May 20, 2025
Maxvalu Tohoku Co., Ltd.	2012 Stock Option	6 directors	6,100	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Maxvalu Tohoku Co., Ltd.	2013 Stock Option	6 directors	5,700	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Maxvalu Tohoku Co., Ltd.	2014 Stock Option	6 directors	12,100	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Maxvalu Tohoku Co., Ltd.	2017 Stock Option	5 directors	9,600	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Maxvalu Tohoku Co., Ltd.	2018 Stock Option	6 directors	12,200	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Maxvalu Tokai Co., Ltd.	2011 Stock Option	9 directors	10,400	May 6, 2010	1	From June 7, 2010, to June 6, 2025
Maxvalu Tokai Co., Ltd.	2012 Stock Option	10 directors	20,000	May 2, 2011	1	From June 2, 2011, to June 1, 2026
Maxvalu Tokai Co., Ltd.	2013 Stock Option	10 directors	20,000	May 1, 2012	1	From June 1, 2012, to May 31, 2027
Maxvalu Tokai Co., Ltd.	2014 Stock Option	10 directors	10,100	May 1, 2013	1	From June 1, 2013, to May 31, 2028
Maxvalu Tokai Co., Ltd.	2015 Stock Option	9 directors	9,900	May 1, 2014	1	From June 1, 2014, to May 31, 2029
Maxvalu Tokai Co., Ltd.	2016 Stock Option	9 directors	9,300	May 1, 2015	1	From June 1, 2015, to May 31, 2030
Maxvalu Tokai Co., Ltd.	2017 Stock Option	9 directors	13,800	May 2, 2016	1	From June 2, 2016, to June 2, 2031
Maxvalu Tokai Co., Ltd.	2018 Stock Option	8 directors	12,500	May 1, 2017	1	From June 1, 2017, to May 31, 2032
Maxvalu Chubu Co., Ltd.	2009 Stock Option	7 directors	11,100	April 1, 2008	1	From May 1, 2008, to April 30, 2023
Maxvalu Chubu Co., Ltd.	2010 Stock Option	7 directors	27,800	April 1, 2009	1	From May 1, 2009, to April 30, 2024
Maxvalu Chubu Co., Ltd.	2011 Stock Option	7 directors	26,200	April 1, 2010	1	From May 1, 2010, to April 30, 2025
Maxvalu Chubu Co., Ltd.	2012 Stock Option	6 directors	19,800	April 1, 2011	1	From May 1, 2011, to April 30, 2026
Maxvalu Chubu Co., Ltd.	2013 Stock Option	6 directors	20,500	April 1, 2012	1	From May 1, 2012, to April 30, 2027
Maxvalu Chubu Co., Ltd.	2014 Stock Option	7 directors	12,100	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Maxvalu Chubu Co., Ltd.	2015 Stock Option	6 directors	9,700	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Maxvalu Chubu Co., Ltd.	2016 Stock Option	7 directors	10,700	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Maxvalu Chubu Co., Ltd.	2017 Stock Option	6 directors	17,000	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Maxvalu Chubu Co., Ltd.	2018 Stock Option	5 directors	14,700	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Maxvalu Nishinohon Co., Ltd.	2012 Stock Option	10 directors	18,500	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Maxvalu Nishinohon Co., Ltd.	2013 Stock Option	11 directors	20,600	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Maxvalu Nishinohon Co., Ltd.	2014 Stock Option	9 directors	9,100	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Maxvalu Nishinohon Co., Ltd.	2015 Stock Option	9 directors	9,100	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Maxvalu Nishinohon Co., Ltd.	2016 Stock Option	7 directors	7,300	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Maxvalu Nishinohon Co., Ltd.	2017 Stock Option	5 directors	11,100	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Maxvalu Nishinohon Co., Ltd.	2018 Stock Option	6 directors	13,100	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Maxvalu Kyushu Co., Ltd.	2014 Stock Option	10 directors	21,700	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Maxvalu Kyushu Co., Ltd.	2015 Stock Option	10 directors	11,300	May 10, 2014	1	From June 10, 2014, to June 9, 2029

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Maxvalu Kyushu Co., Ltd.	2016 Stock Option	9 directors	10,100	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Maxvalu Kyushu Co., Ltd.	2017 Stock Option	8 directors	18,300	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Maxvalu Kyushu Co., Ltd.	2018 Stock Option	3 directors	9,800	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Ministop Co., Ltd.	2009 Stock Option	8 directors	12,700	April 30, 2008	1	From June 1, 2008, to May 31, 2023
Ministop Co., Ltd.	2010 Stock Option	8 directors	12,900	April 30, 2009	1	From June 1, 2009, to May 31, 2024
Ministop Co., Ltd.	2011 Stock Option	8 directors	8,600	April 30, 2010	1	From June 1, 2010, to May 31, 2025
Ministop Co., Ltd.	2012 Stock Option	7 directors	16,500	May 2, 2011	1	From June 3, 2011, to June 2, 2026
Ministop Co., Ltd.	2013 Stock Option	8 directors	16,500	May 1, 2012	1	From June 2, 2012, to June 1, 2027
Ministop Co., Ltd.	2014 Stock Option	5 directors	6,300	April 30, 2013	1	From June 1, 2013, to May 31, 2028
Ministop Co., Ltd.	2015 Stock Option	4 directors	9,600	April 30, 2014	1	From June 1, 2014, to May 31, 2029
Ministop Co., Ltd.	2016 Stock Option	3 directors	3,600	April 30, 2015	1	From June 1, 2015, to May 31, 2030
Ministop Co., Ltd.	2017 Stock Option	4 directors	8,300	May 2, 2016	1	From June 3, 2016, to June 2, 2031
Ministop Co., Ltd.	2018 Stock Option	4 directors	3,800	May 1, 2017	1	From June 2, 2017, to June 1, 2032
Aeon Financial Service Co., Ltd.	2012 Stock Option	12 directors	15,500	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Aeon Financial Service Co., Ltd.	2013 Stock Option	6 directors	12,100	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Aeon Financial Service Co., Ltd.	2014 Stock Option	6 directors	12,000	July 21, 2013	1	From August 21, 2013, to August 20, 2028
Aeon Financial Service Co., Ltd.	2015 Stock Option	8 directors	9,500	July 21, 2014	1	From August 21, 2014, to August 20, 2029
Aeon Financial Service Co., Ltd.	2016 Stock Option	7 directors	12,600	July 21, 2015	1	From August 21, 2015, to August 20, 2030
Aeon Financial Service Co., Ltd.	2017 Stock Option	9 directors	15,300	July 21, 2016	1	From August 21, 2016, to August 20, 2031
Aeon Financial Service Co., Ltd.	2018 Stock Option	8 directors	18,100	July 21, 2017	1	From August 21, 2017, to August 20, 2032
Aeon Mall Co., Ltd.*1	2009 Stock Option	17 directors	22,220	April 21, 2008	1	From May 21, 2008, to May 20, 2023
Aeon Mall Co., Ltd.*1	2010 Stock Option	16 directors	32,340	April 21, 2009	1	From May 21, 2009, to May 20, 2024
Aeon Mall Co., Ltd.*1	2011 Stock Option	12 directors	26,510	April 21, 2010	1	From May 21, 2010, to May 20, 2025
Aeon Mall Co., Ltd.*1	2012 Stock Option	11 directors	20,790	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Aeon Mall Co., Ltd.*1	2013 Stock Option	12 directors	22,330	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Aeon Mall Co., Ltd.*1	2014 Stock Option	8 directors	10,890	April 21, 2013	1	From May 21, 2013, to May 20, 2028
Aeon Mall Co., Ltd.	2015 Stock Option	10 directors	18,400	April 21, 2014	1	From May 21, 2014, to May 20, 2029
Aeon Mall Co., Ltd.	2016 Stock Option	10 directors	20,400	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Aeon Mall Co., Ltd.	2017 Stock Option	8 directors	16,600	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Aeon Mall Co., Ltd.	2018 Stock Option	9 directors	18,800	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Zwei Co., Ltd.	2010 Stock Option	6 directors	9,500	April 21, 2009	1	From May 21, 2009, to May 20, 2024
Zwei Co., Ltd.	2011 Stock Option	6 directors	9,500	April 21, 2010	1	From May 21, 2010, to May 20, 2025
Zwei Co., Ltd.	2012 Stock Option	5 directors	4,300	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Zwei Co., Ltd.	2013 Stock Option	6 directors	11,500	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Zwei Co., Ltd.	2014 Stock Option	6 directors	9,500	May 1, 2013	1	From June 1, 2013, to May 31, 2028
Zwei Co., Ltd.	2015 Stock Option	6 directors	4,100	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Zwei Co., Ltd.	2016 Stock Option	5 directors	3,700	May 1, 2015	1	From June 1, 2015, to May 31, 2030
Zwei Co., Ltd.	2017 Stock Option	5 directors	3,500	May 2, 2016	1	From June 1, 2016, to May 31, 2031
Zwei Co., Ltd.	2018 Stock Option	5 directors	3,500	May 1, 2017	1	From June 1, 2017, to May 31, 2032

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Aeon Fantasy Co., Ltd.	2010 Stock Option	9 directors	9,800	April 21, 2009	1	From May 21, 2009, to May 20, 2024
Aeon Fantasy Co., Ltd.	2011 Stock Option	9 directors	9,900	April 21, 2010	1	From May 21, 2010, to May 20, 2025
Aeon Fantasy Co., Ltd.	2012 Stock Option	9 directors	21,500	April 21, 2011	1	From May 21, 2011, to May 20, 2026
Aeon Fantasy Co., Ltd.	2013 Stock Option	7 directors	14,800	April 21, 2012	1	From May 21, 2012, to May 20, 2027
Aeon Fantasy Co., Ltd.	2014 Stock Option	7 directors	15,800	May 10, 2013	1	From June 10, 2013, to June 9, 2028
Aeon Fantasy Co., Ltd.	2015 Stock Option	7 directors	8,200	May 10, 2014	1	From June 10, 2014, to June 9, 2029
Aeon Fantasy Co., Ltd.	2016 Stock Option	7 directors	15,800	May 10, 2015	1	From June 10, 2015, to June 9, 2030
Aeon Fantasy Co., Ltd.	2017 Stock Option	8 directors	6,500	May 10, 2016	1	From June 10, 2016, to June 9, 2031
Aeon Fantasy Co., Ltd.	2018 Stock Option	7 directors	11,100	May 10, 2017	1	From June 10, 2017, to June 9, 2032
Aeon Delight Co., Ltd.	2009 Stock Option	15 directors	35,000	May 12, 2008	0.5	From June 10, 2008, to June 10, 2023
Aeon Delight Co., Ltd.	2010 Stock Option	15 directors	33,700	May 11, 2009	0.5	From June 10, 2009, to June 10, 2024
Aeon Delight Co., Ltd.	2011 Stock Option	14 directors	30,000	May 10, 2010	0.5	From June 10, 2010, to June 10, 2025
Aeon Delight Co., Ltd.	2012 Stock Option	18 directors	29,600	May 10, 2011	0.5	From June 10, 2011, to June 10, 2026
Aeon Delight Co., Ltd.	2013 Stock Option	18 directors	33,400	May 10, 2012	0.5	From June 10, 2012, to June 10, 2027
Aeon Delight Co., Ltd.	2014 Stock Option	6 directors	10,400	May 10, 2013	0.5	From June 10, 2013, to June 10, 2028
Aeon Delight Co., Ltd.	2015 Stock Option	5 directors	20,200	May 12, 2014	0.5	From June 10, 2014, to June 10, 2029
Aeon Delight Co., Ltd.	2016 Stock Option	8 directors	24,800	May 11, 2015	0.5	From June 10, 2015, to June 10, 2030
Aeon Delight Co., Ltd.	2017 Stock Option	9 directors	26,400	May 10, 2016	0.5	From June 10, 2016, to June 10, 2031
Aeon Delight Co., Ltd.	2018 Stock Option	10 directors	26,300	May 10, 2017	0.5	From June 10, 2017, to June 10, 2032
Cox Co., Ltd.	2009 Stock Option	7 directors	16,000	April 21, 2008	1	From May 21, 2008, to May 20, 2023
Cox Co., Ltd.*2	2011 Stock Option	1 director and 5 employees and other	8,232	August 21, 2010	1	From August 21, 2010, to May 20, 2023
Cox Co., Ltd.	2012 Stock Option	6 directors	14,000	May 10, 2011	1	From June 10, 2011, to June 9, 2026
Cox Co., Ltd.	2016 Stock Option	4 directors	21,000	April 30, 2015	1	From June 1, 2015, to May 31, 2030
Cox Co., Ltd.	2018 Stock Option	4 directors	12,000	May 1, 2017	1	From June 1, 2017, to May 31, 2032
Welcia Holdings Co., Ltd.*3, *4	2014 Stock Option	9 directors, 1 executive officer, and 27 directors and 11 executive officers of subsidiaries	63,200	July 16, 2014	1	From July 17, 2014, to July 16, 2044
Welcia Holdings Co., Ltd.*4	2015 Stock Option	7 directors, and 17 directors and 25 executive officers of subsidiaries	59,200	February 16, 2015	1	From February 17, 2015, to February 16, 2045
Welcia Holdings Co., Ltd.*4	2017 Stock Option	6 directors, and 14 directors of subsidiaries	20,000	March 16, 2016	1	From March 17, 2016, to March 16, 2046
Welcia Holdings Co., Ltd.*4	2017 Stock Option	6 directors, and 15 directors of subsidiaries	28,000	February 16, 2017	1	From February 17, 2017, to February 16, 2047
GFoot Co., Ltd.	2017 Stock Option	8 directors	33,200	May 1, 2016	1	From June 1, 2016, to May 31, 2031
GFoot Co., Ltd.	2018 Stock Option	8 directors	14,700	May 1, 2017	1	From June 1, 2017, to May 31, 2032
United Super Markets Holdings Inc.	2018 Stock Option	5 directors, and 15 directors of subsidiaries	61,400	June 26, 2017	1	From June 27, 2017, to June 26, 2047

*1 Aeon Mall Co., Ltd., split one share of common stock into 1.1 shares effective August 1, 2013. The number of shares and figures regarding the options granted on or before the fiscal year ended February 2014 are presented at the converted number.

*2 Effective August 21, 2010, Cox Co., Ltd., and Blue Grass Co., Ltd., merged, and Cox Co., Ltd., assumed the stock options of Blue Grass Co., Ltd. (the non-surviving company), at the merger ratio of 1:1.68. Persons granted and number of options granted represent the figures at the merger date.

*3 Welcia Holdings Co., Ltd. split one share of common stock into two shares effective September 1, 2014. The number of shares and figures of 2014 Stock Option are presented at the converted number.

*4 Welcia Holdings Co., Ltd. split one share of common stock into two shares effective March 1, 2017. The number of shares and figures of Stock Option on or before the fiscal year ended 2017 are presented at the converted number.

The summary of stock option activity during the fiscal year 2018 is as follows:

	Aeon Co., Ltd. '08-'18 Stock Option	Aeon Hokkaido Corporation '09-'18 Stock Option	Aeon Kyushu Co., Ltd. '11-'18 Stock Option	Sunday Co., Ltd. '14-'18 Stock Option	Maxvalu Hokkaido Co., Ltd. '12-'18 Stock Option	Maxvalu Tohoku Co., Ltd. '11-'18 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted	25,700	53,700	5,900	8,600	5,000	12,200
Expired						
Vested	25,700	53,700	5,900	8,600	5,000	12,200
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	341,700	270,400	9,300	35,500	27,600	28,900
Vested	25,700	53,700	5,900	8,600	5,000	12,200
Exercised	83,100	68,200	1,800	2,700		5,700
Expired						
Outstanding at end of year	284,300	255,900	13,400	41,400	32,600	35,400
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥1,720-¥1,906	¥603-¥764	¥1,790	¥1,712-¥1,719		¥1,224-¥1,279
Fair value price at grant date	¥710-¥2,085	¥283-¥590	¥1,041-¥1,685	¥620-¥1,664	¥1,323-¥2,891	¥581-¥1,210

	Maxvalu Tokai Co., Ltd. '11-'18 Stock Option	Maxvalu Chubu Co., Ltd. '09-'18 Stock Option	Maxvalu Nishinohon Co., Ltd. '12-'18 Stock Option	Maxvalu Kyushu Co., Ltd. '14-'18 Stock Option	Ministop Co., Ltd. '09-'18 Stock Option	Aeon Financial Service Co., Ltd. '12-'18 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted	12,500	14,700	13,100	9,800	3,800	18,100
Expired						
Vested	12,500	14,700	13,100	9,800	3,800	18,100
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	11,600	93,500	47,700	55,600	29,800	55,300
Vested	12,500	14,700	13,100	9,800	3,800	18,100
Exercised	4,500	21,300	16,600	18,800	13,200	21,600
Expired						
Outstanding at end of year	19,600	86,900	44,200	46,600	20,400	51,800
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥2,209	¥1,201	¥1,666-¥1,697	¥1,933-¥2,011	¥2,245-¥2,439	¥2,437-¥2,527
Fair value price at grant date	¥771-¥1,781	¥699-¥1,132	¥893-¥1,399	¥1,052-¥1,642	¥1,023-¥1,870	¥809-¥3,072

	Aeon Mall Co., Ltd.*1 '09-'18 Stock Option	Zwei Co., Ltd. '10-'18 Stock Option	Aeon Fantasy Co., Ltd. '10-'18 Stock Option	Aeon Delight Co., Ltd. '09-'18 Stock Option	Cox Co., Ltd. '09-'18 Stock Option	Welcia Holdings Co., Ltd.*3 '14-'17 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted	18,800	3,500	11,100	26,300	12,000	
Expired						
Vested	18,800	3,500	11,100	26,300	12,000	
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	73,840	19,700	66,500	125,500	28,344	132,800
Vested	18,800	3,500	11,100	26,300	12,000	
Exercised	15,390	4,500	4,600	25,400		10,000
Expired						
Outstanding at end of year	77,250	18,700	73,000	126,400	40,344	122,800
Exercise price	¥1	¥1	¥1	¥0.5	¥1	¥1
Average stock price at exercise	¥2,027-¥2,408	¥844	¥2,815	¥3,250-¥3,895		¥3,488-¥3,875
Fair value price at grant date	¥1,089-¥2,763	¥422-¥656	¥570-¥2,796	¥1,136-¥3,167	¥195-¥438	¥1,515-¥2,996

	GFoot Co., Ltd. '17-'18 Stock Option	United Super Markets Holdings Inc. '18 Stock Option
Non-vested (Shares)		
Outstanding at beginning of year		
Granted	14,700	61,400
Expired		
Vested	14,700	61,400
Outstanding at end of year		
Vested (Shares)		
Outstanding at beginning of year	33,200	
Vested	14,700	61,400
Exercised	5,000	
Expired		
Outstanding at end of year	42,900	61,400
Exercise price	¥1	¥1
Average stock price at exercise	¥756-¥780	
Fair value price at grant date	¥622-¥636	¥1,138

The assumptions used to measure fair value of stock options vested during fiscal year 2018 were as follows:

	Aeon Co., Ltd. '18 Stock Option	Aeon Hokkaido Corporation '18 Stock Option	Aeon Kyushu Co., Ltd. '18 Stock Option	Sunday Co., Ltd. '18 Stock Option	Maxvalu Hokkaido Co., Ltd. '18 Stock Option	Maxvalu Tohoku Co., Ltd. '18 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.03%	-0.09%	-0.07%	-0.07%	-0.05%	0.01%
Expected life of option grants	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years	7.6 years
Expected volatility of underlying stock	25.78%	18.04%	12.84%	27.95%	19.36%	17.55%
Expected dividend payment rate as a percentage of the stock price on the date of grant	1.74%	1.66%	0.57%	0.60%	0.56%	0.00%

	Maxvalu Tokai Co., Ltd. '18 Stock Option	Maxvalu Chubu Co., Ltd. '18 Stock Option	Maxvalu Nishinohon Co., Ltd. '18 Stock Option	Maxvalu Kyushu Co., Ltd. '18 Stock Option	Ministop Co., Ltd. '18 Stock Option	Aeon Financial Service Co., Ltd. '18 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.19%	-0.05%	-0.06%	0.00%	-0.08%	-0.25%
Expected life of option grants	2.9 years	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years
Expected volatility of underlying stock	13.61%	13.21%	12.96%	16.23%	22.00%	35.48%
Expected dividend payment rate as a percentage of the stock price on the date of grant	2.26%	1.14%	2.13%	2.06%	2.09%	2.94%

	Aeon Mall Co., Ltd. '18 Stock Option	Zwei Co., Ltd. '18 Stock Option	Aeon Fantasy Co., Ltd. '18 Stock Option	Aeon Delight Co., Ltd. '18 Stock Option	Cox Co., Ltd. '18 Stock Option	GFoot Co., Ltd. '18 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.06%	-0.08%	-0.16%	-0.06%	-0.09%	0.00%
Expected life of option grants	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years
Expected volatility of underlying stock	32.66%	13.70%	34.64%	28.41%	34.89%	14.63%
Expected dividend payment rate as a percentage of the stock price on the date of grant	1.32%	3.90%	1.03%	1.52%	0.00%	2.64%

	United Super Markets Holdings Inc. '18 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	-0.08%
Expected life of option grants	4.8 years
Expected volatility of underlying stock	22.80%
Expected dividend payment rate as a percentage of the stock price on the date of grant	1.16%

14 Other income (expenses)

Other income (expenses)—net for the years ended February 29, 2016, February 28, 2017 and 2018, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Loss on disposals of fixed assets	¥(3,748)	¥(4,086)	¥ (3,466)	\$(32,393)
Loss on sales of fixed assets	(1,037)	(7,432)	(3,606)	(33,707)
Provision for store closing expenses	(5,380)	(3,955)	(4,132)	(38,625)
Penalty income from leaving tenants	2,477	3,153	2,759	25,788
Reversal of allowance for doubtful accounts—net	1,692	1,113	706	6,605
Gain on collection of fixed leasehold deposits to lessors	1,433	2,946	2,707	25,302
Income from unredeemed gift coupons	2,934	3,082	3,414	31,915
Loss on store closings	(1,199)	(1,695)	(3,558)	(33,257)
Other	(4,583)	(102)	(5,057)	(47,266)
Total	¥(7,412)	¥(6,975)	¥(10,233)	\$(95,638)

15 Income taxes

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of February 28, 2017 and 2018, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Deferred tax assets:			
Enterprise tax	¥ 5,557	¥ 6,140	\$ 57,383
Inventories	1,887	2,374	22,192
Allowance for doubtful accounts	18,016	16,693	156,016
Receivables	203	304	2,846
Payables and accrued expenses	12,900	15,494	144,809
Provision for point program	6,460	5,707	53,342
Property, buildings, and equipment	122,540	132,822	1,241,329
Liability for retirement benefits	27,630	27,396	256,045
Provision for store closing expenses	2,199	2,141	20,014
Tax loss carryforwards	152,382	163,053	1,523,861
Write-down of assets under the reorganization proceedings	12,697	11,357	106,148
Asset retirement obligation	25,461	27,427	256,330
Other	61,118	52,738	492,878
Less valuation allowance	(294,104)	(305,558)	(2,855,690)
Total	154,950	158,093	1,477,510
Deferred tax liabilities:			
Property, buildings, and equipment	(3,712)	(3,275)	(30,614)
Reserve for special depreciation	(868)	(491)	(4,591)
Undistributed earnings of foreign consolidated subsidiaries	(697)	(643)	(6,017)
Unrealized gain on available-for-sale securities	(25,648)	(34,301)	(320,577)
Asset for retirement benefits	(3,740)	(5,817)	(54,371)
Asset retirement cost related to the asset retirement obligation	(9,301)	(10,007)	(93,523)
Unrealized loss on acquisition of subsidiaries	(4,888)	(6,507)	(60,818)
Gain on sales of investment securities under the Group Taxation System	(5,736)	(5,736)	(53,611)
Other	(8,109)	(3,301)	(30,851)
Total	(62,702)	(70,082)	(654,977)
Net deferred tax assets	¥ 92,248	¥ 88,011	\$ 822,533

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 29, 2016, February 28, 2017 and 2018, are as follows:

	'16	'17	'18
Normal effective statutory tax rate	35.2%	32.7%	30.7%
Lower income tax rates applicable to income in certain foreign countries	(2.7)	(2.1)	(2.1)
Per capita portion of inhabitants tax	3.5	4.1	3.7
Goodwill and negative goodwill—net	4.7	4.7	2.7
Change in valuation allowance	19.3	9.2	6.6
Expenses not deductible for tax purposes	3.6	3.7	3.7
Tax rate change	4.5	3.1	—
Gain resulting from step acquisitions	(1.6)	—	—
Deduction of loss on impairment of securities of affiliates	—	(2.6)	(1.2)
Other—net	(2.4)	(3.5)	0.8
Actual effective tax rate	64.1%	49.3%	44.9%

As of February 28, 2018, certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥516,267 million (\$4,824,931 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending February	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 31,253	\$ 292,084
2020	39,699	371,026
2021	60,231	562,908
2022	52,402	489,741
2023 and thereafter	332,681	3,109,170
Total	¥516,267	\$4,824,931

16 Supplemental cash flow information

a. Reconciliation of cash and cash equivalents

A reconciliation of cash and cash equivalents between the consolidated balance sheet and the consolidated statement of cash flows as of February 29, 2016, February 28, 2017 and 2018, is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Cash and cash equivalents in the consolidated balance sheets	¥702,400	¥805,646	¥873,122	\$8,160,019
Bank overdraft	(1,945)	(3,714)	(3,281)	(30,672)
Marketable securities (Money Management Fund and others)	56	167	173	1,616
Cash and cash equivalents in the consolidated statement of cash flows	¥700,511	¥802,099	¥870,013	\$8,130,963

b. Acquisitions of newly consolidated subsidiaries

During the year ended February 29, 2016, Hakuseisha Co., Ltd. and 4 other companies were acquired. Assets and liabilities of these companies at the acquisition date, cash paid for the capital, and cash received in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
Assets	¥ 9,482
Liabilities	(2,339)
Non-controlling interests	(8)
Other	(307)
Cash paid for the capital	6,828
Cash and cash equivalents of consolidated subsidiaries	1,523
Cash paid in conjunction with the purchases of consolidated subsidiaries—net	¥ (5,304)

During the year ended February 28, 2018, Marudai Sakurai Pharmacy Co., Ltd. was acquired. Assets and liabilities of this company at the acquisition date, cash paid for the capital, and cash received in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets	¥12,150	\$113,551
Goodwill	9,334	87,233
Liabilities	(7,763)	(72,551)
Cash paid for the capital	13,720	128,224
Cash and cash equivalents of consolidated subsidiaries	442	4,131
Cash paid in conjunction with the purchases of consolidated subsidiaries—net	¥(13,277)	\$(124,092)

c. Non-cash investing and financing activities

During the year ended February 29, 2016, Kasumi and 4 other companies became the Company's consolidated subsidiaries by a joint share transfer. Assets and liabilities of these companies at the acquisition date were as follows:

	Millions of Yen
Current assets	¥28,858
Fixed assets	64,430
Total	93,289
Current liabilities	(35,246)
Long-term liabilities	(10,096)
Total	¥(45,342)

Current assets include cash and cash equivalents at the acquisition date of ¥13,745 million, which are presented as "Increase in cash and cash equivalents resulting from share transfer" in the consolidated statement of cash flows.

17 Leases

a. Lessee

(1) Finance leases

The Group leases certain store buildings, store equipment, and other assets.

Total rental expenses for the years ended February 29, 2016, February 28, 2017 and 2018, were ¥431,117 million, ¥435,662 million, and ¥441,635 million (\$4,127,438 thousand), respectively, including ¥9,017 million, ¥5,295 million, and ¥4,404 million (\$41,161 thousand) of lease payments under finance leases discussed below.

For the years ended February 29, 2016, February 28, 2017 and 2018, the Group recorded impairment losses of ¥108 million, ¥0 million, and ¥416 million (\$3,895 thousand), respectively, on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in other current liabilities and long-term liabilities—other.

As discussed in Note 2.q, the Group accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 29, 2016, February 28, 2017 and 2018, for the Company and domestic consolidated subsidiaries was as follows:

	Millions of Yen			
	'17			
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	¥ 69,953	¥ 176	¥ 21	¥ 70,151
Accumulated depreciation	(46,287)	(147)	(11)	(46,447)
Accumulated impairment loss	(5,147)	(1)		(5,149)
Net leased property	¥ 18,518	¥ 27	¥ 9	¥ 18,554

	Millions of Yen			
	'18			
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	¥ 60,871	¥ 56	¥ 11	¥ 60,939
Accumulated depreciation	(41,437)	(55)	(6)	(41,499)
Accumulated impairment loss	(5,521)			(5,521)
Net leased property	¥ 13,911	¥ 1	¥ 5	¥ 13,918

	Thousands of U.S. Dollars			
	'18			
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	\$ 568,889	\$ 530	\$ 110	\$ 569,530
Accumulated depreciation	(387,268)	(516)	(61)	(387,846)
Accumulated impairment loss	(51,602)			(51,602)
Net leased property	\$ 130,018	\$ 14	\$ 49	\$ 130,081

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Due within one year	¥ 3,855	¥ 3,484	\$ 32,566
Due after one year	23,453	16,770	156,737
Total	¥27,309	¥20,255	\$189,304

Allowance for impairment loss on leased property as of February 28, 2017 and 2018, was ¥3,948 million and ¥3,888 million (\$36,338 thousand), respectively, which is not included in obligations under finance leases.

Depreciation expense, interest expense, and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Depreciation expense	¥4,563	¥2,975	¥2,764	\$25,838
Interest expense	1,582	1,262	807	7,544
Total	¥6,145	¥4,237	¥3,572	\$33,383
Reversal of allowance for impairment loss on leased property	¥ 670	¥ 296	¥ 188	\$ 1,761
Impairment loss	108		416	3,895

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

(2) Operating leases

The minimum rental commitments under noncancelable operating leases as of February 28, 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Due within one year	¥ 191,640		\$ 1,791,034
Due after one year	1,167,833		10,914,330
Total	¥1,359,475		\$12,705,365

b. Lessor

The Group leases certain store space to tenants and other assets. Total rental revenues for the years ended February 29, 2016, February 28, 2017 and 2018, were ¥376,888 million, ¥380,289 million, and ¥391,279 million (\$3,656,819 thousand), respectively. The minimum rental commitments under noncancelable operating leases as of February 28, 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Due within one year	¥ 6,384		\$ 59,664
Due after one year	29,692		277,495
Total	¥36,076		\$337,160

18 Financial instruments and related disclosures

1. Conditions of financial instruments

(1) Group Policy for Financial Instruments

The Group mainly conducts retail store operations, centering around the GMS Business as its core, and expands businesses, such as the Financial Services Business, the SC Development Business, and the Service Business. In order to finance these businesses, the Group limits its fund management primarily to safe and secure monetary assets such as time deposits, while the Group utilizes both indirect financing, such as bank loans and direct financing, such as issuance of bonds, commercial paper, and equity securities, and securitization of receivables.

The consolidated subsidiaries operating financial services businesses operate a variety of financial services businesses, such as credit card businesses, housing loan businesses, and installment payment businesses. The consolidated banking subsidiary invests in securities as well.

The consolidated subsidiaries operating financial services businesses raise capital mainly through customer deposits, borrowings from financial institutions, issuance of bonds and commercial paper, and securitization of receivables in the view of the market conditions and short-term/long-term balance. In addition, the Group funds management and financing in the short-term market in order to respond to the excess and deficiency of

temporary funding. It should be noted, certain consolidated subsidiaries are located overseas and they conduct their business in foreign currencies.

The Financial Services Business holds financial assets and liabilities, which are exposed to interest rate risk and foreign exchange risk. It manages the risk through Asset Liability Management.

The Group mainly utilizes derivative financial instruments to hedge interest rate risk, foreign exchange rate risk, and market risk arising from financing activities, but does not enter into derivatives for trading or speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments

Notes and accounts receivable—trade are exposed to credit risk of customers.

Marketable and investment securities are mainly composed of equity securities held for maintaining business relationships with other companies and are exposed to market price fluctuation risk and credit risk.

Securities in the banking business, including foreign securities, debt, and equity, are exposed to issuers' credit risk and market risk.

Loans and bills discounted in the banking business and financial loans receivable mainly consist of loans to individual and business customers and are exposed to interest rate risk and customer credit risk due to breach of contract.

Fixed leasehold deposits to lessors are related primarily to store rent and are exposed to lessors' credit risk. Notes and accounts payable-trade are mostly due within one year. Operating receivables and payables denominated in foreign currencies are exposed to exchange rate risk.

Deposits received in the banking business consist of customer deposits held by the consolidated banking subsidiary and are exposed to liquidity risk, interest rate risk, and foreign currency risk in that the consolidated banking subsidiary cannot make necessary payments upon due dates under certain circumstances, such as when it cannot access the market due to changes in financial situation or other situations or when its financial results deteriorate.

Short-term borrowings, commercial paper, long-term debt, and bonds are financing means, mainly for operating transactions, capital expenditures, and equity transactions. Though such contractual obligations comprise the risk that they may fail to be met in full on maturity dates, such liquidity risks are avoided by spreading out due dates or maturity dates.

The Group mainly enters into foreign exchange forward contracts and currency swap contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts and interest rate option contracts to manage its interest rate exposures on certain liabilities. Derivative financial instruments contain credit risk of counterparties defaulting on contracts.

Please see Note 19 for more details about derivatives.

(3) Risk Management for Financial Instruments

a. Credit risk management

The Group manages its credit risk from notes and accounts receivable-trade based on its internal policies, which include monitoring of payment terms and balances of major customers by operating division and accounting division to identify the default risk of customers at an early stage.

As to marketable and investment securities, the Group regularly monitors issuers' financial positions for equity securities without market values.

The consolidated subsidiaries operating financial services businesses manage their credit risk in accordance with respective management policies to assess/manage credibility properly. Credit management is conducted by the following divisions: the credit assessment division keeps track of credit status at the time of credit extension and through continuous monitoring after lending and the credit risk management division conducts analysis and research to share information with the credit assessment division.

In addition, the Risk Management Department measures mainly Value at Risk (a method that estimates potential losses under a certain confidence level for currently held financial instruments that will be held for a period based on historical data, hereafter, "VaR") to quantify risks and regularly reports to the Internal Control Promotion Committee and Board of Directors.

A portion of fixed leasehold deposits to lessors is covered by mortgages and right of pledges.

Because the counterparties to the derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

b. Market risk management (foreign exchange risk and interest rate risk)

The Group utilizes interest rate swap and currency swap transactions in order to hedge interest rate risk and foreign exchange risk associated with long-term debt and bonds. Also, foreign exchange risk associated with assets and liabilities denominated in foreign currencies is hedged by forward exchange contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Derivative transactions entered into by the Group are implemented and controlled in accordance with internal policies that regulate the authorization and credit limit amount.

The consolidated subsidiaries operating financial services businesses manage their market risk properly by determining the existence and scale of such risk in accordance with respective management policies. Further, the management status is reported to the Internal Control Promotion Committee regularly.

They have established a reciprocal control mechanism as a system to manage the market risk by setting up an organization independent from the revenue-generating division.

In addition, they generally perform quantitative market risk analysis for all financial instruments held and manage the level of market risk mainly through VaR. Specifically, they control the market risk so that VaR does not exceed the risk limits (allocated capital amount) decided by the Board of Directors.

c. Liquidity risk management

The Company manages its liquidity risk by holding an adequate volume of liquid assets, along with adequate financial planning by the corporate finance division.

The consolidated subsidiaries operating financial services businesses manage liquidity risk through continuous monitoring of cash flows and through other means, including diversifying financing instruments, acquiring commitment lines from multiple financial institutions, and adjusting short-term/long-term balances taking into account the market conditions.

The consolidated banking subsidiary controls liquidity risk by establishing a payment reserve asset holding ratio and limits on cash gaps, which are monitored by the Risk Management Department on a daily basis. The monitoring results are reported to management regularly in the Internal Control Promotion Committee and board meetings. Although the consolidated banking subsidiary places value on efficient cash management, it gives more weight to securing liquidity for management purpose.

(4) Quantitative Analysis on Market Risks for Financial Services Businesses

The consolidated subsidiaries operating the financial services businesses apply the delta method (at a 99 percentile confidence level assuming a 240 day holding period over one year) to calculate VaR for the interest rate risk with an estimated amount of ¥1,664 million (\$15,552 thousand) as of February 28, 2018 (¥5,043 million as of February 28, 2017).

Overseas subsidiaries and certain domestic subsidiaries do not measure interest rate risk because the impact is considered to be limited.

They apply Monte Carlo simulations (at a 99 percentile confidence level assuming a three-month holding period over five years) to calculate VaR for price risks (other than interest rate risk) in investment securities. Under this methodology, the impact as of February 28, 2018, is estimated to be ¥33,877 million (\$316,608 thousand) (¥38,008 million as of February 28, 2017).

The amounts represent market volatility statically calculated based on a probability-based approach that takes into account historical credit spread and fluctuation in correlations. Accordingly, the market risk may not be captured properly in the event of an extreme market movement.

(5) Supplementary Information on Fair Value of Financial Instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or a reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between the two as of February 28, 2017 and 2018, are as follows.

Financial instruments for which fair value measurement is extremely difficult are not included.

February 28, 2017	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 805,646	¥ 805,646	
Time deposits	15,078	15,078	
Call loans	25,000	25,000	
Receivables:			
Notes and accounts-trade	65,529		
Installment	1,121,959		
Other	22,104		
Allowance for doubtful accounts*1	(43,277)		
Notes and accounts-trade, Installment, and Other, net	1,166,315	1,185,869	¥ 19,554
Financial loans	299,271		
Allowance for doubtful accounts*1	(22,254)		
Financial loans, net	277,017	290,723	13,705
Loans and bills discounted in banking business	1,470,142		
Allowance for doubtful accounts*1	(4,717)		
Loans and bills discounted in banking business, net	1,465,424	1,533,240	67,816
Marketable securities			
Available-for-sale securities			
Securities in banking business	180,231	180,231	
Monetary claims bought in banking business	4,031	4,031	
Other	335	335	
Marketable securities, total	184,598	184,598	
Investment securities and Investments in associated companies			
Investments in associated companies*2	61,727	69,986	8,258
Available-for-sale securities	119,044	119,044	
Investment securities and investments in associated companies, total	180,772	189,031	8,258
Fixed leasehold deposits to lessors, including current portion	415,989		
Allowance for doubtful accounts*1	(3,895)		
Fixed leasehold deposits to lessors, including current portion, net	412,093	410,564	(1,528)
Total	¥4,531,946	¥4,639,752	¥107,806
Notes and accounts payable-trade	888,422	888,422	
Short-term borrowings	397,973	397,973	
Deposits received in banking business	2,498,725	2,504,773	6,047
Long-term debt, including current portion			
Bonds	463,540	467,361	3,821
Convertible bonds with stock acquisition rights	30,000	32,790	2,790
Long-term loans from banks	1,274,761	1,282,363	7,601
Lease deposits from lessees, including current portion	269,342	269,528	186
Total	¥5,822,766	¥5,843,213	¥ 20,446
Derivatives*3	¥ 10,949	¥ 10,949	

February 28, 2018	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥ 873,122	¥ 873,122	
Time deposits	19,468	19,468	
Receivables:			
Notes and accounts—trade	70,531		
Installment	1,221,571		
Other	25,624		
Allowance for doubtful accounts*1	(44,881)		
Notes and accounts—trade, Installment, and Other, net	1,272,846	1,275,785	¥ 2,938
Financial loans	347,829		
Allowance for doubtful accounts*1	(25,259)		
Financial loans, net	322,569	335,050	12,481
Loans and bills discounted in banking business	1,819,681		
Allowance for doubtful accounts*1	(4,712)		
Loans and bills discounted in banking business, net	1,814,968	1,874,946	59,977
Marketable securities			
Available-for-sale securities			
Securities in banking business	203,236	203,236	
Monetary claims bought in banking business	5,183	5,183	
Other	346	346	
Marketable securities, total	208,766	208,766	
Investment securities and Investments in associated companies			
Investments in associated companies	66,784	91,431	24,646
Available-for-sale securities	157,115	157,115	
Investment securities and investments in associated companies, total	223,900	248,547	24,646
Fixed leasehold deposits to lessors, including current portion	419,327		
Allowance for doubtful accounts*1	(3,303)		
Fixed leasehold deposits to lessors, including current portion, net	416,023	413,296	(2,726)
Total	¥5,151,665	¥5,248,983	¥97,317
Notes and accounts payable—trade	906,195	906,195	
Short-term borrowings	413,536	413,536	
Deposits received in banking business	3,007,289	3,013,639	6,349
Long-term debt, including current portion			
Bonds	507,915	512,794	4,879
Convertible bonds with stock acquisition rights	29,948	32,703	2,755
Long-term loans from banks	1,298,875	1,300,848	1,973
Lease deposits from lessees, including current portion	271,075	270,805	(269)
Total	¥6,434,835	¥6,450,524	¥15,688
Derivatives*3	¥ (13,081)	¥ (13,081)	

February 28, 2018	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	\$ 8,160,019	\$ 8,160,019	
Time deposits	181,948	181,948	
Receivables:			
Notes and accounts—trade	659,171		
Installment	11,416,559		
Other	239,484		
Allowance for doubtful accounts*1	(419,451)		
Notes and accounts—trade, Installment, and Other, net	11,895,763	11,923,227	\$ 27,464
Financial loans	3,250,739		
Allowance for doubtful accounts*1	(236,072)		
Financial loans, net	3,014,666	3,131,312	116,645
Loans and bills discounted in banking business	17,006,368		
Allowance for doubtful accounts*1	(44,042)		
Loans and bills discounted in banking business, net	16,962,326	17,522,865	560,539
Marketable securities			
Available-for-sale securities			
Securities in banking business	1,899,408	1,899,408	
Monetary claims bought in banking business	48,445	48,445	
Other	3,233	3,233	
Marketable securities, total	1,951,086	1,951,086	
Investment securities and Investments in associated companies			
Investments in associated companies	624,157	854,500	230,343
Available-for-sale securities	1,468,371	1,468,371	
Investment securities and investments in associated companies, total	2,092,528	2,322,871	230,343
Fixed leasehold deposits to lessors, including current portion	3,918,949		
Allowance for doubtful accounts*1	(30,878)		
Fixed leasehold deposits to lessors, including current portion, net	3,888,070	3,862,587	(25,483)
Total	\$48,146,410	\$49,055,919	\$909,509
Notes and accounts payable—trade	8,469,118	8,469,118	
Short-term borrowings	3,864,824	3,864,824	
Deposits received in banking business	28,105,513	28,164,853	59,340
Long-term debt, including current portion			
Bonds	4,746,877	4,792,476	45,598
Convertible bonds with stock acquisition rights	279,887	305,637	25,749
Long-term loans from banks	12,139,018	12,157,467	18,448
Lease deposits from lessees, including current portion	2,533,412	2,530,896	(2,515)
Total	\$60,138,653	\$60,285,274	\$146,621
Derivatives*3	\$ (122,260)	\$ (122,260)	

*1 Allowance for doubtful accounts associated with receivables, financial loans, loans and bills discounted in banking business, and fixed leasehold deposits to lessors are deducted, respectively.
*2 The above figures include investment securities temporarily lent to financial institution based on security lending agreements in the amount of ¥1,552 million as of February 28, 2017.
*3 Derivatives are stated net of assets and liabilities. The figures in parentheses indicate net assets.

The methodologies and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents, Time deposits, Call loans, Notes and accounts receivable—trade, Installment, and other receivables

The carrying values of cash and cash equivalents, time deposits, call loans, notes and accounts receivable—trade, installment, and other receivables approximate fair value because of their short-term maturities. The fair values of installment receivables for certain consolidated credit services subsidiaries are measured by discounting the total amount to be received based on a collection schedule at the interest rate that is based on the risk-free rate plus internal expense rate for collection.

Financial loans receivable

The fair values of financial loans receivable are measured by discounting the total amount to be received based on a collection schedule at the interest rate that is based on the risk-free rate plus internal expense rate for collection.

Loans and bills discounted in banking business

The carrying amounts of loans with floating interest rates approximate their fair values as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans with fixed interest rates are determined for each group classified by product type, internal rating, and remaining duration, by discounting the future cash flows at applicable rates under which loans similar to the aggregate amount of principal and interest would be made.

The carrying amounts of loans with maturities of less than one year approximate fair value because of their short-term maturities.

For loans to obligors in "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," a reserve is provided based on the discounted cash flow method or estimated recoverable amounts through the disposal of collateral or execution of guarantees. The carrying values net of reserve as of the consolidated balance sheet date are reasonable estimates of fair values of those loans.

The fair values of loans for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of pledged assets) are assumed to approximate carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Marketable securities, Investment securities, and Investments in associated companies

The fair values of equity securities are measured at the quoted market price on the stock exchange. The fair values of debt securities and monetary claims bought in the banking business are measured at the quoted price obtained from the stock exchange or financial institutions, or at the reasonably calculated values.

Fixed leasehold deposits to lessors

The fair values of fixed leasehold deposits to lessors are measured by discounting the total amount to be received based on the contract period at the risk-free rate and deducting the allowance for doubtful accounts.

Notes and accounts payable—trade, and Short-term borrowings

The carrying values of notes and accounts payable—trade and short-term borrowings approximate fair value because of their short-term maturities.

Deposits received in banking business

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time deposits are determined by grouping the deposits based on their contract term and discounting future cash flows at rates that would be applied for similar new contracts. The carrying amounts of the deposits with maturities of less than one year approximate fair value because of their short-term maturities.

Bonds and Convertible bonds with stock acquisition rights

The fair values of bonds and convertible bonds with stock acquisition rights issued by the Company and certain consolidated subsidiaries are based on the market price.

Long-term loans from banks

The fair values of long-term loans from banks are determined by discounting the cash flows related to the loans at the risk-free rate plus credit risk.

Lease deposits from lessees

The fair values of lease deposits from lessees are measured by discounting the total amount to be paid based on the contract period at the interest rate that is based on the risk-free rate.

Derivatives

Fair values information for derivatives is included in Note 19.

Carrying amount of financial instruments whose fair value cannot be reliably determined:

	Millions of Yen		Thousands of U.S. Dollars
	'17	'18	'18
Unlisted equity securities	¥10,959	¥13,667	\$127,736
Trust beneficiary rights	13,837	14,918	139,422
Total	¥24,797	¥28,586	\$267,159

Maturity analysis for financial assets and securities with contractual maturities:

February 28, 2018	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 873,122			
Time deposits	19,468			
Receivables:*1				
Notes and accounts—trade	70,531			
Installment	803,628	¥283,360	¥ 72,291	¥ 29,047
Other	25,624			
Financial loans	230,240	67,781	7,337	7,010
Loans and bills discounted in banking business*2	255,794	575,822	217,085	707,821
Marketable securities				
Available-for-sale securities with contractual maturities				
Securities in banking business	25,000	40,400	21,550	45,450
Monetary claims bought in banking business		321		4,800
Other	346			
Investment securities				
Available-for-sale securities with contractual maturities				
Government bonds			14	
Fixed leasehold deposits to lessors*3	10,793	28,227	17,437	5,962
Total	¥2,314,550	¥995,913	¥335,716	¥800,094

February 28, 2018	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	\$ 8,160,019			
Time deposits	181,948			
Receivables:*1				
Notes and accounts—trade	659,171			
Installment	7,510,550	\$2,648,231	\$ 675,623	\$ 271,476
Other	239,484			
Financial loans	2,151,778	633,473	68,579	65,521
Loans and bills discounted in banking business*2	2,390,603	5,381,515	2,028,833	6,615,156
Marketable securities				
Available-for-sale securities with contractual maturities				
Securities in banking business	233,644	377,570	201,401	424,772
Monetary claims bought in banking business		3,005		44,868
Other	3,233			
Investment securities				
Available-for-sale securities with contractual maturities				
Government bonds			139	
Fixed leasehold deposits to lessors*3	100,875	263,811	162,964	55,720
Total	\$21,631,310	\$9,307,606	\$3,137,541	\$7,477,516

*1 Long-term receivables whose future cash flows are unpredictable, such as doubtful receivables, of ¥68,700 million (\$642,064 thousand) are not included in the above table.

*2 Loans such as to bankrupt, substantially bankrupt, and deemed bankrupt borrowers are the loans that are not expected to be collected of ¥3,504 million (\$32,754 thousand) and the loans with no redemption schedule of ¥56,675 million (\$529,677 thousand), and they are not included in the above table.

*3 Fixed leasehold deposits to lessors with no definite redemption schedule of ¥358,944 million (\$3,354,622 thousand) are not included in the above table.

Redemption schedule for deposits received in banking business with maturities:

Fiscal Year Ending February	Millions of Yen	Thousands of U.S. Dollars
2019	¥2,715,872	\$25,381,984
2020	133,137	1,244,275
2021	129,022	1,205,819
2022	13,983	130,686
2023	15,273	142,747
2024 and thereafter		
Total	¥3,007,289	\$28,105,513

* Demand deposits are included and presented in "2019."

Please see Note 9 for annual maturities of long-term debt.

19 Derivatives

The Group enters into foreign exchange forward contracts and currency swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business.

Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied as of February 28, 2017 and 2018:

		Millions of Yen			
		'17			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (loss)
Currency option contracts	Long call (U.S. dollar)	¥ 74		¥ 9	¥ 8
	Short put (U.S. dollar)	74			10
Currency swap contracts	Rupee payment, yen receipt	5,425		(237)	(237)
	Yen payment, U.S. dollar receipt	10,805	¥ 7,202	(751)	(751)
	Malaysian ringgit payment, U.S. dollar receipt	244		(3)	(3)
Interest rate cap contracts		18,112	18,112	1	1
Stock forward contract	Long call	25,900		208	208

		Millions of Yen			
		'18			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (loss)
Currency option contracts	Long call (U.S. dollar)				
	Short put (U.S. dollar)				
Currency swap contracts	Rupee payment, yen receipt	¥ 605		¥ (1)	¥ (1)
	Yen payment, U.S. dollar receipt	7,202	¥ 2,401	(818)	(818)
	Malaysian ringgit payment, U.S. dollar receipt	263		(1)	(1)
Interest rate cap contracts		17,150	17,150		
Stock forward contract	Long call				

		Thousands of U.S. Dollars			
		'18			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (loss)
Currency option contracts	Long call (U.S. dollar)				
	Short put (U.S. dollar)				
Currency swap contracts	Rupee payment, yen receipt	\$ 5,655		\$ (14)	\$ (14)
	Yen payment, U.S. dollar receipt	67,315	\$ 22,444	(7,652)	(7,652)
	Malaysian ringgit payment, U.S. dollar receipt	2,466		(12)	(12)
Interest rate cap contracts		160,280	160,280		
Stock forward contract	Long call				

Derivative transactions to which hedge accounting is applied as of February 28, 2017 and 2018:

		Millions of Yen		
		'17		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts	Hedged Item			
Buy (U.S. dollar)	Accounts payable—trade	¥ 16,373		¥ 67
Buy (Australian dollar)	Accounts payable—trade	2,474		319
Buy (Euro)	Accounts payable—trade	267		(4)
Buy (British pound)	Accounts payable—trade	1,050		(13)
Buy (Yen)	Accounts payable—trade	35		
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	5,619	¥ 5,619	137
Thai baht payment, yen receipt	Long-term debt	50,847	46,868	(3,108)
Thai baht payment, U.S. dollar receipt	Long-term debt	86,921	59,391	2,766
Malaysian ringgit payment, U.S. dollar receipt	Long-term debt	67,080	59,294	14,702
Indian rupee payment, U.S. dollar receipt	Long-term debt	503		(67)
Forward exchange contracts* ¹				
Buy (U.S. dollar)	Accounts payable—trade	26		*1
Buy (British pound)	Accounts payable—trade	85		*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	114,954	113,070	(3,075)
Interest rate swap contracts* ²				
Receive floating, pay fixed	Long-term debt	54,155	42,352	*2

		Millions of Yen		
		'18		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts	Hedged Item			
Buy (U.S. dollar)	Accounts payable—trade	¥ 27,342		¥ (896)
Buy (Australian dollar)	Accounts payable—trade	856		(16)
Buy (Euro)	Accounts payable—trade	414		(8)
Buy (Thai baht)	Accounts payable—trade	26,806		
Buy (British pound)	Accounts payable—trade	501		6
Buy (Chinese yuan)	Accounts payable—trade	871		
Buy (Yen)	Accounts payable—trade	65		
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	5,320	¥ 5,320	216
Thai baht payment, yen receipt	Long-term debt	52,275	26,214	(5,000)
Thai baht payment, U.S. dollar receipt	Long-term debt	85,877	65,187	(7,636)
Malaysian ringgit payment, U.S. dollar receipt	Long-term debt	77,512	62,012	3,880
Forward exchange contracts* ¹				
Buy (U.S. dollar)	Accounts payable—trade	2		*1
Buy (British pound)	Accounts payable—trade	88	68	*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	125,769	121,448	(2,805)
Interest rate swap contracts* ²				
Receive floating, pay fixed	Long-term debt	43,183	35,118	*2

		Thousands of U.S. Dollars		
		'18		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts	Hedged Item			
Buy (U.S. dollar)	Accounts payable—trade	\$ 255,533		\$ (8,376)
Buy (Australian dollar)	Accounts payable—trade	8,005		(153)
Buy (Euro)	Accounts payable—trade	3,877		(74)
Buy (Thai baht)	Accounts payable—trade	250,530		(1)
Buy (British pound)	Accounts payable—trade	4,686		61
Buy (Chinese yuan)	Accounts payable—trade	8,149		
Buy (Yen)	Accounts payable—trade	613		
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	49,724	\$ 49,724	2,022
Thai baht payment, yen receipt	Long-term debt	488,559	244,996	(46,733)
Thai baht payment, U.S. dollar receipt	Long-term debt	802,595	609,224	(71,371)
Malaysian ringgit payment, U.S. dollar receipt	Long-term debt	724,413	579,559	36,266
Forward exchange contracts* ¹				
Buy (U.S. dollar)	Accounts payable—trade	25		*1
Buy (British pound)	Accounts payable—trade	830	638	*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	1,175,418	1,135,028	(26,218)
Interest rate swap contracts* ²				
Receive floating, pay fixed	Long-term debt	403,588	328,211	*2

*1 Foreign currency forward contracts were not measured at fair value and the accounts payable—trade denominated in a foreign currency were translated at the contracted rates, as described in Note 2 (v). The fair values of such foreign currency forward contracts were included in those of the hedged items in Note 18.

*2 The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in hedged items such as long-term debt, in Note 18.

The fair value of derivative transactions other than the acquisition option derivatives is measured at the quoted price obtained from the financial institution or discounted value of future cash flows.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

20 Commitments and contingent liabilities

a. Commitments

The consolidated credit services subsidiaries and the consolidated banking subsidiary have agreements under which they are committed to card members to execute loans as long as the agreed-upon terms are met.

As of February 28, 2018, the total unused credit available to card members is ¥8,144,349 million (\$76,115,420 thousand).

The consolidated banking subsidiary has commitment line contracts on overdrafts and loans under which it is committed to lend to customers when they apply for borrowing, up to a prescribed amount, as long as there is no violation of any conditions described in the contract. As of February 28, 2018, the amount of unused commitments was ¥29,719 million (\$277,755 thousand) including ¥5,433 million (\$50,784 thousand) of unused commitments whose original contract term is within one year (or is unconditionally cancelable at any time).

Since many of these commitments are expected to expire without being drawn upon, the total amounts of unused commitments does not necessarily represent the consolidated banking subsidiary's future cash flow requirement.

Many of these commitments have clauses that allow the consolidated banking subsidiary to withdraw the commitment line offer or reduce the contract amount under certain conditions, for example, when the financial condition changes or when the consolidated banking subsidiary needs to secure claims. Additionally, the consolidated banking subsidiary periodically reviews customers' business conditions based on internal rules and takes necessary measures, such as revising contract terms and requiring customers to provide additional collateral and/or guarantee.

b. Contingent liabilities

Contingent liabilities as of February 28, 2018, for guarantees were ¥111,515 million (\$1,042,198 thousand).

21 Other comprehensive income (loss)

The components of other comprehensive income (loss) for the years ended February 29, 2016, February 28, 2017 and 2018, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'16	'17	'18	'18
Unrealized gain (loss) on available-for-sale securities:				
Gains arising during the year	¥ 7,269	¥ 16,512	¥ 37,360	\$ 349,160
Reclassification adjustments to profit or loss	(19,282)	(4,393)	(2,405)	(22,483)
Amount before income tax effect	(12,012)	12,118	34,954	326,676
Income tax effect	5,937	(2,375)	(11,308)	(105,691)
Total	¥ (6,074)	¥ 9,743	¥ 23,645	\$ 220,985
Deferred (loss) gain on derivatives on hedge accounting:				
Gains (losses) arising during the year	¥ (1,576)	¥ 7,914	¥ 2,016	\$ 18,848
Reclassification adjustments to profit or loss	(1,716)	(1,888)	(2,266)	(21,177)
Amount before income tax effect	(3,292)	6,026	(249)	(2,329)
Income tax effect	969	(1,627)	195	1,823
Total	¥ (2,323)	¥ 4,398	¥ (54)	\$ (506)
Foreign currency translation adjustments:				
Adjustments arising during the year	¥(33,011)	¥(20,550)	¥ 6,697	\$ 62,593
Reclassification adjustments to profit or loss	(1,257)	6	389	3,643
Amount before income tax effect	(34,269)	(20,544)	7,087	66,236
Income tax effect				
Total	¥(34,269)	¥(20,544)	¥ 7,087	\$ 66,236
Defined retirement benefit plans:				
Adjustments arising during the year	¥(10,722)	¥ 1,293	¥ 779	\$ 7,281
Reclassification adjustments to profit or loss	(20,398)	670	883	8,258
Amount before income tax effect	(31,121)	1,964	1,662	15,539
Income tax effect	9,457	(497)	(956)	(8,940)
Total	¥(21,664)	¥ 1,466	¥ 706	\$ 6,599
Share of other comprehensive income in associates:				
Gains (Losses) arising during the year	¥ 165	¥ (75)	¥ 159	\$ 1,490
Reclassification adjustments to profit or loss	(183)			
Total	¥ (18)	¥ (75)	¥ 159	\$ 1,490
Total other comprehensive income (loss)	¥(64,349)	¥ (5,010)	¥ 31,544	\$ 294,805

22 Net income per share

Basic and diluted net income per share ("EPS") for the years ended February 29, 2016, February 28, 2017 and 2018, were as follows:

Year Ended February 29, 2016	Millions of Yen	Thousands of Shares	Yen
	Net Income attributable to Owners of the Parent	Weighted-average Shares	EPS
Basic EPS:			
Net income	¥6,008		
Net income available to common shareholders	¥6,008	836,049	¥7.19
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (130)	1,774	
Diluted EPS—Net income for computation	¥5,877	837,824	¥7.02

Year Ended February 28, 2017	Millions of Yen	Thousands of Shares	Yen
	Net Income attributable to Owners of the Parent	Weighted-average Shares	EPS
Basic EPS:			
Net income	¥11,255		
Net income available to common shareholders	¥11,255	837,428	¥13.44
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (199)	362	
Diluted EPS—Net income for computation	¥11,055	837,791	¥13.20

Year Ended February 28, 2018	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income attributable to Owners of the Parent	Weighted-average Shares	Yen	EPS
Basic EPS:				
Net income	¥24,522			
Net income available to common shareholders	¥24,522	838,844	¥29.23	\$0.27
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (392)	330		
Diluted EPS—Net income for computation	¥24,129	839,174	¥28.75	\$0.26

* The average number of shares of common stock held by the ESOP Trust for the fiscal year ended February 29, 2016, February 28, 2017 and 2018, was 5,469 thousand, 4,127 thousand, and 2,749 thousand, respectively.

23 Related party transactions

Transactions of the company with related parties:

Year ended February 29, 2016	Transaction Amount
	Millions of Yen
Relatives of directors of the Company	
Purchase of subsidiaries' shares	¥1,073

* The purchase price of two listed subsidiaries' shares was determined based on the closing price of the transaction execution date; it was conducted in after-hours trading of the stock exchange.

Year ended February 28, 2017	Transaction Amount
	Millions of Yen
Relatives of directors of the Company	
Purchase of subsidiaries' shares	¥16

* The purchase price of one unlisted subsidiary's shares was determined based on the stock price valuation report by an independent third party.

Transactions with the the corporate pension for employees

Year ended February 29, 2016	Transaction Amount
	Millions of Yen
Retirement benefits trust*1	
Transfer of investment securities	Sale value
	¥23,998
	Gain on sales of investment securities
	¥18,806

*1 This is a retirement benefit trust for the employees of The Daiei, Inc., a consolidated subsidiary.

*2 The transfer price of three investment securities was determined based on the closing price of the transaction execution date.

Transactions of the Group with related parties

Year ended February 29, 2016	Millions of Yen	
	Transaction amount	Balance at end
Significant directors of subsidiaries and their relatives		
Housing loan*1	(Loans and bills discounted in banking business)	¥54
Companies where directors and their close relatives owned a majority of the voting rights		
Payments of leases*2	(Prepaid expenses & other current assets)	¥ 2
Return of lease deposits*2	(Prepaid expenses & other current assets)	¥ 3
	(Fixed leasehold deposits to lessors)	¥33

*1 Housing loans are package loans from Aeon Bank. Interest rates and conditions of repayment are similar to general loans. Repayment of housing loans is not included in the transaction amount.
*2 Lease of land and parking is for a store of Marunaka CO., LTD. The terms of rents are determined by negotiation based on market price.

Year ended February 28, 2017	Millions of Yen	
	Transaction amount	Balance at end
Officers of the Company and their relatives		
Housing loan*1	(Loans and bills discounted in banking business)	¥51
Companies where directors and their close relatives owned a majority of the voting rights		
Payments of leases*2	(Prepaid expenses & other current assets)	¥ 2
Return of lease deposits*2	(Prepaid expenses & other current assets)	¥ 3
	(Fixed leasehold deposits to lessors)	¥29

*1 Housing loans are package loans from Aeon Bank. Interest rates and conditions of repayment are similar to general loans. Repayment of housing loans is not included in the transaction amount.
*2 Lease of land and parking is for a store of Marunaka CO., LTD. The terms of rents are determined by negotiation based on market price.

Year ended February 28, 2018	Millions of Yen		Thousands of U.S. Dollars	
	Transaction amount	Balance at end	Transaction amount	Balance at end
Relatives of directors of the Company				
Housing loan*1	(Loans and bills discounted in banking business)	¥28		\$262
Companies where directors and their close relatives owned a majority of the voting rights				
Payments of leases*2	(Prepaid expenses & other current assets)	¥ 2	\$266	\$ 21
Return of lease deposits*2	(Prepaid expenses & other current assets)	¥ 3	\$ 34	\$ 34
	(Fixed leasehold deposits to lessors)	¥25		\$241

*1 Housing loans are package loans from Aeon Bank. Interest rates and conditions of repayment are similar to general loans. Repayment of housing loans is not included in the transaction amount.
*2 Lease of land and parking is for a store of Marunaka CO., LTD. The terms of rents are determined by negotiation based on market price.

24 Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated within the Group.

The Group's reportable segments and main operations in each segment are as follows:

The GMS Business includes general merchandise stores (GMS), specialty stores that sell packaged lunches and ready-to-eat meals, and digital business.

The Supermarket Business includes supermarkets, discount stores, convenience stores, and smallscale supermarkets.

The Drugstore and Pharmacy Business includes drugstores and pharmacies.

The Financial Services Business includes credit card, fee, and banking businesses.

The SC Development Business includes development and leasing of shopping centers.

The Services and Specialty Store Business includes facilities management services, amusement services, food services, and specialty stores that sell family casual apparel, women's apparel, footwear, and others.

The international Business includes retail stores in the ASEAN region and China.

Other Businesses includes the mobile marketing business, etc.

Change in reportable segment

In order to deal with new management challenges, the Company implemented an organizational reform to further strengthen the solid management structure of the Aeon Group developed on the Company's basic policies, namely autonomous management by the operating companies, deeper community-rooted management, and addressing prioritized Group challenges. In line with the above initiatives, effective from the fiscal year ended February 28, 2018, the Company's business segments have been reorganized as follows: the former "Supermarket and Discount Store" business and the former "Small-sized Store" business are unified into the "Supermarket" business, and the "Digital"

business, which was previously included in "Other," is unified into the "GMS" business. With respect to major changes in the operating companies, ORIGIN TOSHU Co., Ltd., which was previously included in the "Small-sized Store" business, has been reclassified into the "GMS" business, considering its affinity with the "GMS" business.

Segment information for the fiscal year ended February 29, 2017, is presented based on the new segmentation.

Segment information for the year ended February 28, 2016, based on the new segmentation was not reported to management. As such, segment information for the year ended February 28, 2016, based on the new segmentation, is not disclosed.

2. Methods of measurement for the amounts of sales, income (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of significant accounting policies."

3. Information about sales, income (loss), assets, liabilities, and other items is as follows.

	Millions of Yen					
	'17					
	Reportable segments					
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	¥2,877,650	¥3,195,308	¥623,512	¥ 329,923	¥ 242,517	¥583,940
Intersegment sales	189,515	22,271	119	42,122	73,423	181,728
Total revenues	3,067,165	3,217,579	623,631	372,046	315,940	765,669
Segment income (loss)	(1,321)	33,688	22,053	61,904	46,851	26,393
Segment assets	1,497,362	1,148,888	295,293	4,050,134	1,242,310	404,474
Segment interest-bearing debt	425,303	249,607	24,256	823,800	459,394	79,692
Other:						
Depreciation and amortization	54,738	50,124	11,182	21,084	50,080	17,766
Equity in earnings (losses) of associated companies	(56)	578	465	385	(148)	100
Impairment loss	16,871	19,071	1,809	110	3,014	2,080
Investments in associated companies	1,717	23,205	3,151	32,399		2,691
Increase in property, buildings and equipment, and intangible assets	126,011	71,700	24,596	45,019	159,144	24,278

	Millions of Yen					
	'17					
	Reportable segments					
	International	Subtotal	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥396,617	¥8,249,468	¥ 78	¥8,249,547	¥ (39,401)	¥8,210,145
Intersegment sales	1,778	510,959	7,034	517,993	(517,993)	
Total revenues	398,395	8,760,428	7,112	8,767,540	(557,395)	8,210,145
Segment income (loss)	(5,401)	184,168	222	184,390	348	184,739
Segment assets	314,318	8,952,782	16,751	8,969,534	(218,678)	8,750,856
Segment interest-bearing debt	60,407	2,122,463		2,122,463	134,631	2,257,094
Other:						
Depreciation and amortization	17,173	222,150	245	222,395	9,508	231,904
Equity in earnings (losses) of associated companies	(1,665)	(341)		(341)	300	(40)
Impairment loss	2,262	45,221		45,221	32	45,253
Investments in associated companies	12	63,177		63,177	4,251	67,429
Increase in property, buildings and equipment, and intangible assets	33,200	483,951	708	484,659	13,223	497,883

*1 Reconciliations of sales to external customers include ¥76,397 million of adjustment to present sales from a gross basis to a net basis. Certain service transactions in the business segment, whose operating results are presented on a gross basis, are adjusted to be presented on a net basis since such revenue is incidental in the Consolidated Statement of Income as a whole.

*2 Reconciliations of sales to external customers also include an upward adjustment of ¥36,948 million related to sales to associated companies accounted for by the equity method by the shared function companies, serve as part of the head office functions, which are not included in any business segment.

*3 Reconciliations of segment income include ¥2,727 million of income of Corporate, which is not allocated to any business segment; ¥846 million of income of shared function companies, which is not included in any business segment; and ¥-1,973 million of elimination of intersegment transactions.

*4 Reconciliations of segment assets include ¥668,293 million of assets of Corporate, which are not allocated to any business segment; ¥156,166 million of assets of shared function companies, which are not included in any business segment, and ¥-1,043,137 million of elimination of intersegment transactions.

*5 Reconciliations of segment interest-bearing debt include ¥585,256 million of interest-bearing debt of Corporate, which is not allocated to any business segment; ¥47,597 million of interest-bearing debt of shared function companies, which is not included in any business segment; and ¥-498,223 million of elimination of intersegment transactions.

*6 Reconciliations of depreciation and amortization include ¥699 million of depreciation of Corporate, which is not allocated to any business segment, and ¥8,808 million of depreciation of shared function companies, which is not included in any business segment.

*7 Reconciliations of increase in property, buildings, and equipment, and intangible assets include ¥333 million of acquisitions of those assets of Corporate which are not allocated to any business segment and ¥12,890 million of acquisitions of shared function companies, which are not included in any business segment.

*8 Segment income is based on operating income.

Millions of Yen						
'18						
Reportable segments						
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	¥2,876,183	¥3,225,229	¥696,049	¥ 363,824	¥ 257,579	¥595,289
Intersegment sales	208,095	15,749	343	44,267	78,084	178,948
Total revenues	3,084,278	3,240,978	696,392	408,092	335,664	774,237
Segment income (loss)	10,536	30,722	27,700	69,766	51,542	20,261
Segment assets	1,459,044	1,151,421	337,656	4,612,894	1,308,628	418,369
Segment interest-bearing debt	422,333	253,950	37,598	809,773	498,650	99,747
Other:						
Depreciation and amortization	54,710	50,414	12,000	23,873	51,417	19,005
Equity in earnings (losses) of associated companies	12	1,020	606	1,996		86
Impairment loss	15,707	16,337	2,130	52	8,173	4,669
Investments in associated companies	1,782	24,061	3,729	36,100		2,693
Increase in property, buildings and equipment, and intangible assets	65,464	71,118	15,060	31,756	223,942	30,312

Millions of Yen						
'18						
Reportable segments						
	International	Subtotal	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥416,431	¥8,430,588	¥ 47	¥8,430,635	¥ (40,622)	¥8,390,012
Intersegment sales	2,453	527,941	10,766	538,707	(538,707)	
Total revenues	418,884	8,958,529	10,813	8,969,343	(579,330)	8,390,012
Segment income (loss)	232	210,761	400	211,161	(888)	210,273
Segment assets	320,973	9,608,988	19,791	9,628,780	(176,023)	9,452,756
Segment interest-bearing debt	65,017	2,187,069		2,187,069	157,312	2,344,381
Other:						
Depreciation and amortization	17,898	229,320	391	229,711	10,123	239,835
Equity in earnings (losses) of associated companies	(262)	3,459		3,459	379	3,839
Impairment loss	1,261	48,332		48,332		48,332
Investments in associated companies	835	69,204		69,204	4,576	73,781
Increase in property, buildings and equipment, and intangible assets	19,240	456,895	572	457,468	11,394	468,862

Thousands of U.S. Dollars						
'18						
Reportable segments						
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	\$26,880,217	\$30,142,335	\$6,505,135	\$ 3,400,231	\$ 2,407,289	\$5,563,448
Intersegment sales	1,944,819	147,187	3,207	413,716	729,758	1,672,416
Total revenues	28,825,036	30,289,522	6,508,342	3,813,947	3,137,048	7,235,865
Segment income (loss)	98,473	287,123	258,879	652,019	481,710	189,357
Segment assets	13,635,933	10,760,949	3,155,665	43,111,163	12,230,173	3,909,995
Segment interest-bearing debt	3,947,038	2,373,364	351,383	7,567,972	4,660,285	932,220
Other:						
Depreciation and amortization	511,313	471,167	112,153	223,115	480,538	177,618
Equity in earnings (losses) of associated companies	116	9,536	5,665	18,659		808
Impairment loss	146,800	152,686	19,907	490	76,391	43,640
Investments in associated companies	16,654	224,877	34,857	337,389		25,175
Increase in property, buildings and equipment, and intangible assets	611,820	664,657	140,753	296,789	2,092,918	283,297

Thousands of U.S. Dollars						
'18						
Reportable segments						
	International	Subtotal	Other	Total	Reconciliations	Consolidated
Sales to external customers	\$3,891,884	\$78,790,542	\$ 445	\$78,790,987	\$ (379,653)	\$78,411,333
Intersegment sales	22,925	4,934,031	100,618	5,034,649	(5,034,649)	
Total revenues	3,914,809	83,724,573	101,063	83,825,637	(5,414,303)	78,411,333
Segment income (loss)	2,173	1,969,737	3,738	1,973,475	(8,306)	1,965,168
Segment assets	2,999,751	89,803,633	184,969	89,988,602	(1,645,084)	88,343,518
Segment interest-bearing debt	607,638	20,439,903		20,439,903	1,470,207	21,910,111
Other:						
Depreciation and amortization	167,274	2,143,181	3,658	2,146,840	94,609	2,241,450
Equity in earnings (losses) of associated companies	(2,450)	32,335		32,335	3,550	35,885
Impairment loss	11,791	451,709		451,709		451,709
Investments in associated companies	7,812	646,767		646,767	42,775	689,542
Increase in property, buildings and equipment, and intangible assets	179,818	4,270,054	5,348	4,275,403	106,488	4,381,892

*1 Reconciliations of sales to external customers include ¥76,811 million (\$717,860 thousand) of adjustment to present sales from a gross basis to a net basis. Certain service transactions in the business segment, whose operating results are presented on a gross basis, are adjusted to be presented on a net basis since such revenue is incidental in the Consolidated Statement of Income as a whole. Reconciliations of sales to external customers also include an upward adjustment of ¥36,089 million (\$337,286 thousand) related to sales to associated companies accounted for by the equity method by the shared function companies, serve as part of the head office functions, which are not included in any business segment.

*2 Reconciliations of segment income include ¥1,055 million (\$9,861 thousand) of income of Corporate, which is not allocated to any business segment; ¥-10 million (\$-93 thousand) of income of shared function companies, which is not included in any business segment; and ¥-1,895 million (\$-17,718 thousand) of elimination of intersegment transactions.

*3 Reconciliations of segment assets include ¥685,366 million (\$6,405,290 thousand) of assets of Corporate, which are not allocated to any business segment; ¥162,010 million (\$1,514,119 thousand) of assets of shared function companies, which are not included in any business segment; and ¥-1,023,400 million (\$-9,564,494 thousand) of elimination of intersegment transactions.

*4 Reconciliations of segment interest-bearing debt include ¥597,474 million (\$5,583,870 thousand) of interest-bearing debt of Corporate, which is not allocated to any business segment; ¥52,156 million (\$487,439 thousand) of interest-bearing debt of shared function companies, which is not included in any business segment; and ¥-492,317 million (\$-4,601,102 thousand) of elimination of intersegment transactions.

*5 Reconciliations of depreciation and amortization include ¥715 million (\$6,688 thousand) of depreciation of Corporate, which is not allocated to any business segment, and ¥9,407 million (\$87,921 thousand) of depreciation of shared function companies, which is not included in any business segment.

*6 Reconciliations of increase in property, buildings, and equipment, and intangible assets include ¥455 million (\$4,260 thousand) of acquisitions of those assets of Corporate which are not allocated to any business segment and ¥10,938 million (\$102,228 thousand) of acquisitions of shared function companies, which are not included in any business segment.

*7 Segment income is based on operating income.

4. Information about geographical areas

(1) Total operating revenues

Millions of Yen				
'16				
Japan	ASEAN	China	Other	Total
¥7,464,583	¥333,196	¥248,540	¥130,411	¥8,176,732

Millions of Yen				
'17				
Japan	ASEAN	China	Other	Total
¥7,543,969	¥312,717	¥242,068	¥111,390	¥8,210,145

Millions of Yen					Thousands of U.S. Dollars				
'18					'18				
Japan	ASEAN	China	Other	Total	Japan	ASEAN	China	Other	Total
¥7,674,425	¥334,981	¥262,081	¥118,523	¥8,390,012	\$71,723,602	\$3,130,669	\$2,449,363	\$1,107,698	\$78,411,333

* Total revenues are classified by country and region based on the location of customers.

(2) Property, buildings and equipment

Millions of Yen				
'17				
Japan	ASEAN	China	Other	Total
¥2,337,090	¥232,362	¥82,188	¥8,137	¥2,659,779

Millions of Yen					Thousands of U.S. Dollars				
'18					'18				
Japan	ASEAN	China	Other	Total	Japan	ASEAN	China	Other	Total
¥2,408,350	¥250,696	¥87,038	¥9,027	¥2,755,112	\$22,507,944	\$2,342,961	\$813,442	\$84,365	\$25,748,714

5. Information about goodwill by segment

Millions of Yen						
'17						
Reportable segments						
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	¥ 2,305	¥ 5,735	¥ 3,993	¥ 3,083	¥ 2,617	¥1,009
Book value	20,543	34,299	47,851	22,910	26,165	8,649

Millions of Yen				
'17				
Reportable segments				
	International	Total	Other	Consolidated
Amortization of goodwill	¥ 289	¥ 19,034		¥ 19,058
Book value	1,191	161,611		161,694

Millions of Yen						
'18						
Reportable segments						
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	¥ 2,464	¥ 2,753	¥ 3,456	¥ 2,856	¥ 2,628	¥ 980
Book value	18,078	31,608	53,729	20,075	23,537	7,684

Millions of Yen				
'18				
Reportable segments				
	International	Total	Other	Consolidated
Amortization of goodwill	¥241	¥ 15,381		¥ 15,405
Book value	855	155,568		155,628

Thousands of U.S. Dollars						
'18						
Reportable segments						
	GMS	SM	Drugstore and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	\$ 23,028	\$ 25,730	\$ 32,304	\$ 26,700	\$ 24,566	\$ 9,167
Book value	168,962	295,403	502,142	187,623	219,973	71,818

Thousands of U.S. Dollars				
'18				
Reportable segments				
	International	Total	Other	Consolidated
Amortization of goodwill	\$2,253	\$ 143,751		\$ 143,974
Book value	7,992	1,453,915		1,454,474

*1 For the year ended February 28, 2017, the amount of "SM" and "Drugstore and Pharmacy" includes ¥3,443 million of other expenses in the consolidated statement of income. And the amount of "International" does not include "impairment loss" of ¥1,819 million in the consolidated statement of income.

25 Subsequent event

Material amounts of bonds issuance by a consolidated subsidiary

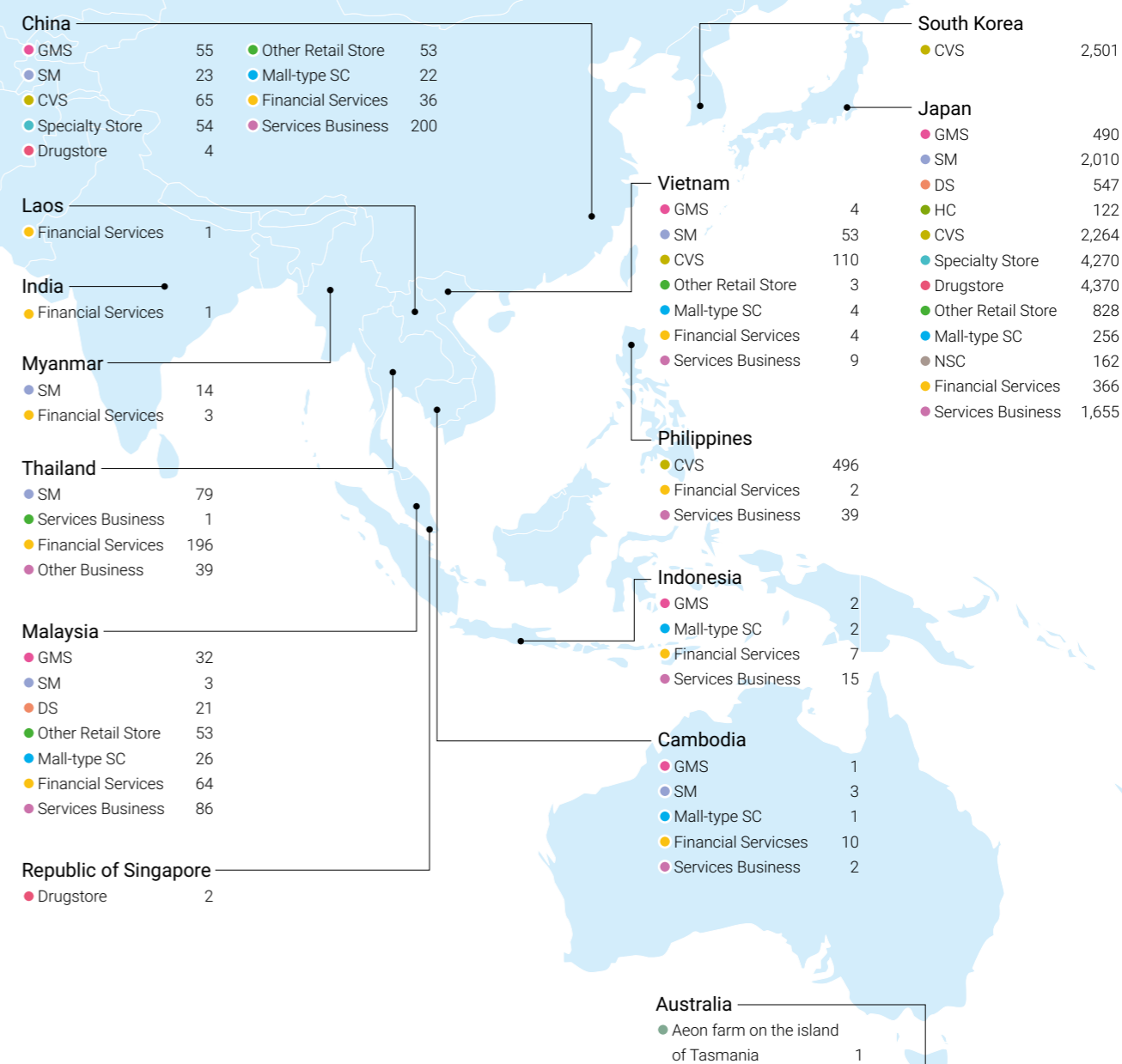
The Company's consolidated subsidiary, Aeon Mall Co., Ltd. issued Unsecured Bonds.

The issuance of bonds is summarized as follows:

- 1) Title of bonds: Aeon Mall Co., Ltd. Unsecured Bonds (with special pari passu conditions among bonds), series 14
- 2) Total amount of bonds: ¥30,000 million (\$280,373 thousand)
- 3) Denomination price: ¥1 million (\$9 thousand)
- 4) Interest rate: 0.39% per annum
- 5) Issue price: ¥100 per ¥100 of each bond
- 6) Issue date: March 7, 2018
- 7) Redemption method and date: Lump-sum redemption on March 7, 2023
- 8) Collateral: The bonds are not secured or guaranteed. No assets are reserved for the bonds.
- 9) Use of funds: It is a policy to allocate it as part of commercial paper redemption funds and debt repayment funds.

Global Expansion

Expanding Aeon to Asia and around the World



GMS (General Merchandise Store)	584	SM (Supermarket)	2,185	DS (Discount Store)	568
HC (Home Center)	122	CVS (Convenience Store)	5,436	Specialty Store	4,324
Drugstore	4,376 ^{*1}	Other Retail Store	938	Mall-type SC (Shopping Center)	311 ^{*2}
NSC (Neighborhood-type Shopping Center)	162 ^{*3}	Financial Services	690	Services Business	2,045
Aeon farm on the island of Tasmania	1				

*1 Including affiliated companies

*2 Including SCs operated under the name of Aeon Mall as well as those with total leased area of over 20,000 m²

*3 NSCs operated under the name of Aeon Town
Number of stores operated by consolidated subsidiaries and equity-method affiliates

Total **21,742** stores/locations
(as of the end of February 2018)

Corporate Data

Headquarters	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8515, Japan
Representative	Motoya Okada, Representative Director, President and Group CEO
Founded	1758
Established	September 1926
Number of Employees	Approx. 550,000
Fiscal Year End	End of February
Annual Shareholders' Meeting	Held by the end of May
Stock Exchange Listing	Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8223, Japan
Number of Shareholders	753,034
Shares Issued and Outstanding	871,924,572
Website	https://www.aeon.info/en/

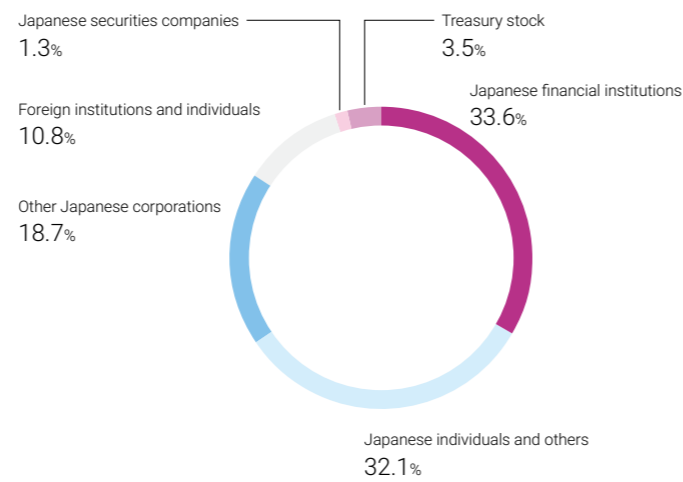
Major Shareholders (As of the end of February 2018)

Name	Number of shares held (Thousands of shares)	Ratio of shares held (%)
Mitsubishi Corporation	40,422	4.80
Mizuho Bank, Ltd.	33,292	3.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,191	3.47
Japan Trustee Services Bank, Ltd. (Trust Account)	25,308	3.01
AEON Environmental Foundation	21,507	2.56
The Cultural Foundation of Okada	21,100	2.51
The Norinchukin Bank	18,133	2.15
Japan Trustee Services Bank, Ltd. (Trust Account #5)	14,483	1.72
Employees' stockholding association	13,406	1.59
Aeon Mutual Benefit Society (Nomura Securities account)	11,994	1.42

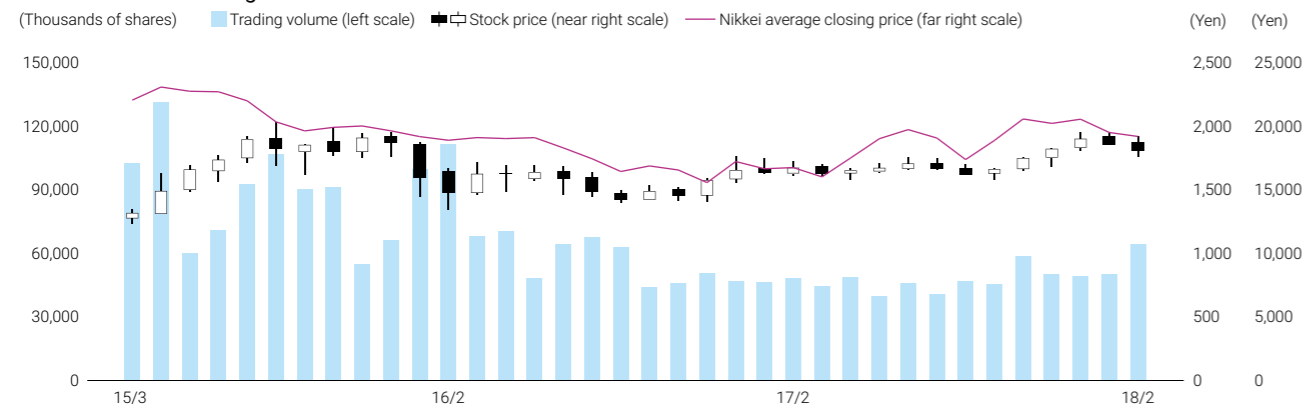
Notes:

- Calculations of ratio of shares held exclude treasury stock (30,202,546 shares) and have been rounded.
- On March 6, 2018, BlackRock Japan Co., Ltd. and its seven joint holders submitted a Report of Possession of Large Volume and reported that they held 43,824 thousand shares of the Company (5.03% of the total number of shares issued) as of the end of February 2018. However, as it is not possible to confirm the actual number of shares held as of the end of this fiscal year, this information has not been included in the above table.

Shareholder Distribution by Owners



Stock Price and Trading Volume



Aeon History Museum

The Aeon History Museum presents the significance and essence of the Basic Principles Aeon has created and refined throughout its history. Visits to the museum can be made with Aeon employees or by reservation. Please call 81-43-212-6614.

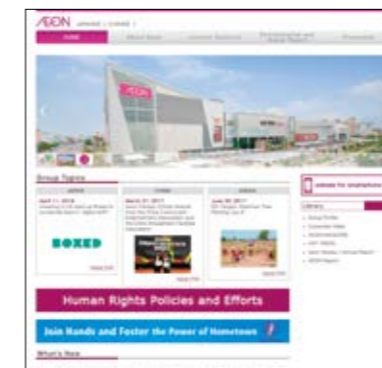
Address:
Aeon Head Office Annex 2F, 1-5-1 Nakase,
Mihama-ku, Chiba-shi, Chiba



Aeon's Website

Our website covers activities and data not presented in the integrated report. Sections of the website provide a wide variety of information.

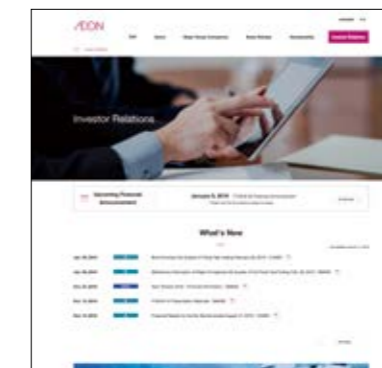
Corporate



<https://www.aeon.info/en/>

The corporate section presents information for various stakeholders. Please access the latest company information and news releases here.

Investor Relations



<https://www.aeon.info/en/ir/>

This section presents our management policy, financial and performance data, stock information, IR materials, and other information.

Environmental and Social Report



<https://www.aeon.info/en/environment/>

Our Environmental and Social Report presents our basic environment and CSR policies and specific initiatives.



AEON CO., LTD.

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Website: <https://www.aeon.info/en/>

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