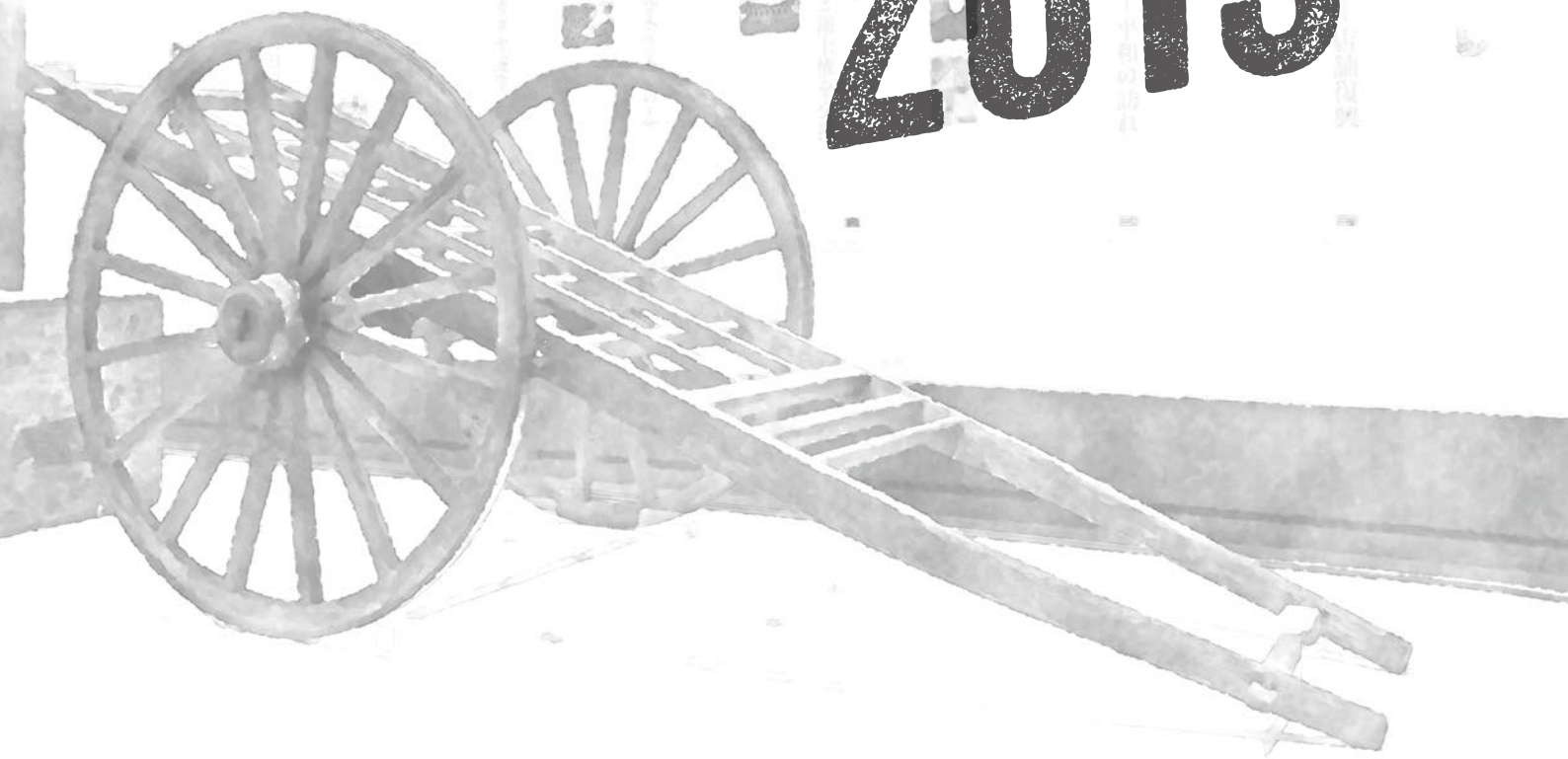


AEON REPORT 2019



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Contents

03	The DNA of Aeon
08	Growth Path of the Aeon Group
10	Aeon's Value Creation Model
12	CEO Message
14	CFO Message
16	Shareholder Returns
17	Progress under the Aeon Group Medium-Term Management Policies
24	Message from the Director in Charge of CSR and Communication
26	Response to Climate Change by Scenario Analysis
30	Natural Capital
32	Manufactured Capital
34	Human Resources
36	Message from Executive Officer in Charge of Human Resources
38	Social and Relationship Capital
40	Dialogue with Stakeholders
42	Board of Directors and Executive Officers
44	Messages from Outside Directors
46	Corporate Governance
52	Compliance (Corporate Ethics)
54	Risk Management
55	Information Security
56	Financial and Non-Financial Highlights
58	An Overview of Aeon
59	Global Expansion
60	Corporate Data

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*. However, in 2019, we issued two separate reports: the *Aeon Report*, which focuses on business management direction and strategies, and the *Sustainability Data Book*, which includes details of sustainability initiatives in the areas of the environment and society.

This report presents different facets of Aeon's business management, such as business management direction and strategies, while also including non-financial information on CSR activities and so forth.

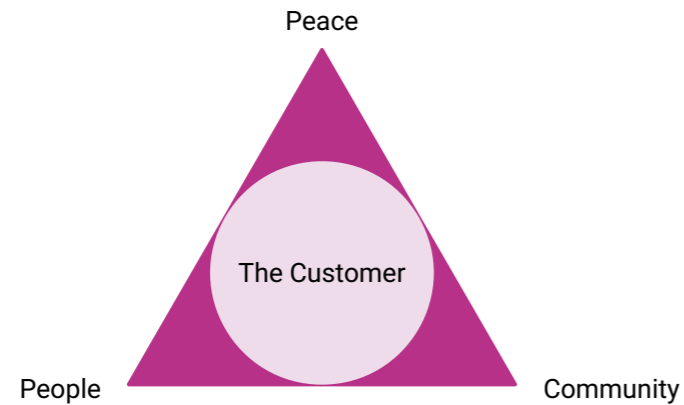
Further, this report was prepared with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

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.

* 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.

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**.

AEON's Corporate Commitment

AEON creates a future of limitless promise —an AEON— by transforming daily life with our open, dynamic approach.



The word aeon (AEON) has its origins in a Latin root meaning "eternity." The Aeon Group's eternal mission is to benefit its customers. By fulfilling this mission, we hope to sustain the Group's development and prosperity forever.

The DNA of Aeon



Leveraging the unique advantages as a retailer closely connected to the community

- ➔ Aeon conducts tree planting with local customers when opening a new store.

Tree Planting Activities Embodying the Aeon Basic Principles

Loss of Nature Means Losing the Very Source of Human Prosperity

In the 1960s, Takuya Okada, then president of Okada, Inc., began to sense there was something amiss with the Earth's environment. For example, he noticed that the Nandina heavenly bamboo tree in his garden in Yokkaichi City, Mie Prefecture had stopped producing berries.

Feeling a sense of crisis at these changes in the Earth's environment, Okada sought solutions by leveraging Okada's position as a retailer close to local communities, launching the Aeon Hometown Forests Program in 1991. The program involves customers in the systematic planting of trees on the grounds of stores.

These activities put the Aeon Basic Principles into practice by fostering appreciation of nature's importance, strengthening ties with local residents, and promoting harmonious coexistence with them.

Trees planted Approx. **11.93** million

Participants to date Approx. **1.18** million

* Figures as of February 28, 2019



The first store in the Aeon Hometown Forests Program, JUSCO Malacca store (Currently Aeon Malacca Shopping Center)



Change in business structure ● Aeon has expanded its business segments to meet the changes in the times, covering shopping center development, specialty stores, and services.

A Constantly Transforming Corporate Group

Give the Central Pillar Wheels

We should “give the central pillar wheels” that is the mainstay of our stores, thereby realizing self-reform that meets the changing needs of society and customers. The central pillar supporting a house is normally an important component that cannot and must not be moved. The saying “give the central pillar wheels” means we should respond to change by enabling the movement of things—even if they are things that normally must not be moved. In accordance with predecessor Okadaya’s belief that “companies should cater flexibly to changes in customers’ needs,” the Aeon Group has grown its businesses by consistently responding to changes in the needs of society and customers.

Operating revenue ¥ **8,518.2** billion
Stores in Japan and overseas **21,996**

* Figures are as of and for the fiscal year ended February 2019



Okadaya in 1949

The Basis of Aeon's Business

The Spirit of Peddlers

At one time, Okadaya conducted its business by peddling around and taking orders from individual customers.

The “spirit of peddlers” that we developed by striving to cater to the needs of individual customers has become the starting point for Aeon’s business, which is founded on consistently focusing on customer satisfaction and responding to diverse voices from society as it changes with the times.

Today, we have created systems for collecting regular customer feedback, which we use to improve our goods and services.

Number of customer inquiries received throughout the year

Approx. **97,000**

TOPVALU sales ¥ **775.5** billion

* Figures are for FY2018



In 1974, we launched *J Cup*, our store brand of cup noodles, dispensing with the fork in response to customers’ voices.



Listening to the Voices of Customers ● Our *Gurinai Free From* series of foods was launched based on the voices of customers concerned about preservatives. Aeon considers the voices of customers to be the starting point for management decisions.

The Origin of Diversity Management

A Merger of Hearts

Aeon has grown through a series of mergers since the establishment of its predecessor JUSCO Co., Ltd. Successfully merging companies that have different corporate cultures requires both parties opening up to one another and cooperating equally and fairly.

Immediately after the merger that established JUSCO, it introduced five human resources principles: fairness, respect for people, immediate response to change, rationality, and skill development. Remaining true to these principles, Aeon's current human resources policy places a strong emphasis on human rights and diversity.

Group employees Approx. **580,000**

Group companies **323**
(including pure holding company)

* Figures are as of the end of February 2019



Photograph taken in 1969 at the time of JUSCO's launch through the merger of three companies



Merger Based on Mutual Trust In 2015, United Super Markets Holdings Inc. was launched as the common holding company of Marubeni, Inc., Kasumi Co., Ltd., and Maxvalu Kanto Co., Ltd. We will combine the total capabilities of these companies to get close to local communities and become a supermarket that is trusted by local people.



Personnel are the Most Important Management Resource The Aeon DNA University was established to develop the next generation of Aeon managers by instilling in trainees the philosophy and values that make up the corporate DNA passed down since our founding. The Group CEO is an instructor at the university.

The Driving Force of Aeon's Development

Education Is the Greatest Benefit

Okada founded the Okada Management School (OMS) in 1964 as a place of learning for general education and management studies. This stance of placing human resource education at the foundation of the Company was carried on in the JUSCO University (currently Aeon Business School), which was established in 1969. We place a strong emphasis on education of human resources, believing that raising the level of the employees raises the level of customer satisfaction, thereby increasing the capability of the Company.

Moreover, the stance that education is the greatest benefit encapsulates the notion that it is education that enriches the lives of employees, rather than salaries and benefits alone.

Aeon Business School students to date **6,575**

Personnel accredited with the internal certification systems **17,295**

*Figures are as of February 28, 2019



Class being held in 1979

Aeon is marking the 30th anniversary since its launch in 1989. We will remain true to our original vision, “Everything we do, we do for our customers,” working to understand the issues of society as they change with the times and expand our business fields while continuing to innovate.

FY2018

Operating revenue ¥8,518.2 billion



1980s

Promoting Diversified Management Centered on the Retail Business in Japan and Overseas

As Japan's economic expansion drove increasing consumption improved living standards, Aeon developed the convenience store business, the specialty store business, and the financial business to provide payment methods. We also started to use the modern retailing know-how we had developed in Japan to develop business in Asia.

- 1980 Established Ministop Co., Ltd.
- 1981 Established Japan Credit Service Co., Ltd. (currently Aeon Financial Service Co., Ltd.) and launched the Financial Services Business
- 1985 Opened first store overseas, in Malaysia
- 1989 Changed name from the JUSCO Group to the Aeon Group
At the same time, the Aeon Group 1% Club (the present AEON 1% Club Foundation) was established.

1989
Operating revenue ¥1,244.5 billion



1990s

Working to transform the business structure

Amid a worsening environment with the Japanese economy in a slump and an aging population combined with a falling birthrate, we rebuilt business formats from scratch. These measures included implementing a scrap-and-build strategy for existing stores and developing large Maxvalu supermarkets. Also, in light of the aging of society, we advanced development of the drugstore business.

- 1990 Established the AEON Group Environmental Foundation (the present AEON Environmental Foundation)
- 1991 Started the Aeon Hometown Forests Program
- 1993 Launched TOPVALU Gurinai
- 1994 Opened first Maxvalu store
- 1995 Established Dorakkusu and expanded the drugstore business
- 1997 Established the Group's amusement business operator, Aeon Fantasy Co., Ltd.
- 1999 Established Aeon Cinemas Co., Ltd.



2000s

Transition from JUSCO to Aeon and growth through M&As

Aiming to become a world-class retail group, Aeon focused on mergers with major retailers in each region and new store openings. 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.

- 2001 Changed name from JUSCO Co., Ltd. to Aeon Co., Ltd.
- 2003 Made Aeon Co., Ltd. a company with committees (currently a company with a nomination committee, etc.)
- 2007 Introduced WAON electronic money card
Opened Aeon Bank
- 2008 Aeon Co., Ltd. shifted to a pure holding company structure
Formulated the Aeon Manifesto on the Prevention of Global Warming
- 2009 Established Aeon Agri Create Co., Ltd.
- 2010 Formulated the Aeon Biodiversity Principle



2010s

Advancement of four transformations* in response to macro trends

We have been responding to the diversification of lifestyles in Japan resulting from increases in the senior population, single-person households, and working women, and strengthening our business development in the growth markets of Asia. In addition, we have been striving to implement sustainable management that aims to resolve environmental and social issues.

- 2011 Established China and ASEAN Headquarters
Established My Basket Co., Ltd.
Established the Aeon Sustainability Principle
- 2014 Opened stores in Vietnam and Cambodia
Formulated the Aeon Sustainable Procurement Principle
- 2015 Established United Super Markets Holdings Inc.
- 2017 Formulated the Aeon Sustainable Procurement Policy and the 2020 Sustainable Procurement Goals
Formulated the Aeon Food Waste Reduction Targets
- 2018 Formulated the Aeon Decarbonization Vision 2050

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

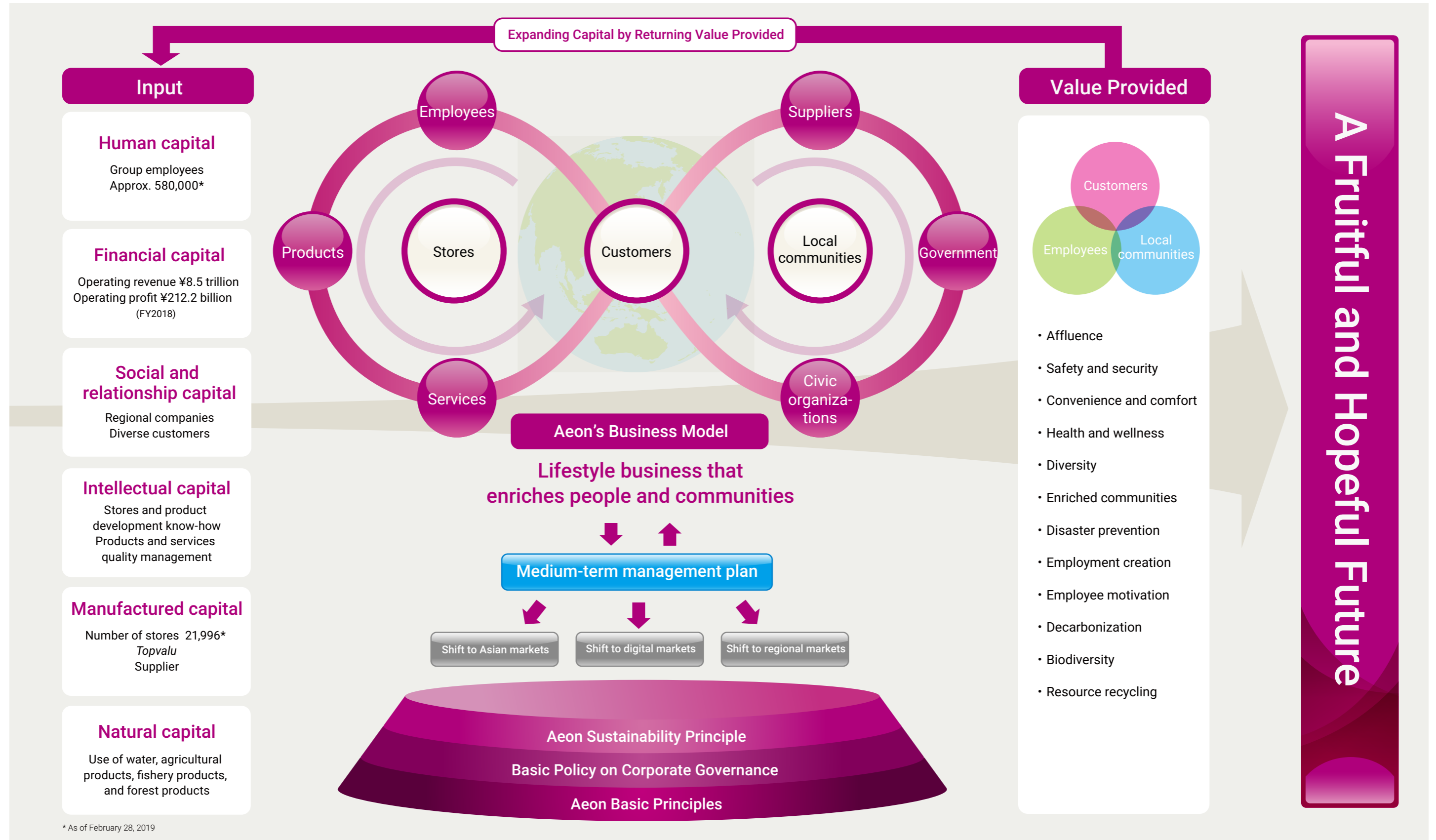
Global Trends

- 1989 Introduction of 3% consumption tax
- 1991 Recycling Act enforced, mandating separation, recovery, recycling, and reuse of resources, waste, and so forth

- 1992 Revised Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (regulatory relaxation) enforced
- 1997 Consumption tax rises from 3% to 5%
Adoption of the Kyoto Protocol targeting a 5% reduction in overall greenhouse gas emissions of advanced countries compared to 1990 level

- 2000 Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging enforced
- 2004 The Beef Traceability Act was enforced
- 2011 Great East Japan Earthquake
- 2014 Eel and Pacific Tuna are designated on the red list of endangered species
Consumption tax rises from 5% to 8%

- 2015 Adoption of the SDGs at the Paris Agreement
Enforcement of the Food Labelling Act
- 2019 The Japanese government announced its target of reducing the country's CO₂ emissions to zero by 2070.
Consumption tax rises from 8% to 10%



Aeon will Continue Reforming to Become the Leading Contributor to Customer and Local Communities



Anticipating Changes in Market and Customer Needs from a Long-Term Perspective

In 2019, Aeon reached two milestones: the 50th anniversary of its predecessor JUSCO Co., Ltd. and the 30th anniversary of the Aeon Group, which was launched in 1989. In Japan, we also saw the end of the Heisei era and the start of the new Reiwa era with the crowning of Emperor Naruhito. In any era, we have consistently put customers first, anticipating changes in market and customer needs and aiming to achieve sustainable growth from a long-term viewpoint as a group that contributes to the local community while working to increase our corporate value.

Recently, conditions in the retail industry have been changing at unprecedented speed.

Customer preferences and needs have increasingly diversified in ways including health orientation, low-price orientation, and growing interest in ethical consumption that takes into consideration the global environment and local communities. Also, the market presence of companies that principally engage in e-commerce businesses is further strengthening. Finally, in October the consumption tax rate in Japan was increased, which is driving even stronger cost-saving consciousness among individual consumers.

In this environment, as a corporate group with an everlasting innovative spirit, Aeon will implement a shift in direction toward regional, digital, and Asian markets, and a shift in investments to support this change of direction, as set forth as the direction for innovation in the Aeon Group's medium-term management policies (FY2018–2020) toward 2020, and will continue implementing structural reforms for the Group with the aim of becoming the



No.1 company in each region and business field.

Steadily Executing the Four Transformations in the Medium-Term Management Plan

To increase the speed of implementation of three of our transformational shifts, in FY2019 Aeon has newly assigned three deputy presidents and representative executive officers in charge of businesses. Also, to reinforce its platforms, Aeon will put in place a structure for expeditiously solving management issues and achieving business objectives by newly assigning personnel in charge of logistics and ICT.

Furthermore, to increase our competitive strength to unrivaled levels locally, we have been merging our supermarket operations with subsidiaries in six regions of Japan. In March 2019 in the Chugoku and Shikoku regions, Maxvalu Nishinohon Co., Ltd. made Marunaka Co., Ltd. and Sanyo Marunaka Co., Ltd. into subsidiaries, and in September in the Tokai and Chubu regions, Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. transitioned to a new structure. By changing from our previous business model and quickly establishing a super market (SM) business that makes the leading contribution to the local community, we will capture the top market share in each region.

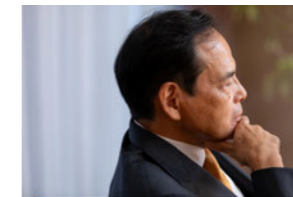
In Asia, we will promote the establishment of the GMS format and the shift to digital markets, such as e-commerce, as in Japan. At the same time, we will concentrate our management resources in areas where particularly high growth is expected, such as Vietnam. In June 2019, we roughly doubled the floor area of our Vietnam No. 1 store, which opened in 2014, and renovated it.

In China, where we are introducing the latest IT, we established a new company to serve as a base for the Group's shift to digital markets. We will promote the shift to digital markets with an eye to introducing the digital systems developed in China into ASEAN and Japan. Meanwhile, we will accelerate our business expansion in Asia.

Furthermore, in pursuing long-term sustainable growth, we consider it necessary to nurture two types of human resources: management personnel capable of performing in an overseas environment and specialists in fields such as human resources, personnel, finance, and IT. We will build systems and structure centered on personnel to identify such human resources throughout the entire Group and nurture them, aiming to begin operating these systems during the current medium-term management plan.

Transformation of TOPVALU

The current changes in global consumption in terms of diversification of customers food preferences suggest that customer evaluation of mass production and mass consumption is declining. This trend will soon be apparent in Japan too. Amid these changes, we must develop Aeon's private brand, TOPVALU, to offer clear differences against national brands and win customer support. We believe this means offering fresh local products that minimize the use of additives as much as possible and take other measures to provide a real sense that they are healthy. We need to incorporate these small-scale, local items into TOPVALU, and transform it into something completely different from before.



Promoting Wellness and Diversity to Convert the Power of Individuals into the Power of the Group

Since the launch of JUSCO in 1969, we have regarded personnel as our most important management resource. To ensure that our personnel can continue to perform to their potential in good health, we have positioned employee health management as an essential element of our corporate activities. We promote health management in the belief that healthy employees are better able to provide services that bring customers health and happiness.

Furthermore, to respond to social change and the diversification of consumer needs, we recognize that it is important to conduct diversity-focused management that respects and leverages the different values and approaches of each employee. We have set KPIs including empowerment of women, international personnel exchanges of foreign nationals within the Group, and employment of people with disabilities, and the entire Group is promoting diversity management. Aeon will continue to emphasize human rights and diversity as we continue striving for innovation with competitive capabilities powered by diversity.

Pursuing Sustainable Management to Address Environmental and Social Issues

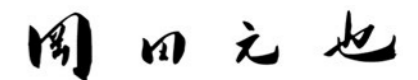
Based on the Aeon Basic Principles, Aeon is implementing sustainable management with the aim of simultaneously growing the Group while helping to realize a sustainable society. If they want to continue growing, companies need to adopt viewpoints that take into account environmental, social, and governance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

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. In 2018, the Group revised its Aeon Human Rights Policy to better reflect the needs of suppliers and all other stakeholders.

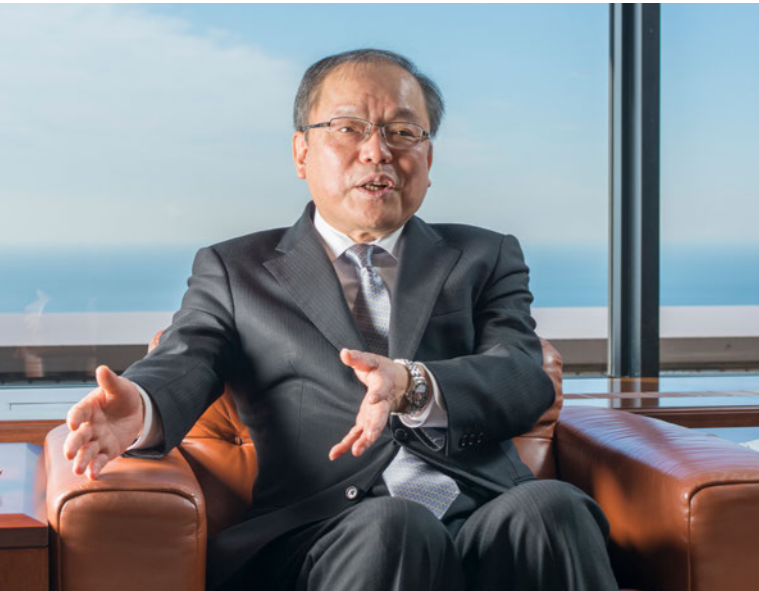
As a measure for leveraging the distinctive attributes of its retail businesses, in 2006 Aeon became the first domestic retailer to develop and market Marine Stewardship Council (MSC)-certified products. Similarly, with the 2008 announcement of the Aeon Manifesto on the Prevention of Global Warming, we became the first retailer in Japan to set specific reduction targets for CO₂ emissions. We launched ambitious new goals by establishing and announcing the Aeon Sustainable Procurement Principle and the

Sustainable Procurement Goals for 2020 in April 2017, followed by the Aeon Group Food Waste Reduction Goals in October of the same year, and the Aeon Decarbonization Vision 2050 in March 2018. I am confident that we can earn the endorsement of everyone 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.



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



Aiming to Move to the Next Growth Stage by Accelerating Global Expansion and Strengthening Cash-Generation Capability

Akinori Yamashita

Executive Vice President and Executive Officer
Chief Financial Officer

Centralized Management of Diverse Profit Structures

Aeon has four pillar businesses in retail, shopping center development, finance, and services, which it conducts with wide ranging operations in 14 countries around the world. The retail business, which has been our business since the time of our predecessor, Okada, is still the main driver for our earnings today. However, our new businesses are growing steadily, and the Aeon Group's business portfolio has changed enormously over the 30 years since its launch. For example, of the ¥8,518.2 billion in operating revenues that we recorded for FY2018, if the transaction volume of the Financial Services and Shopping Center Development businesses, which utilize assets, is substituted for operating revenue, the Companywide business scale becomes approximately ¥20 trillion. One of the important features of the Aeon Group is its coverage of mutually complementary profit structures through the four main businesses in this way.

The Company controls the Group's diverse profit structures in terms of operating gross profit and cash flow. In addition, to cope with the globalization of economies, we promote the adoption of IFRS for our accounting standard, mainly at overseas subsidiaries, while making an effort to ascertain the latest local information on the status of government, economy, and society. For example, tax systems differ from country to country, and it is therefore necessary to reflect local compliance perspectives in accounting governance. In addition, when procuring funds, it is essential to have an understanding of financial market trends in each country. From this perspective, the Company has established a three-pronged headquarters system comprising our headquarters in China, the ASEAN

region and Japan. Under this system, we are pursuing more effective management based on highly sensitive risk recognition.

Furthermore, in light of its business portfolio as described above, Aeon has adopted a format where both the parent and subsidiaries are publicly listed. In other words, the pure holding company oversees governance for the entire group, and the main listed subsidiary for each business segment oversees the other subsidiaries. Disclosures to the capital markets are made on a segment basis, while the listed subsidiaries are responsible for providing information for each company. This two-tier system allows for more detail in disclosure and dialogue with investors.

Strategically Accelerating Globalization

Aeon has been expanding strategically overseas into Malaysia, Thailand, and other countries since the early 1980s. Currently, our urgent priorities are to achieve sustainable growth in the first and second rounds of these businesses, while moving onto a growth trajectory with a shopping center model that integrates the four business areas of retail, shopping center development, finance, and services, which we have been working on for the past two years. We have already achieved profitability in China, following ASEAN, with operating income for FY2018 making up 16.8% of the Group total, and overseas operations now accounting for nearly half of our operating gross profit. Going forward, as the relative weight of our overseas operations increases, we will shift more of our management resources to overseas destinations. Moreover, our fund procurement should also become more stable and smoother, appropriately timed to trends in foreign exchange and

interest rates and benefiting from the best conditions in each country around the world.

In promoting this overseas shift, we have several tasks to address. First, we need to accelerate digitalization and build an integrated infrastructure system. For example, one option is to set up shared services overseas that concentrate the Group's back office divisions in one place. Moreover, currently we are using different ERP* software in each region, which makes it difficult to have a single overview that includes every company's status. The standardization of ERP is an important prerequisite to enable the process of sharing and analyzing global data to identify issues.

Our second task is to bolster the functions of China and ASEAN by further delegating authority. Having established a system where the three headquarters can undertake rapid decision-making with equal qualifications, it is important to share the data and enable each headquarters to make use of it managing the subsidiaries under their control.

The third task is to strengthen the organization of our local subsidiaries. Although Asia is a single region, the different countries have diverse local business histories, levels of market maturity, and other aspects. We need to discern these factors carefully to proceed with the optimal organization management and personnel strategy. In particular, overcoming the language barrier and communicating with local staff who conduct daily operations is essential for effective management of the value chain.

The Company has positioned the next two to three years as a period for building the foundation for the next growth stage. We will boldly carry out the necessary measures in Japan and overseas, keeping our eyes on the future.

* Enterprise Resources Planning: A backbone IT system for centralized management of essential corporate management resources, such as people, things, money, and information.

Strengthening Cash Flow Generation Capability

At Aeon, we analyze the status of the Group's businesses in detail in terms of both flow and stock, based on the financial statements for each business segment. Cash flow generation capability is the important indicator in this process. Retaining adequate cash deposits in comparison to the level of interest-bearing debt is an effective indicator for earning capability and financial soundness. Within retail in particular, for the GMS and SM businesses, which are approaching maturity in Japan, we maintain close contact with the executive officers in charge and concentrate management resources there to further increase cash-generation capability.

In cash management, Aeon places a particular emphasis on the time lag between procurement and sale when handling products, that is, management of the cash conversion cycle (CCC). Furthermore, we always consider the fluctuation of foreign exchange rates due to the impact of each country's monetary policy and the international situation.

On the other hand, the Company's equity ratio is low compared to its industry peers. This is due to our financial strategy of utilizing the cash flow increase from notes and accounts payable-trade, but it is by no means at a satisfactory level. Our policy is to further increase equity by continuing our efforts to manage cash flow appropriately, while steadily accumulating retained earnings through strengthening the earning capability of our main businesses.

Moving to a Further Growth Stage through the Power of Human Resources

Aeon's financial strategy is underpinned by the power of human resources. The CEOs and CFOs of approximately 300 operating companies form an irreplaceable human capital that supports Group management. Accurately evaluating these assets and promoting use of the right people for the right positions through human resource portfolio management is very important from the perspective of developing the next generation of leaders.

Leaders are actually required to have various qualities. For example, the founders of the three overseas companies in our finance business were all entrepreneurial-type leaders with highly magnetic personalities. While their successors had to meet this high standard, they have been able to use their experience in the Group to do a great job of taking over the businesses and keeping them firmly on a growth track. The ability to transfer of this kind of skill and know-how down through generations and to provide precious learning opportunities at approximately 300 companies in 14 countries worldwide are strengths that are unique to Aeon.

Aeon has the power of human resources to strive proactively and boldly to engage with the changing times and a flexible organizational culture that can consider the optimal form of governance from scratch. Going forward, the Company will steadily advance measures for accelerating its global expansion and strengthening its cash generation capabilities while respecting the autonomous management of its operating companies as the entire Group pursues further growth.

Shareholder Returns

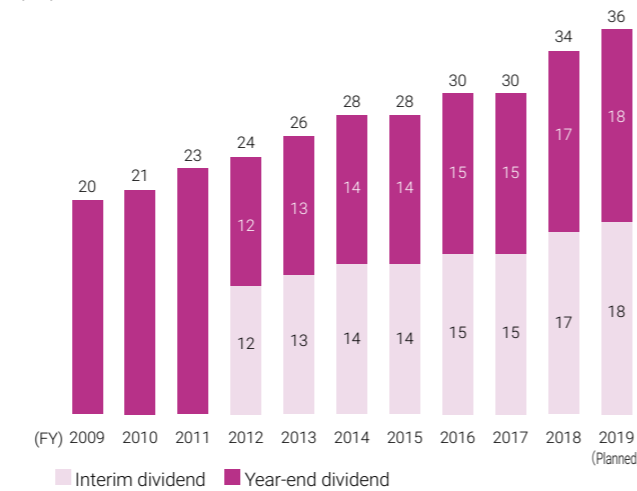
Dividend Policy

Under its policy on shareholder returns, Aeon considers maintaining an optimal balance between providing shareholder returns and improving corporate value through medium- to long-term growth as a key management priority. We will implement a dividend policy that takes into consideration consolidated earnings results from the perspective of how to reward shareholders appropriately for capital invested.

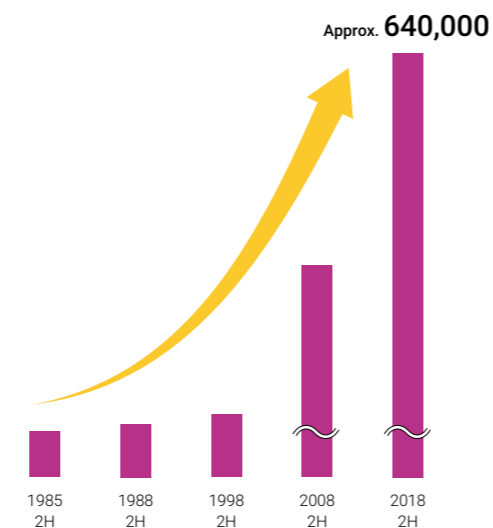
With regard to the annual dividend per share, Aeon has set a target of a consolidated dividend payout ratio of 30% while maintaining its annual dividend payment at or above the prior-year level and will strive for further earnings growth and shareholder returns.

Moreover, to increase the opportunities to return profits to its shareholders, Aeon has elected to pay dividends of surplus twice a year, and has decided that the year-end dividend of surplus may be conducted by resolution of the Board of Directors, in accordance with the provisions of Article 459 of the Companies Act.

Annual Dividends (per share)
(Yen)



Number of Shareholders' Using Aeon Owners Cards



Cashback Rate According to Number of Shares Held

Number of shares held	Cashback rate
500–999	3%
1,000–2,999	4%
3,000 or more	5%
3,000 or more	7%

Long-Term Shareholder Benefits System

(Cards are presented people who have held shares for three years or longer)

Number of shares held	Aeon gift card
1,000–1,999	¥2,000
2,000–2,999	¥4,000
3,000–4,999	¥6,000
5,000 or more	¥10,000

Shareholder Benefits System

Aeon wants the customers who use its stores each day to participate as shareholders in creating a "Future with Ambitions."

As we would like to encourage our shareholders to support Aeon even more by using our stores as customers, we have provided a shareholder benefits system for over 30 years now. We issue "Aeon Owners Cards" that provide cashback points against the amount of goods purchased at eligible stores, depending on the number of shares held. Currently, around 90% of our shareholders use the cards, with the amount of shopping eligible for points exceeding ¥200.0 billion per year.

Moreover, as a Long-Term Shareholder Benefit System, we present gift cards to shareholders who have continuously held 1,000 or more shares for three years or more at the end of February each year, depending on the number of shares held.

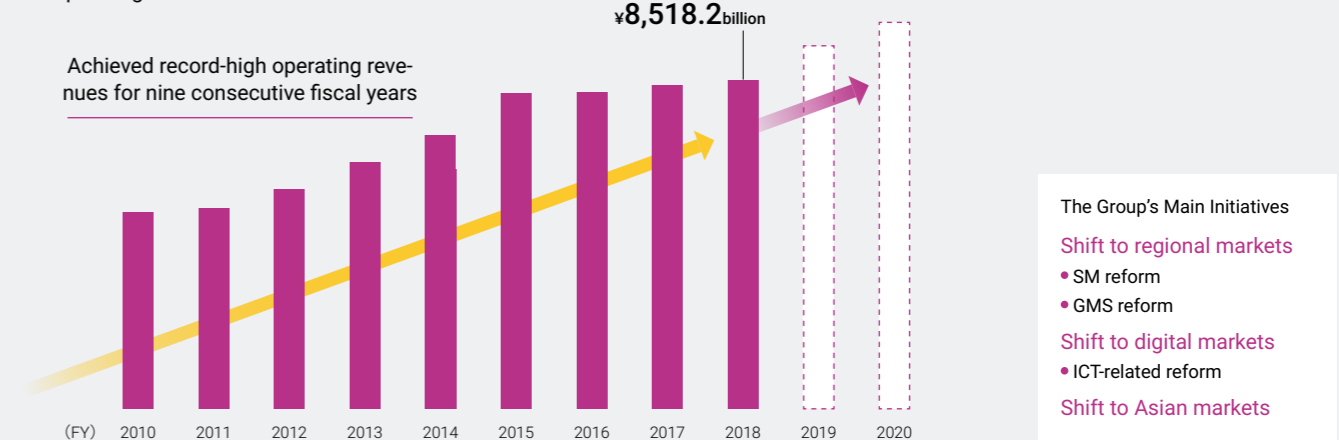
Aeon will continue to listen to feedback from customers and shareholders, aiming to conduct management more from the customer's perspective.

For details on the shareholder benefit system, please refer to the Company's website.
<https://www.aeon.info/ir/stock/benefit/>

Progress under the Aeon Group Medium-Term Management Policies

In December 2017, we announced an updated version of the Aeon Group Medium-term Management Policies 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 support the other shifts.

Operating Revenue



Changes in the Aeon Group's Environment and Business Structure

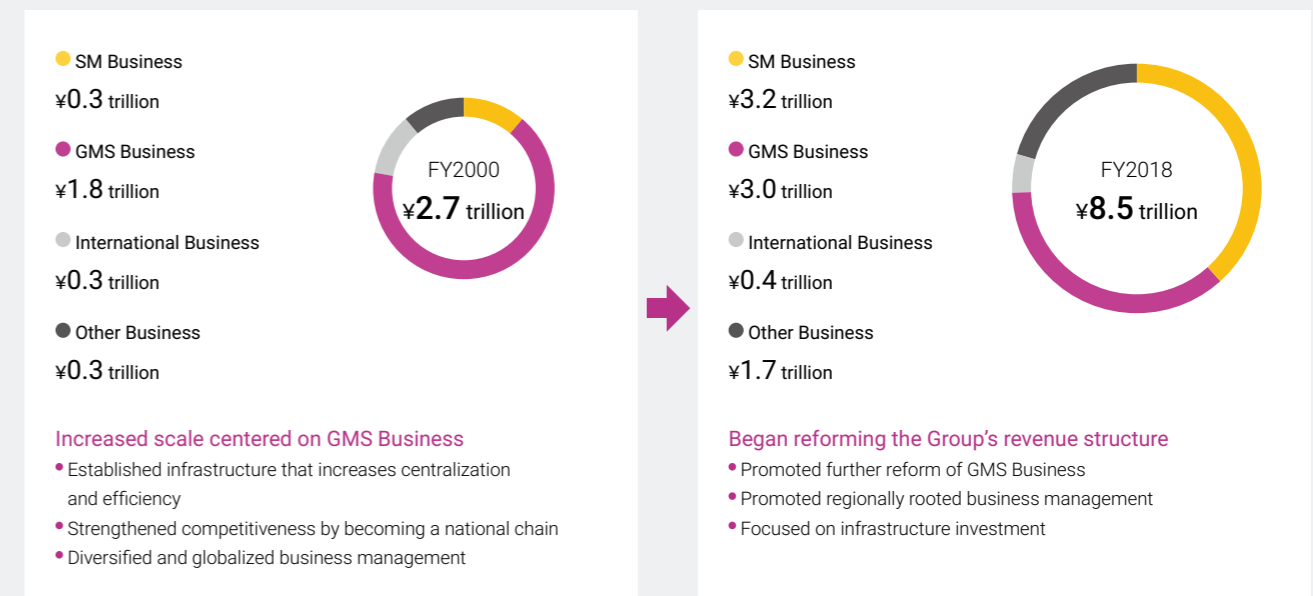
In FY2018, we achieved operating revenue of ¥8,518.2 billion—posting a record high for the eighth straight fiscal year. Moreover, operating income surpassed the ¥200.0 billion level for the second consecutive fiscal year, reaching ¥212.2 billion. The drivers of this performance were the continuing growth 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 the Aeon Group's business environment 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 respond to society's evolution, and transform into a corporate group that aspires to be No. 1 in each region and business, Aeon will concentrate on four main measures: SM reform, GMS reform, ICT-enabled reform, and efforts to shift to Asian markets.

Aeon's Business Structure Reforms Seen through Operating Revenues



01 Reforming of the Group's Business Structure: SM Reform

Aiming to Be the Leading Contributor to Local Communities

In FY2018, operating revenue in the SM Business grew to ¥3.2 trillion, surpassing the GMS Business to account for 35% of consolidated operating revenue.

Meanwhile, food product trends in Japan are changing significantly. Customers are changing due to growing diversification in food and lifestyles. Examples include a trend towards low-priced products due to stagnating incomes and rising average longevity, an increasing focus on health, such as natural and organic products, and a growing number of customers who value the freshness and tastiness of local food. Changes in the management environment include competition from other industries, including drugstores, convenience stores, and delivery services, intensification of competition around food product markets that have become borderless with the emergence of e-commerce and other factors, and issues involving changes in the labor market, such as securing employees. The development of a new business model is an urgent priority.

With our sights set on responding to these changes, in October 2018 we announced that the operating companies for our regional SM businesses, which handle food products, had concluded basic agreements on management integration in each region aiming to form business entities that can capture the leading market share in their respective regions. Under this SM reform, we are integrating management in six regions nationwide. In this way, we will reorganize each region's operating companies into business entities with sales of approximately ¥500 billion. This will open the way for growth investments to be made in each area, as we build the most efficient and optimal business platforms for each area.

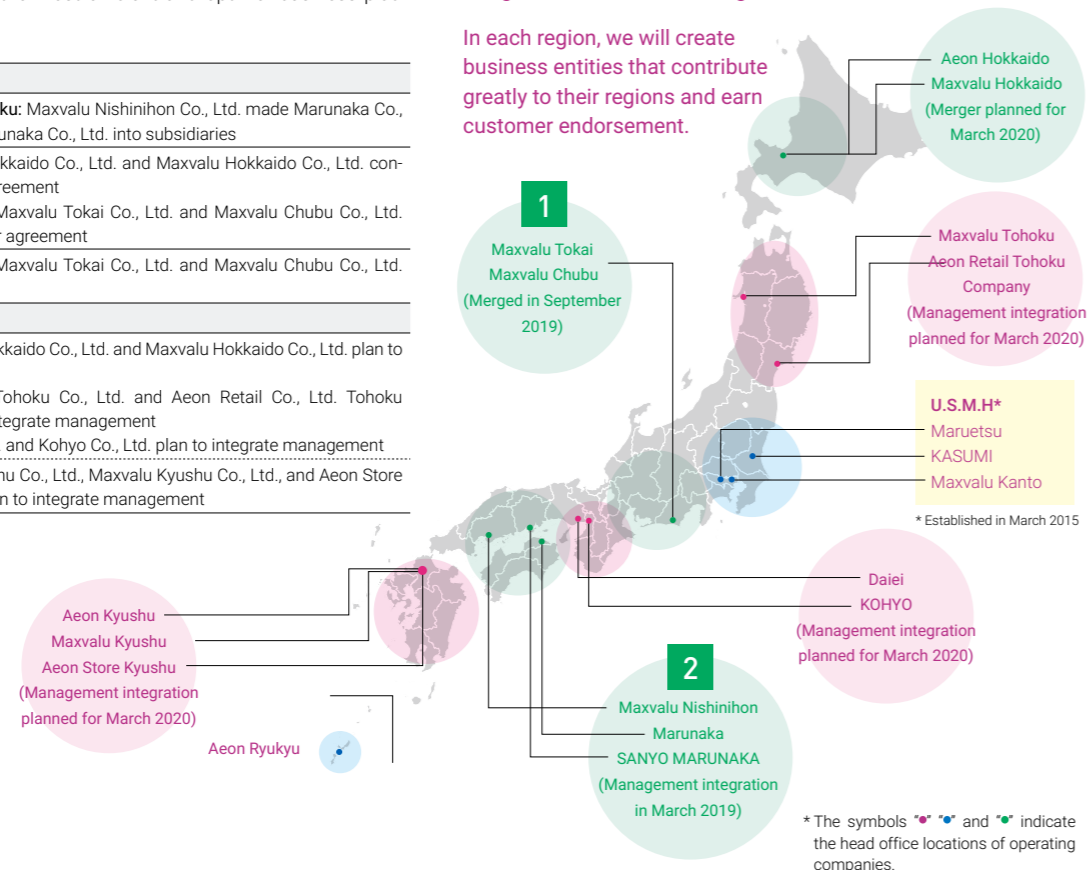
2019	
Mar.	Chugoku and Shikoku: Maxvalu Nishinohon Co., Ltd. made Marunaka Co., Ltd. and Sanyo Marunaka Co., Ltd. into subsidiaries
Apr.	Hokkaido: Aeon Hokkaido Co., Ltd. and Maxvalu Hokkaido Co., Ltd. concluded a merger agreement Tokai and Chubu: Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. concluded a merger agreement
Sep.	Tokai and Chubu: Maxvalu Tokai Co., Ltd. and Maxvalu Chubu Co., Ltd. merged
2020	
Mar.	Hokkaido: Aeon Hokkaido Co., Ltd. and Maxvalu Hokkaido Co., Ltd. plan to merge Tohoku: Maxvalu Tohoku Co., Ltd. and Aeon Retail Co., Ltd. Tohoku Company plan to integrate management Kinki: The Daiei, Inc. and Kohyo Co., Ltd. plan to integrate management Kyushu: Aeon Kyushu Co., Ltd., Maxvalu Kyushu Co., Ltd., and Aeon Store Kyushu Co., Ltd. plan to integrate management

Creating Synergies through SM Area Integration

Synergy	Consideration
Continuity synergies	Joint procurement and production area development lead to higher margins Integration of head office functions and collaborative resource procurement reduce costs
Streamlining synergies	Operational improvement and data analysis using IT, consider new payment service
Market creation synergies	Advancing customer experience using brick-and-mortar store strengths Transition to new business formats that create new value

Progress on SM Area Integration

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



* The symbols "●", "●" and "●" indicate the head office locations of operating companies.

1 Management Integration of Maxvalu Tokai and Maxvalu Chubu

The merger of the two companies in the Tokai area will enable them to expand their business scale in their current business areas and in areas that have high degree of geographical closeness. The complementary relationships between the strong products and services of each company and their expertise in creating and implementing sales plans tailored to seasons and events will be shared and merged under a single management framework, amplifying their existing sales capabilities. Moreover, with the improved investment capability brought by the management integration, the two companies will bolster their competitiveness by expanding their business scale. For example, they will establish dominance and expand their market share through proactive store openings in the Mikawa area of Aichi Prefecture and the Central and Western area of Shizuoka Prefecture, which are expected to grow. At the same time, the headquarters functions have been concentrated in a new office since November 2019, eliminating overlapping costs. In addition, the companies will share and optimize their operation structure, while strengthening the management foundation for promoting growth strategies through investment in human resources.

Maxvalu Tokai and Maxvalu Chubu will aim to conduct business operation close to the local community together, and combine the expertise they have developed. In this way, they aim to further strengthen their connections with the community, including expanding local production for local consumption and handling of fresh local food products, revitalizing local production, and passing on traditional local culinary culture, with a view to enhancing their existing initiatives even further. In this way, they aim to be the best corporate partner for the local community.

Announced merger in September 2019



Head office functions integrated from November 2019



2 Management Integration of Maxvalu Nishinohon, Marunaka, and Sanyo Marunaka

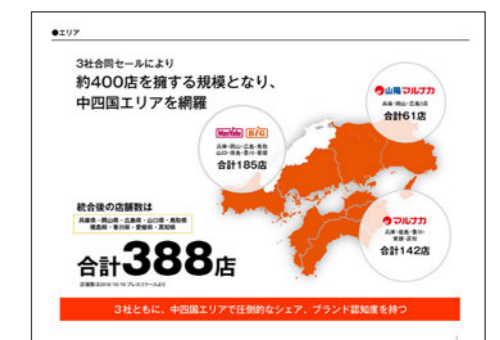
This management integration in the Chubu and Shikoku area will enable the companies to mutually utilize their respective management resources and expertise. These include Maxvalu Nishinohon's low-cost operation and merchandising know-how in the non-perishable food sector, Marunaka's fresh produce procurement and onsite product development in the Shikoku area, and Sanyo Marunaka's fresh product procurement and onsite product development in the Hyogo Okayama area. The integration will also enable the companies to proactively tackle logistics reforms and digitalization through expansion of scale. In addition, the move will also make it possible to strengthen area dominance by proactively opening stores in Western Hyogo Prefecture, Okayama City, and other areas, expand market share by opening stores in areas of Eastern Hiroshima Prefecture and Aichi Prefecture where the companies currently have no presence, and promote management that is more closely regionally rooted, including a mobile sales business for areas in Western Tokushima Prefecture that have limited shopping amenity and establishing non-store businesses such as an online supermarket.

We will strive to practice "regionally rooted business management" to an even greater degree going forward as we aim to become the regional supermarket company with the No. 1 market share in the Chubu and Shikoku area.

Holding the First Joint Sale after Announcing the Management Integration)



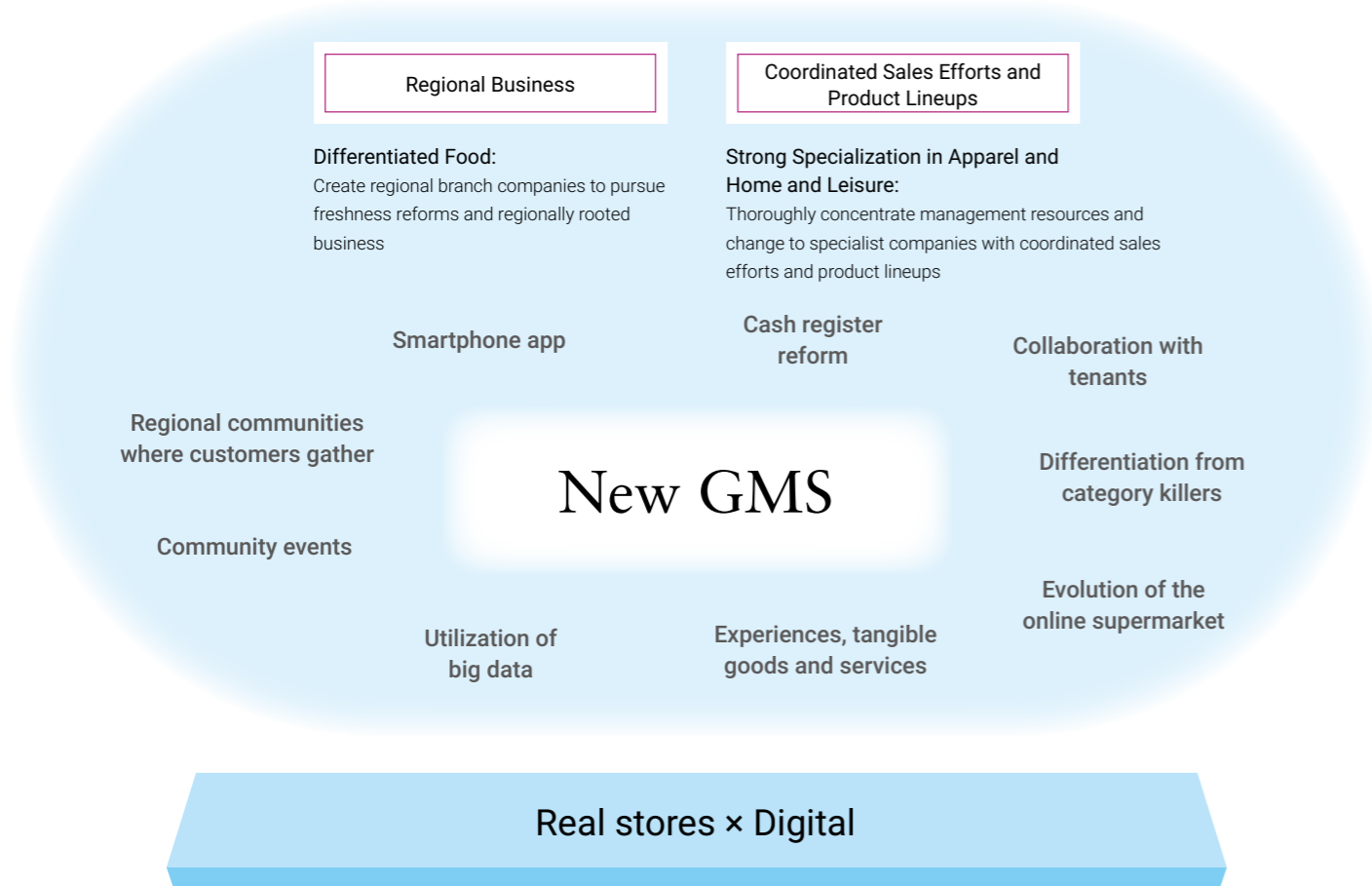
Sale from Friday, April 26 to Sunday April 28, 2019



02 Reforming the Group's Business Structure: GMS Reform

Becoming a True General Merchandise Retailer

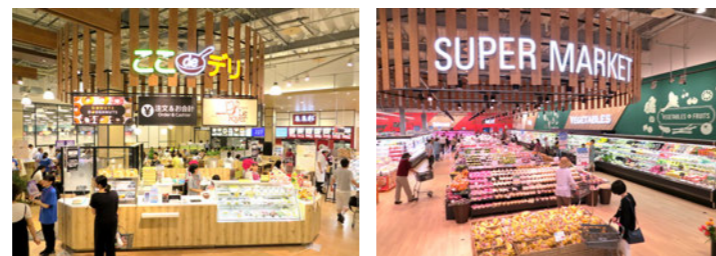
We will create a true general merchandise retailer that can follow changes in customers' lifestyles with speed and agility, providing products that customers want and services that are closely attuned to their sensitivities.



Regional Business

In the regional business, which is supported mainly by differentiated food, we aim to create strong, unrivaled supermarkets utilizing the unique strengths of Aeon's GMSs. To achieve this it is imperative to have product lineups that will attract customers not only from the local area, but from a wide trade area. In particular, the stores in shopping malls attract customers from a wider area. We will therefore work to develop lineups that respond to social changes such as growth in demand for health and wellness, and ready-made meals, through products that leverage the combined capabilities of the Group, extremely fresh food, and *Kokode Deli**. In this way, we will create sales areas providing differentiated food lineups that only Aeon can offer. Based on "differentiated food" that can attract customers over a wide area, we will create stores that offer new combinations of diverse product lineups and sales areas, and increase our market share in the local area.

* *Kokode Deli* is a new way of enjoying meals promoted by Aeon Retail Co., Ltd., in which we provide a space in store for customers to enjoy products and freshly prepared meals purchased at the store.



Coordinated Sales Efforts and Product Lineups

Inner Casual

iC (inner casual) is a specialty store offering inner and casual wear, primarily underwear of optimal quality at a low price, to "meet customers' everyday underwear needs." The store develops inner and casual wear to meet the needs of all generations, based on feedback from customers and employees, and will promote the unique appeal of its business in two product areas: the area of product that have captured market share, and the area of iC original products. The sales areas have been created in a completely new manner, using the brand color, black, to make products stand out so they are easy to see, select, and purchase. Going forward, the store will work to make Aeon the brand of choice for inner wear by strengthening its customer service through sales training for employees and by working to create hit products that will represent the brand.



Products arranged on a wall to show color and size variations at a glance

Glam Beautique

Glam Beautique offers diverse product lines including pharmaceuticals, cosmetics, and health foods and proposes health and wellness to fit various lifestyles. Since we handle a diverse range of products, competition differs depending on the product, and there are also differences in the generations of customers that visit Aeon stores. We therefore arrange the product lineup for different target groups depending on the store, and respond flexibly to the particular character and needs of each store. Looking forward, we will propose health and wellness to fit various life stages by developing employees with deeper specialist knowledge about beauty and health, and building up their experience. Our goal is to develop Glam Beautique's relationships of trust and confidence with customers.



Developing beauty care advisors to form a professional beauty and health group

Kids Republic

Kids Republic is developing into a specialist store focused on supporting general childrearing for babies and young children. Aeon has an established image for children's goods such as school bags and other school equipment, but as it is not well recognized for baby goods, the store will expand its products and services for babies going forward. In openings at new stores, Kids Republic has a product line-up around twice that of ordinary maternity and baby goods stores. With regard to development of human resources who support the sales areas, we will strengthen our education and training functions for employee development and promote training of baby advisors. With a range of essential lifestyle goods and services for stages from expecting mothers through to elementary school graduation, we aim to be a trusted presence for all child-rearing generations.



Promoting creation of sales areas that provide easy choices for first-time parents and support through customer service

HÓME CÓORDY

HÓME CÓORDY is a lifestyle partner store engaged in general product development and sales of lifestyle items, such as interior goods, kitchen tools, and items for the bath and toilet. The store also provides total support including home visits to carry out services such as furniture assembly, installation, and inspection. With simple designs that retain their fresh appeal and attentive service, HÓME CÓORDY engages closely with customers' homes and lifestyles to provide total support. To respond to the changes in customers' lifestyles and diversification of their needs, we will also focus on further developing our products to better reflect today's lifestyles. We have already produced a string of hit products, such as a square pitcher that can be stored lying on its side and a wiper for removing water. Going forward, we will advance HÓME CÓORDY's brand capabilities by making total coordination proposals to customers.



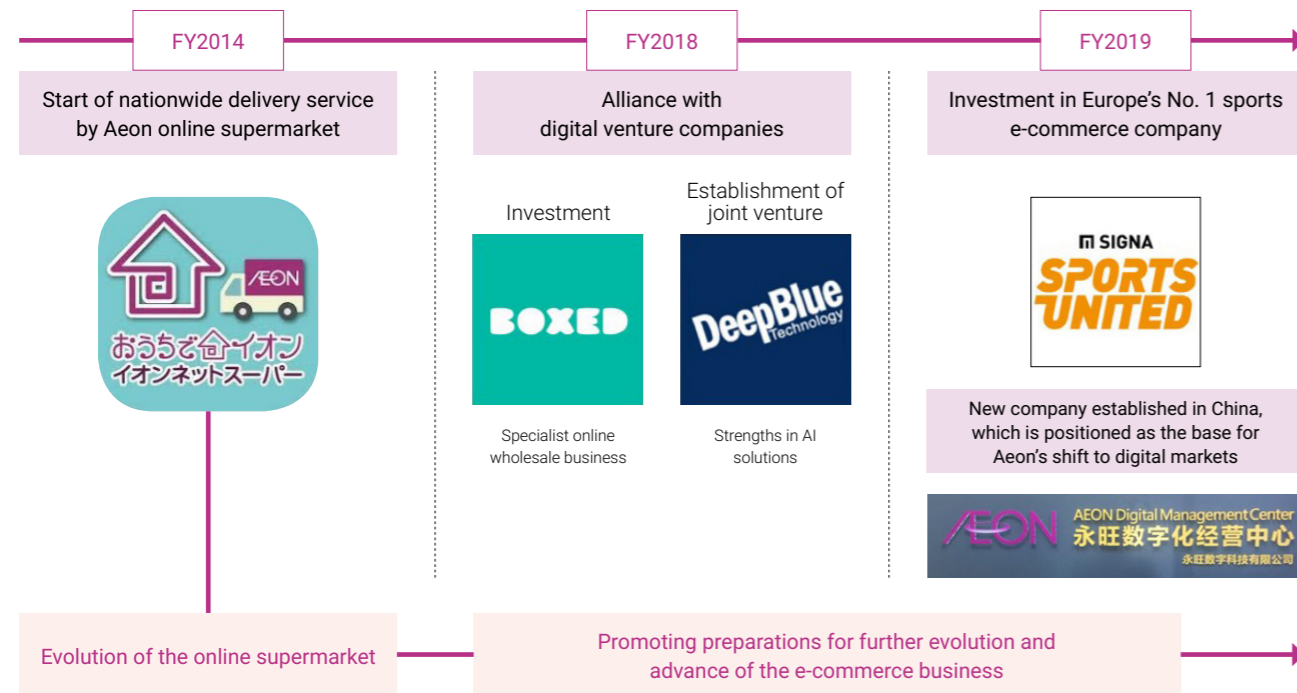
Developing product lineups that reflect regional differences in home sizes

03 Promoting a Shift to Digital Markets that Maximizes Strength in Bricks-and-Mortar Stores

The appearance and spread of smartphones through the recent advance in digital technology has brought dramatic changes to customers' lifestyles. In addition, the effects of the aging population and increase in dual-income households is driving diversification in consumer needs. This has resulted in the emergence of internet-based companies, and with recently intensifying competition, Aeon announced it will accelerate its shift to digital markets under the Group's medium-term management policies toward 2020. Since the start of its online supermarket in FY2008, Aeon has continued to expand the scope of usage and worked to improve functionality to make the service more convenient. Moreover, to maximize the strength of its Group companies and bricks-and-mortar store network in Japan and Asia, Aeon invested in overseas digital venture companies in FY2018, and has been using this company's expertise to prepare for the establishment of Aeon's own e-commerce business. In April 2019, the Aeon Digital Management Center was established in Hangzhou, China.

Going forward, we will promote reforms with China as our base for accelerating Aeon's shift to digital markets, since it affords access to excellent human resources and the latest information and case examples, in order to promote rapid advances in our shift to digital markets.

Progress in Digital Reforms towards Establishment of Aeon's E-commerce Business



Establishment of the New Aeon Digital Management Center in China to Accelerate the Shift to Digital Markets

In 2019, Aeon and IT solution business operator AEON Integrated Business Service Co., Ltd. jointly invested to establish the new Aeon Digital Management Center, which will accelerate the shift to digital markets in China.

Since opening a store in Hong Kong in 1985, Aeon has developed around 500 stores through eight businesses in China. To build Aeon's economic zone in China using these store networks, in FY2018 we integrated the customer bases of our GMS and SM companies and started digital sales promotions across all our companies in China. In FY2019, we collaborated with Group companies such as Aeon Stores (Hong Kong), Aeon Mall, and Aeon Fantasy to conduct joint sales promotions and mutual customer referrals. Furthermore, by operating a digital mall, we provided a customer experience as ONE AEON through both online and offline channels. In addition, we conducted initiatives tailored to the characteristics of the trade areas of each store through cross analysis of external data such as consumption trends and commercial facility usage information in the areas around Aeon stores.

Going forward, we will advance our global expansion by developing IT personnel with an expert knowledge of retail who can utilize AI, big data analysis, and other tools, while leveraging collaboration with leading companies to accumulate expertise in digital strategies.



Completing payment by scanning a QR code

04 Accelerating the Shift to Asian Markets that will Drive Group Growth

In the Group's Medium-Term Management Plans since FY2011, Aeon's groupwide strategies have included a "shift to Asian markets," which aims to achieve dramatic growth in the ASEAN region and China. Under this strategic direction, we have been promoting "Glocal" (global and local) Management, aiming to achieve business management that is both global and rooted in local communities. To this end, we established a three-pronged headquarters system comprising our headquarters in Japan, China, and the ASEAN region. China and ASEAN are expected to see economic growth with rapidly increasing GDP per capita and an expanding middle-income segment. Our Group companies have therefore been promoting business in these markets as areas where Aeon can achieve further growth. As a result, operating revenue in China and ASEAN for FY2018 had doubled compared with FY2011.

At Aeon Mall Co., Ltd., the shift to Asian markets is entering full swing, with the number of overseas store openings outweighing domestic stores among the 26 new store openings from FY2017 to FY2019. In addition to new store openings, the company is also actively invigorating its existing malls with a view to expanding their profitability as the No. 1 local shopping malls designed to meet the changing needs of customers in Asian countries.

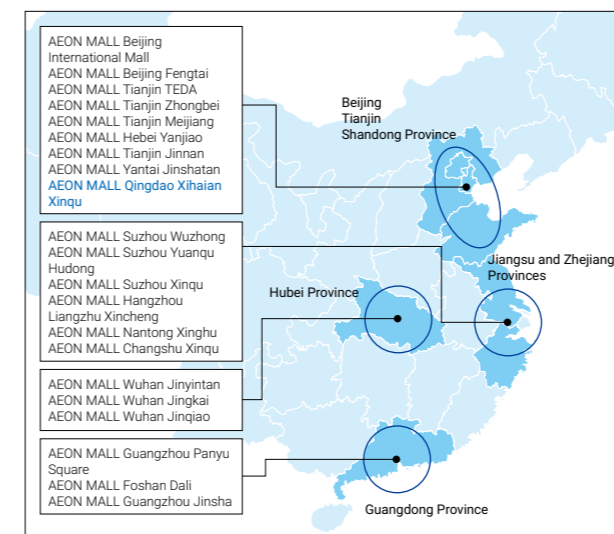
Renewal Opening of First Store in Vietnam with Expanded Floor Area in June 2019, Aiming to Increase Profitability

AEON MALL Tan Phu Celadon opened in January 2014. To meet changing customer needs and expectations in Vietnam, where the retail market is growing rapidly, we expanded the total leased area by 1.8 times and added 80 new stores, including specialty stores appearing in Vietnam for the first time. We also focused on enhancing customer experience in dining and entertainment functions, among others, as the facility was reborn as a new shopping mall.

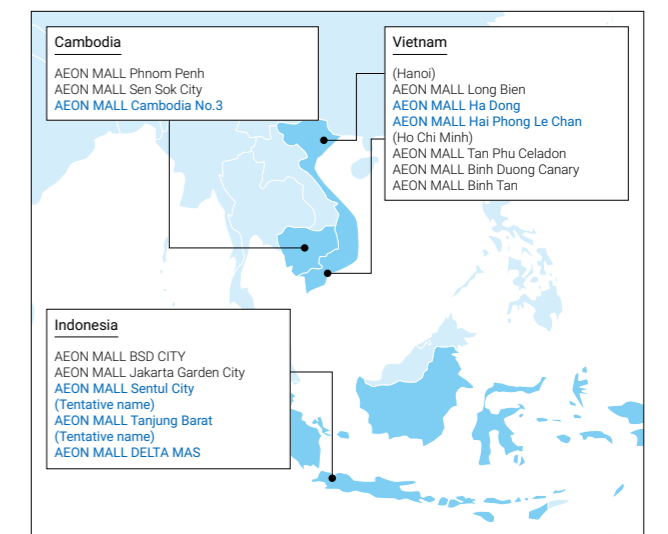


Store Openings to Achieve Area Dominance in Areas where Economic Growth is Expected and the Mall Business is Established, and Penetration of the Aeon Brand

Four areas in China (Total 20 malls)



Three ASEAN Countries (Total eight malls)



Status of Aeon Mall openings as of August 31, 2019 (Items in blue are planned to open in the future)

Promoting Environmental Strategy Based on the Aeon Basic Principles and Dialogue with Stakeholders, Aiming to Step Up as a Global Leader

Kahori Miyake
Executive Officer,
CSR & Communication



Retail Business is an industry of Peace

At one time, corporate social contribution was considered to be an addition that should be carried out separately while pursuing profit through the company's main business. This assumption was based on the view that the role of a company was purely an economic one, and that social contribution belonged in a different dimension. In the past few years, however, companies have increasingly been expected to contribute to society through their businesses, and there has been a focus on communicating proactively about corporate activities incorporating the environmental, social, and governance (ESG) perspectives. This new ESG-based approach is based on the belief that peace is a necessary prerequisite for business to thrive. Accordingly, the approach agrees with the Aeon Basic Principles, which pursue peace through business, respecting human connections, and contributing to the development of local communities through business expansion rooted in day to day living, always with the customer's point of view at its core.

The Company's businesses are rooted in people's day to day living, such as the retail business. Our business cannot succeed without peace in local communities and stable civic life. Our principle includes the word "peace," and I believe that the idea that we must contribute proactively to peace in the local community is a foundation concept for Aeon.

This principle has underpinned our efforts to build our business base in Southeast Asian countries and regions since the 1980s. Among these, our store opening in Malaysia in 1985 was a response to a request for cooperation from Prime Minister Mahathir. We assisted because we understood his aspiration to modernize Malaysia's retail sector in order to enrich civic life. Further we have been quick to start various projects in other ASEAN countries such as Cambodia, Myanmar, and Vietnam. We have only recently been able to contribute to modernization of retail in these areas. Prior to that we spent 10 to 15 years involved in tree planting and school building as means to engage with local communities. We consider these efforts to be deeply connected to our current business development.

Business rooted in local communities develops economies and creates employment, enriching people's lives and contributing to the peace and stability of society. For Aeon, this kind of contribution to peaceful society is closely tied to the pursuit of profit and growth strategies. The steady expansion of our business in ASEAN and China and its increasing contribution to earnings here is the end result of sound development of these areas and their full-scale economic advancement. I feel deeply moved when I consider our history of over 30 years there.



Treeplanting at Paya Indah Wetlands, Malaysia 2004



Paya Indah Wetlands, Malaysia, eight years later

Companies Lead Countries and Societies

There has been a dramatic change internationally in the approach to environmental and social issues with regard to the new expectations for the role of corporate activities that I mentioned above. At the 2017 COP23 conference, I had an opportunity to speak in person with Former Executive Secretary Figueres of the United Nations Framework Convention on Climate Change. She touched on the idea that companies should lead the discussion towards decarbonizing as independent players, and it made a deep impression on me. In former times, this kind of responsibility rested on the shoulders of national governments, but today companies, NPOs and NGOs, and general consumers are being called upon to take on equal roles with governments and act autonomously. And Companies are now strongly expected to go beyond simply promoting mottoes and slogans by formulating CO₂ reduction plans with specific numerical targets and executing them.

I believe that we have a particularly important responsibility as a leading company. We have a powerful influence on the entire retail sector, industry in general, and society overall, and we must implement corporate activities with an awareness that our position carried strong expectations around social responsibility. Our corporate activities must be fitting for a retailer that represents Japan and Asia. We must also continuously provide the value of "prosperity," which is most important for the retail business. This awareness is the fundamental stance of our sustainability management, which involves contributing to solutions to environmental and social issues through the Companies business.

Formulating a Specific Vision and Numerical Targets

In the Aeon Manifesto on the Prevention of Global Warming, announced in 2008, we became the first Japanese retailer to set numerical targets for reducing CO₂ emissions, which we achieved one year ahead of schedule in 2011. Subsequently, we formulated the Aeon Sustainability Principle in the same year, then in March 2018 we announced the Aeon Decarbonization Vision 2050, which calls mainly for stores to achieve zero total emissions of CO₂ and other gases by 2050. Towards achieving this target, we are currently making steady progress on development of a new store type that reduces electricity consumption by half compared with 2010 levels. In tandem with this, we have become the first major Japanese retailer to participate in the international renewable energy initiative RE100.

There are three main points of significance in this series of initiatives. First, is our responsibility as a leading company, which I have mentioned. Due to various circumstances, the Japan has been slow to form a full-fledged renewable energy market. As a representative of the retail industry and a large consumer of energy relative to its business scale, Aeon can produce various ripple effects by taking action that involves its suppliers, customers, and local communities.

The second point is the pursuit of economic rationality. While oil prices are expected to rise over the medium to long term, the cost of clean electricity from renewable energy sources continues to decrease. Overseas, it has already reached a sufficiently low level compared to thermal power stations. From a medium- to long-term perspective, aiming for cost reduction by switching to renewables in addition to reducing consumption is an essential strategy for increasing price competitiveness.

The third point is the development of a common language for smooth communication. In a group of this scale, numerical targets for energy saving and waste reduction are needed to ensure adequate penetration of the vision, its reflection in store purchasing and sales strategies, and other areas. By disclosing specific data and numerical targets, I expect to promote meaningful and constructive dialogue with stakeholders.

Stepping Up to Become a Global Leader

Global average temperatures have risen 1°C above pre-industrial revolution levels, and in the past few years the effects of this are starting to emerge. The earth's environment is in crisis, with the shrinking of the Greenland ice sheet, major forest fires in the Amazon, and loss of diversity. We are now truly in a race against time.

This sense of crisis has spread across the whole world. Half of the states of the U.S. have now joined Europe in declaring that they will decarbonize. Moreover, at the 2019 United Nations Environment Week held in New York, there was a notable presence of Central and South American countries. Among these, Costa Rica reported that over half of its electric power now comes from renewable energy. While the country has the advantage of being able to roll out its infrastructure from scratch, the speed with which it has achieved this is impressive. On the other hand, the event also threw into sharp relief the difference in temperature between Japan and overseas. Japan has past experience in overcoming pollution issues, and is a leader in sorting trash; however, it lags behind in terms of responding to overall global sustainability, which is now becoming a focus point. By loosely equating environmental issues with pollution and thinking of these as problems of the past, people inside Japan appear to be having trouble envisaging the threats posed by global warming and microplastics.

Now is the time for companies to speak out and encourage the government to take action. Not only that, but they must also make changes themselves and lead the country and society by example. I believe that companies also represent their nations and societies, just as governments do. When companies that have been founded and nurtured in Japan make a visible contribution to realizing a sustainable world, it helps to raise Japan's international standing. Looking ahead, Aeon will strive to contribute to peace and stability in society, and implement sustainable management, aiming to step up as a global leader.

Response to Climate Change by Scenario Analysis

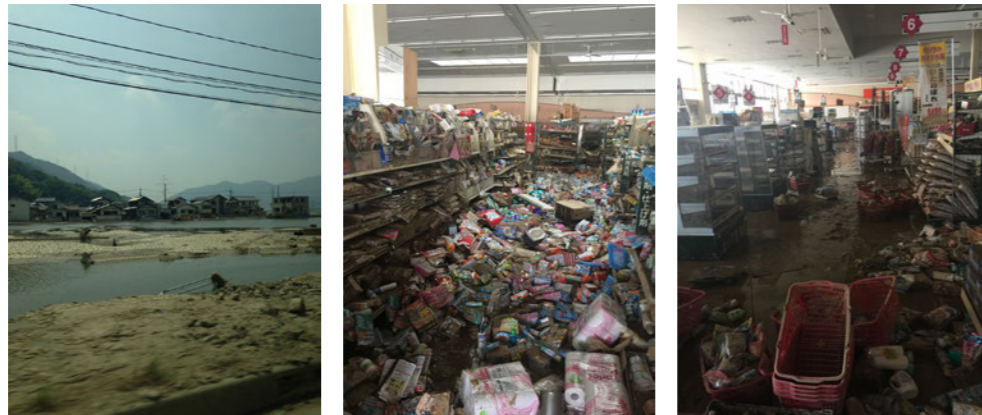
The 2018 Japan floods that affected mainly Chugoku and Typhoons No. 5 and 10, which again visited the Kyushu and Chugoku regions in 2019, have wrought major damage to civic life and economic activities in those areas. Aeon's business activities have also been affected, with some stores being obliged to halt trading.

Science has already recognized that these weather disasters are caused by the direct influence of climate change.

With global greenhouse gas (GHG) emissions continuing to rise, the global agreement under the 2015 Paris Agreement to limit temperature rise to well below 2°C and if possible keep it to 1.5°C is

unequivocally recognized as an essential condition for companies to promote sustainable management.

Given this situation, there are two requirements of the business sector. The first is to set a long-term vision and targets for achieving decarbonization, and to make every effort to allocate management resources towards this end. The second is to discern how society will change over the medium to long term, and consider how to respond to the envisaged situation (risks and opportunities) so as to ensure the sustainability of business, and to begin preparing this response now.



Aeon Decarbonization Vision 2050

Aeon has set targets for zero CO₂ emissions by 2050 and a 35% reduction by 2030. To achieve these targets, we need to envisage what kind of societies will exist in the world in 2030, 10 years hence,

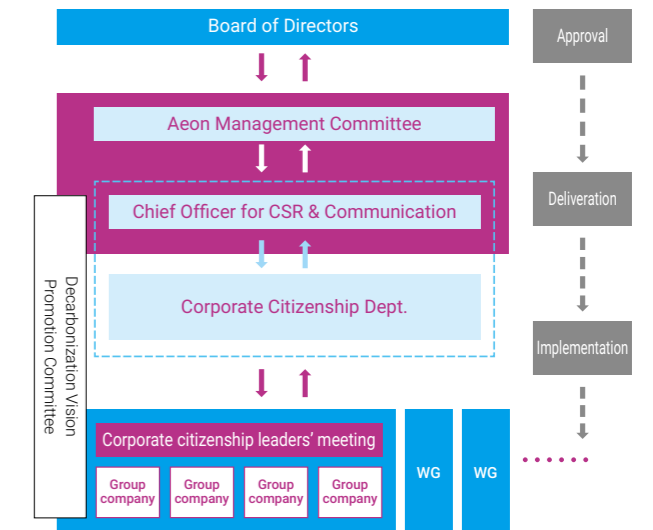
and plan our responses to them in advance. We use the method of scenario analysis to identify risks that have major impacts and study responses to ensure the continuity of business.

Governance

The Decarbonization Promotion Committee (overseen by the officer in charge of CSR) was established as a Groupwide organization based on the sustainable management promotion structure. This structure makes proposals and reports to the Aeon Management Committee, receives decisions and instructions from it.

With regard to the issue of climate change, our long-term initiatives targeting 2050 (with 2030 as an interim target point) must preserve integrity and continuity. This requires decisions that will have a material impact on management overall, such as upfront investment in renewable energy, and a review of the business portfolio. For this reason, we believe it is very important to establish an organization structure that prevents easy policy changes due to the passage of time or changes in personnel. We have established a structure in which the executive officer responsible for CSR & Communications provides proposals and reports on the issue of climate change to the Aeon Management Committee, which is chaired by the CEO and comprises all executive officers. The results of the committee's deliberations are then decided and approved by the Board of Directors, as the highest decision-making body, before being put into action.

Sustainable Management Framework



Objectives and Methods of Scenario Analysis

The objective of this analysis is to investigate whether countermeasures can ensure business continuity under either of the 2°C and 4°C global temperature rise scenarios. However, the international community has already confirmed its goal of ensuring that temperature rise is kept within 2°C (preferably 1.5°C) under the Paris Agreement. We are therefore prioritizing the implementation of countermeasures based on the 2°C scenario.

Working under several base scenarios, we conducted an analysis of the envisaged drivers of change in a 4°C warmer world (extending current policies) and a 2°C warmer world (implementing rigorous policies and countermeasures), and studied the risks and countermeasures for each case. The reference scenarios are as follows.

Transition risk: WEO 2018 CPS*¹ (Approx. 3.7°C) and SDS*¹ (2°C)
Physical risk: IPCC Fifth Assessment Report RCP8.5 (4°C) and RCP2.6

In either scenario, continuing on the same trajectory until 2030 will involve continuing increases in CO₂ emissions*², so that aiming

for a 2°C (1.5°C) warmer world will require responses to both physical and transition risks by 2030. Response to transition risk may incur a temporary increase in costs, but this seems a necessary measure when considering the difference between this cost and the cost of response to physical risks from 2030 onward.

In spring of 2018, we conducted a comparison envisaging a 4°C warmer world and a 2°C warmer world from the details of the formulation of Aeon Decarbonization Vision 2050*³. In autumn of 2018, the IPCC published a special report on the impacts of global warming of 1.5°C, and we recognized the need to further strengthen and accelerate our initiatives. We plan to progressively update our scenarios analysis and countermeasures envisaging a 1.5°C warmer world, and use this to build even higher resilience.

*¹ CPS: Current Policy Scenario; SDS: Sustainable Development Scenario

*² AR5 Summary for Policy Makers SPM.6

*³ In setting the target of reducing CO₂ emissions to zero by 2050 and reducing emissions by 35% by 2030 in line with the Paris Agreement, we used the SBTi's SDA tool, which was made publicly available for testing the scientific rationality of targets against the 2°C target.

Scope of Examination

The scope of examination of our response to climate change covered all Group companies in Japan and overseas. From a risk management perspective, we also included the companies and suppliers that make up our supply chains.

However, in this first time scenario analysis, since the Group companies cover diverse business formats and product groups, we set the scopes described on the right for store operations and product procurement, as these are the most important fields for the retail business.

Store operations:

Stores and distribution sites in Japan

Reason:

This scope makes the physical risks and transition risks relatively clear given the large number of business formats and stores.

Product procurement:

Food (ingredients procurement and manufacturing and processing steps)

Reason:

This scope has the largest business formation and a significant impact on customers' lives. Considering the spread of the supply chain, both domestic and overseas suppliers are included in the scope.

1. Identification of risk and Materiality assessment

The following five risks were identified with regard to transition to a decarbonized economy.

(1) Carbon pricing (Policy and regulatory risk)

Envisaging two types of pricing: carbon tax levied on oil or energy (electricity, gas, fuel) and emissions trading levied on business greenhouse gas (GHG) emissions.

(2) Energy saving and fluorocarbon alternative regulations (Policy and regulatory risk)

Envisaging regulatory tightening of the current Act on the Rational Use of Energy (Ministry of Trade, Economy, and Industry), Act on the Improvement of Energy Consumption Performance of Buildings (Ministry of Land, Infrastructure, Transport and Tourism), and the Act on Rational Use and Appropriate Management of Fluorocarbons (Ministry of Environment). Also including the new enactment of related laws.

(3) Energy costs (electricity costs)(Market risk)

Unit price movements for electric power accounting for around 90% of GHG emissions from business activities. Considering two type of electric power: fossil fuel derived and renewable.

(4) Supply and demand balance of food and raw materials (Market risk and technology risk)

Envisaging changes in geographical suitability related to the manufacture and processing of fresh food raw materials, water resources, and products in Japan and overseas. Considering changes in demand due to population increase as an indirect indicator.

(5) Changes in customer behavior and society (Market risk and reputation risk)

“Customers” refer to all people engaged in civic life, such as consumers and residents. “Change” refers to changes in their behavior or awareness related to consumption.

(6) Risk from extreme weather events (Acute risk and chronic risk)

Envisaging the risk of a certain number of stores (of unspecified location) halting trading due to weather disasters. A certain proportion of these is envisaged as receiving physical damage due to water ingress and so forth, requiring cost and time for rebuilding. In certain areas, frequent weather disasters are envisaged, with changes in population causing a contraction in the scale of the trading area.

The materiality of the sixth risk, described above, was evaluated based on the direct impact on profits.

2. Considering Scenarios

• 4°C warmer world (2030 to 2050*) Scenario of continuing with current policies and trajectory	• 2°C warmer world (2030 to 2050*) A world with a clear will to decarbonize
Small regulatory risk impact (transition risk medium-large)/Large weather disaster risk impact	Large regulatory and transition risk impact / Small-to medium weather disaster risk impact
● Carbon pricing has not been introduced. Social costs have not been internalized and no initiatives are in play to encourage corporate decarbonization. (Carbon pricing)	● Carbon pricing is introduced as government policy, making carbon emissions a cost factor in business activities. This functions as an incentive to decarbonize. (Carbon pricing)
● Few regulations for curbing carbon emissions. The main electricity source remains thermal power generation (including nuclear), and renewable energy spread is limited. As a result, fossil fuel price fluctuations have a strong effect on energy cost. (Energy saving regulations, fluorocarbon alternative regulations, energy prices (electricity prices))	● Various systems and regulations arise to regulate carbon emissions. There are energy efficiency improvements and moves away from fluorocarbons and plastic, etc. Introduction of policies to make renewable energy the main source of electricity and strengthening of systems and regulations enable renewable energy to be priced competitively with thermal power (including nuclear). (Energy saving regulations and fluorocarbon alternative regulations, energy pricing (electricity pricing))
● Weather disasters gradually increase in scale and frequency, with an increasing number of affected business sites, supply chains, and consumers. The cost of implanting the necessary adaptations and countermeasures for business continuity begins to rise. (Damage and customer changes due to extreme weather)	● The physical risk due to climate change on a global scale are negligible; however, they are currently emerging and measures to adapt and prevent disasters are already under way. It is necessary to consider phenomena that could occur going forward.
● Global decrease in arable land and production yields for food. The need arises to consider climate change impact when selecting suppliers in Japan and overseas. (Supply and demand balance of food and raw materials) ● Changes in the supply and demand balance for food driven by the development of emerging countries (changes in consumer preference, population increase) prevent the absorption of climate change impacts. Food issues become security issues between nations. (Supply and demand balance of food and raw materials, changes in customers)	● Production areas and yields remain unchanged. However, changes in consumer preferences and population growth accompanying development of emerging countries are gradually making it difficult to procure food and resources. (Supply and demand balance of food and raw materials, changes in customers)

* Up to around 2030, there is not difference in the trajectory of temperature rise between RCP 2.6 and RCP 8.5. The two trajectories begin to diverge significantly from 2030 onward. Therefore, the differences between a 2°C and a 4°C warmer world are envisaged as appearing from 2030 onward.

3. Assessment of financial impacts and countermeasures

To ensure we are able to respond to either of a 2°C and a 4°C warmer world, we are currently assessing the impact of each risk on our business (impact assessment). At this point, the assessments for all of the risks are mainly qualitative. However, since the

size of the impacts determines the scale of countermeasures and the costs, we plan to conduct a quantitative impact assessment going forward.

Impact assessment

	Risks	Store operations	Product procurement	Financial impact in a 2°C warmer world	Financial impact in a 4°C warmer world
Transition risks	Carbon pricing (Policy and regulatory risk)	○	○	Large	Small
	Energy saving and fluorocarbon alternative regulations (Policy and regulatory risk)	○		Large	Small
	Energy costs (electricity costs) (Market risk)	○	○	Small	Large
	Supply and demand balance of food and raw materials (Market risk and technology risk)		○	Small to medium	Large
	Changes in customer behavior and society (Market risk and reputation risk)	○	○	Small	Large
Physical risks	Risk from extreme weather events (Acute risk and chronic risk)	○	○	Small to medium	Large

The countermeasures under examination are presented below.

- Carbon pricing
In each of the General Merchandise Store Business, Supermarket Business, Health & Wellness Business, Financial Services Business, Shopping Center Development Business, Services & Specialty Store Business, and International Business, systematically reduce emissions by implementing optimal decarbonization measures for each business. In particular, take steps to trade emission by shifting to renewable energy for electric power (scope 2), which accounts for 90% of its emissions. Also take steps to decarbonize by strengthening collaboration to reduce emissions in the supply chain (scope 3), which directly impact product prices.
- Energy-saving regulations and fluorocarbon alternative regulations
Continue to promote Smart Aeon (store development focused on environmental performance and high efficiency) that has been continuing since the 2000s, while developing the next generation of Smart Aeon, which targets energy management between stores and introduction of natural refrigerants. In addition, systematically expand best practices for energy management across existing facilities.
- Energy costs (electricity costs)
Promote Group strategies to encourage purchasing of electricity from renewables and incorporate renewable energy in the business portfolio. Promote electrification of heat sources (scope 1). Conduct thorough modal shift and actively introduce next-generation distribution vehicles.
- Supply and demand balance of food and raw materials
Respond to changes in production areas and yields due to adoption of SPA in food procurement sector. Convert and create demand through new product development. Regularly review production areas and suppliers
- Changes in customer behavior
Develop new business formats to suit changes in customers’ lifestyles. Promote customer awareness-raising activities. Incorporate climate change information in store development plans.
- Damage from extreme weather events
Continue existing Aeon BCM project. Take measures to maintain facilities in torrential rain and floods. Prepare and reinforce standby public facility function during disasters in coordination with government.

As a company that takes environmental issues seriously, we will promote mitigation and adaptation measures aimed at realizing a world where warming is limited to 2°C (1.5°C) based on the principle of the Paris Agreement. Unfortunately, however, it remains unclear and unforeseeable which scenario the world is headed toward, with issues such as the U.S. withdrawal from the Paris Agreement, joint yet unequal responsibility of advanced and developing nations, and the human activity (economic development and population issues) exceeding the tolerance of the earth, which lies at the heart of

climate change. To enable us to continue performing the function of a retail business in society, even if the world ends up being 4°C warmer, we need to begin now to envisage all the necessary situations and formulate countermeasures. We have laid out the envisaged risks to store operations and product procurement and the countermeasures assuming business continuity. Going forward, we will obtain a more accurate picture of the financial impact of climate change, such as quantitative assessments of business impacts, which will help us to step up our initiatives.



Natural Capital

Aeon uses natural resources to conduct its business, such as agricultural, livestock, and fishery products as well as paper, pulp and timber. The products manufactured and sold by Aeon are made possible by the bounty of nature. Aeon is therefore working actively to preserve rich local environments by promoting the sustainable use of resources, and other means.

Establishing Procurement Befitting a Responsible Retailer

Aiming to provide products in which customers can have confidence and that help them realize new lifestyles, Aeon has been advancing initiatives related to sustainable procurement for several decades.

In the 1990s, we began developing management methods in accordance with a range of national guidelines, including those on the labeling of organic products. Since the 2000s, Aeon has been constructing management schemes based on global standards and carrying a variety of certified products. In the 2010s, we have been accelerating initiatives based on Aeon's Sustainable

Procurement Principle. As it moves forward, the Aeon Group is stepping up measures to reach its Sustainable Procurement Goals for 2020, which are closely related to the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.



Sustainable Procurement Goals for 2020

- | | |
|-------------------------|--|
| Agricultural products | <ul style="list-style-type: none"> For the private brand, aiming for 100% implementation of the GFSI-based Good Agricultural Practice (GAP) Aiming to increase the sales ratio of organic products to 5% of the total agricultural products |
| Livestock products | <ul style="list-style-type: none"> For the private brand, aiming for 100% implementation of the GFSI based Food Safety Management System (FSMS) or the Good Agricultural Practice (GAP) |
| Fishery products | <ul style="list-style-type: none"> Aiming for 100% acquisition of MSC/ASC Chain of Custody (CoC) certification by Aeon's consolidated subsidiaries operating general merchandise stores or supermarkets Providing sustainability-proven private brand products in all major fish species |
| Paper, pulp, and timber | <ul style="list-style-type: none"> Aiming for 100% use of sustainability-certified (by FSC or equivalent) materials for the private brand in the major product categories |
| Palm oil | <ul style="list-style-type: none"> Aiming for 100% use of sustainability-certified (by RSPO or equivalent) materials for the private brand |

Spreading World-Class Farm Management throughout Our Farms

All directly operated farms of Aeon Agri Create Co., Ltd. have acquired GLOBALG.A.P., the world's most widespread certification for safe farm management. These 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. In keeping with the standards, we not only focus on our farms but also contribute to the safety of local residents and tackle issues such as the preservation of local ecosystems. Moreover, Aeon helps producers outside the Group that want to acquire GLOBALG.A.P. certification.



Passing on Valuable Fishery Resources to the Next Generation

We are working to heighten awareness of ASC and MSC certifications, which show that fish have been caught or farmed using sustainable methods, and to increase sales of products with these certifications. With a view to preserving traditional fish-based cuisine as a legacy for coming generations, in 2006 we became the first retailer in Japan to market MSC-certified products. As of



Developing and Marketing GLOBAL G.A.P.-Certified Products

The Global G.A.P. Number (GGN) label is displayed on products from agriculture areas that have acquired Global G.A.P. certification. Aeon is the first in Asia to sell GGN label products. Through the transparency afforded by the GGN label, customers in stores can now easily select agricultural products produced using production process management that meets international standards. In November 2018, we started operating a dedicated website that enables consumers to find out where the products were made and by whom, simply by entering the GGN identification code printed on the label. In this way, we draw customers' attention to the fact that the products help address environmental and labor issues.



All of the directly managed farms operated by Aeon Agri Create Co., Ltd. have acquired GLOBAL G.A.P. certification, which is the world's most popular agricultural site operation certification.

February 2019, Aeon sells 41 MSC-certified items spanning 22 fish species—the largest number of items in Japan's retail industry. In 2014, we became the first store in Asia to sell ASC-certified products. The following year saw the Group launch the first entirely aquaculture raised bluefin tuna to be offered under a private brand in Japan. By continuing such innovations and establishing additional permanent Fish Baton sales areas—which only carry ASC-certified products—Aeon will become Japan's leading company in the procurement of sustainable fishery products.



Increase recognition of MSC (Marine Stewardship Council) certification and ASC (Aquaculture Stewardship Council) certification, which show that fish are caught or raised through sustainable methods, and strengthen sales



Manufactured Capital

Customer safety and assurance is always the top priority in any era. We are striving in tangible and intangible ways at our stores and other facilities to ensure product quality and safety and to create safe and pleasant stores and products.

Manufacturing Based on the Customer's Perspective

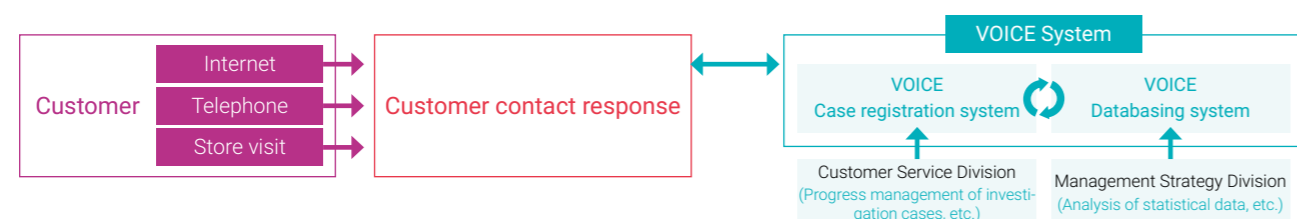
The *TOPVALU* brand embodies Aeon's basic principles. With this private brand, we are working to create products by taking the point of view of our customers into consideration throughout each phase, from product planning and design to the selection of sub-contractors, determination of product specifications, production management, and sales. Customer opinions and feedback are gathered and centrally managed through the VOICE system, then analyzed for use in product improvement and new product development. We also gather and centrally manage customers' opinions and requests about our other non-*TOPVALU* products. In addition to product planning and development in response to customers telling us what they want, we also work to improve quality by listening to customer feedback after the products are sold.



Customer Feedback Gathering System VOICE

The VOICE system has three roles: to increase the speed and quality of responses to customers, and to utilize customer feedback in products.

- 1. Customer feedback registration**
The Group's stores and call centers all record customer feedback in VOICE, where it is centrally managed. This enables progress management and databasing of each case.
- 2. Progress management**
The progress of each feedback is checked by several people to see if the response to registered customer cases is complete, thereby ensuring that no cases are overlooked.
- 3. Databasing**
The recorded customer voice data is accumulated and used for making improvements.



Infrastructure where Diverse Customers Gather

Aeon strives to create a convenient and comfortable store environment for everyone, including seniors and people with disabilities. In dealing with the senior generation, Aeon uses the name Grand Generation (G.G) in reference to seniors who are active and aggressive consumers—and works to create stores and services that respond to the shopping needs of seniors with such initiatives as G.G Mall and G.G Card targeted for seniors.

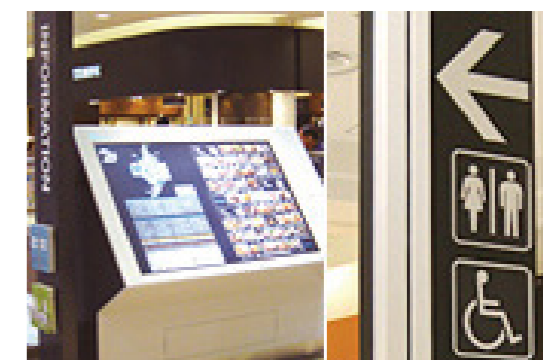
In addition, by opening facilities such as the Aeon Culture Club, which offer learning and experiences, Aeon is providing new places where customers not only buy "products" but can also have "experiences."

We create stores with designs based on the Barrier Free Law, aiming to enable elderly and disabled people smooth access. Over 760 of our facilities have achieved Barrier Free designation.

In addition, our stores also perform the role of disaster-prevention facilities to provide a temporary refuge during times of disaster, serve as a hub for rescue and first-aid activities, and provide access to daily essentials.



A morning activity at a G.G concept store



Easily visible in-store sign

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. In 2019, we conducted human rights due diligence* for our supply chain based on the United Nations Guiding Principles on Business and Human Rights, and revised the Aeon Supplied Code of Conduct.

* Human rights due diligence refers to setting policies regarding human rights and evaluating the impact of human rights from business activities, as well as tracking and disclosing performance, etc. in order to identify, prevent, mitigate and deal with negative impacts on human rights.



Outside audits conducted by outside auditing firms



Working environment checks by Aeon-certified auditors.



Human Resources

Since its foundation, Aeon has regarded personnel as its most important management resource. Based on this belief, we promote management focused on wellness and diversity. Our aim is to be a company where employees are healthy and in which many different individuals can realize their abilities.

Creating an Education System to Support 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. We also recognize that improving the level of our employees can lead to higher customer satisfaction, ultimately increasing the capabilities of the Company. Given this, we have created a wide range of training and education programs that support the growth of employees and their desire for advancement.

Our programs include the Aeon Business School, which provides courses enabling self-motivated personnel to acquire the knowledge necessary for the positions to which they aspire. Also, the Group CEO himself is an instructor at the Aeon DNA University, which develops the next generation of Aeon managers by instilling in trainees the philosophy and values that make up the corporate DNA passed down since our founding.

- 1959** At Okada, the first hiring examinations system in Japan's retail sector was introduced.
- 1964** Okada Management College was established as a place for general education and management studies.
- 1969** Jusco University was established as an educational institution to prepare executives for the future of JUSCO.
- 1974** Jusco Sales Master System (current (Internal certification systems) was established to develop sales specialists.
- 1989** Aeon University was established to develop leaders and specialist teams (three courses: system development, educator, and finance and accounting)
- 1996** Jusco University and Aeon University were merged to launch Aeon Business School



Initiatives Promoting Health and Productivity Management

At the Aeon Group, we conduct health management based on the belief that promotion of employee health is essential for corporate activities. Also, we believe healthy employees are, in turn, better able to provide services that bring customers health and happiness.

We have established the Aeon Health Promotion Section, which is tasked with setting goals and checking progress and comprises Group managers responsible for health-related areas. The section examines and executes policies for maintaining and promoting employee health from a management strategy perspective.

Aeon Health Management Declaration (Established January 2017)

Aeon will support the health of employees and their families
Aeon will achieve health and happiness in the local community together with employees

Promoting Diversity

Since its founding, Aeon has respected the privacy of individuals as well as their diverse values and personalities and has aimed to be a company where diverse human resources can play active roles without any discrimination on grounds such as race, nationality, ethnicity, gender, age, place of birth, religion, academic background, 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, sharing good examples among Group companies to promote active roles for women and enable roles for diverse personnel in the workplace, including foreign nationals and people with disabilities.



Aeon and Aeon Retail Certified as White 500 Enterprises for Third Consecutive Year

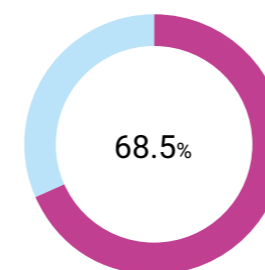


Selected for Diversity Management Selection 100 in 2015

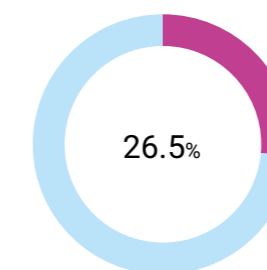


In 2019, AEON Co., Ltd. was selected for Nadeshiko Brands for a second consecutive year and Aeon Mall Co., Ltd. for a third consecutive year.

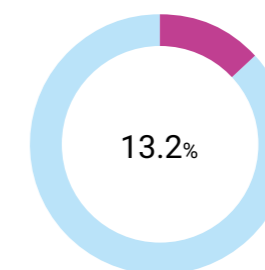
Overall Ratio of Women among Employees



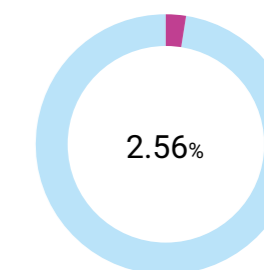
Ratio of Women among Managers (excluding Executives)



Overall Ratio of Foreign Nationals among Employee



Overall Ratio of People with Disabilities among Employees



As of February 28, 2019

By Realizing Employee Growth and Happiness, We Will Provide Customers with Better Service

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



Proactively Supporting the Career Formation of Ambitious Employees

The foundation of Aeon's human resource development is to provide ambitious employees with opportunities for self-learning and growth, and to proactively encourage them. For example, the Aeon Business School (formerly Jusco University) was established in 1969 as an in-house university open for those who wanted to take on new challenges. With a spirit of forging one's own career, many employees studied the courses, and after completing them, they were given assignments that reflected their aspirations.

The Group has also set up the Group Recruitment System, which enables employees to try various businesses and positions outside of their companies. When Aeon Bank, Ltd. was established in 2006, I also used this system to call for applications from throughout the entire Group for personnel who wanted to try a new business. Employees who have applied by their own volition are highly motivated and will strive to grow themselves. I believe the responsibility of a company is to secure ambitious personnel through recruitment, education, and self-awareness raising, provide these personnel with opportunities, and strive to create environments where they can play and active role.

Diversity and Promoting Active Roles for Women

The Company strives to manage personnel based on ability and achievement, not nationality, age, gender, or job category. This includes promoting active roles for women, which we recognize as having important significance in terms of ensuring corporate competitive capabilities.

Over 70% of the Company's customers are women, and approximately 80% of the staff supporting our sales areas are female employees working on hourly wages. These women have a ground-level understanding of customers' perspectives and a high awareness of productivity. Promoting active roles for them will also drive work style reforms for the entire Company.

Meanwhile, women account for less than half of the Group's salaried workers, and the ratio of female managers in the Group is only 26.5%. While this is comparatively high for a Japanese company, we are by no means satisfied with this level. The Group has set a target of raising the ratio to 50%, and with many of our overseas subsidiaries already having achieved this level, it is now an urgent task to accelerate efforts inside Japan.

Response to Global Business Development

The Group's form has changed significantly with the global development of its business. The ratio of overseas sales has increased and now accounts for more than half in some businesses. However, Japanese nationals currently make up the majority of our executives in each business.

To make it commonplace for local human resources to take on local management roles, we have set up the Global Trainee System and other initiatives to transfer Japanese know-how, along with creating opportunities for learning through on-the-job training by inviting employees from overseas to stay in Japan for a certain period. Through these initiatives we are striving to develop global human resources in a unique way, leveraging the Group's wide range of businesses.

Aeon's Evolving Human Resources Policy

As the Group's business portfolio changes, the desirable attributes for our human resources are also changing and growing more diverse. For example, in the finance business, digitalization is progressing and we now require human resources with advanced data analysis capabilities. This digital shift is an important factor in our other businesses as well, and we are recruiting human resources with aspirations along these lines through the Group Recruitment System that I mentioned above. In addition, I believe we need to prepare a new personnel system for these human resources.

Previously, the Company emphasized development of generalists and focused effort on level-specific education. Now, however, it is essential to design multi-track systems that treat career-track and specialist employees separately. The specialist roles include fields such as systems, digital, finance, and human resources. An effective way to develop these kinds of specialists is through accumulating experiences of "teaching others." For example, if somebody working in the Human Resources Division serves as lecturer for a Group training course, their own knowledge will deepen. Creating a system for developing teachers within the Group is also important from a perspective of "developing people who can develop others."

Enhancing Governance Tailored for the Aeon Group

As emphasized in the Corporate Governance Code, an important task from the perspective of governance is to develop candidate successors. The Company has approximately 300 subsidiaries in Japan and overseas, which provide a large field for gaining practical management experience. The management candidates that we develop are appointed as executives at small companies, and those who achieve results become candidates for executive positions at larger companies. This provides the Aeon Group with the unique and significant benefit of being able to enable managers to grow through accumulated experience.

In 2000, we established the Management Personnel Development Committee as an organization for systematically developing management candidates for the entire Group. Chaired by the president, with membership comprising the Group's executive management team, the committee spends time discussing each CEO to decide the direction for their development.

Moreover, in 2012 we established the Aeon DNA University as a space for passing on Aeon's philosophy and DNA to young personnel aspiring to become CEOs. The Group company presidents serve as teachers, passing on the necessary philosophy and DNA to the Group's CEO candidates.

In addition, the Company also emphasizes the functions of the Audit & Supervisory Board members. In 2014, we established the Audit & Supervisory Board Member Academy. The academy provides opportunities to learn about management from various

perspectives before being appointed as an Audit & Supervisory Board member. From their 40s, human resources who wish to can take appointments as Audit & Supervisory Board members at Group companies. Furthermore, by appointing personnel as CEOs after they have learned deeply about management as Audit & Supervisory Board members, the system helps to develop the Group's CEOs.

A Company that Pursues Human Happiness

As well as the pursuit of financial value, corporate management also involves the aspect of practicing the management philosophy. The central function of the Human Resource Division is to communicate this philosophy and values, educate people about them, and to implement them in concrete ways. In this way, we are called to make a real contribution to increasing corporate value.

Aeon's foundations are comprised of people. I believe that they will become even more important with the advance of technology. For example, the spread of self-checkouts and technology innovation in retail spaces will greatly reduce the work of checkout operators. Moreover, as smartphone usage advances, simple teller operations at the bank are likely to disappear. On the other hand, the knowledge and expertise for resolving customers' concerns and the ability to communicate person-to-person cannot be replaced. The importance of people is going to increase.

Aeon aims to realize remuneration that is commensurate with skill and achievement, even for staff on hourly wages carrying out these activities in our sales areas. For this reason, in addition to reviewing our personnel system, we must make further improvements to productivity by introducing the latest technologies, such as AI, and improving business processes.

As stated in the Basic Stance on Corporate Governance that we formulated in 2016, customer delight is our most important mission. To fulfill this requires the growth of our greatest management resource: our employees. This means highly motivated employees each striving for their own self-development, bound by a strong bond and working at their jobs each day in good mental and physical health. It also means happy employees. The Company's human resources policy will continue to evolve constantly.



A training session for developing CEOs



Social and Relationship Capital

We value links and communication with stakeholders in order to be a company that is close to local communities and the most trusted company among local people.

Giving Back to the Local Community

Aeon has established "rooted in local community life and dedicated to making a continuing contribution to the community" as a basic principle. We aim to be a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

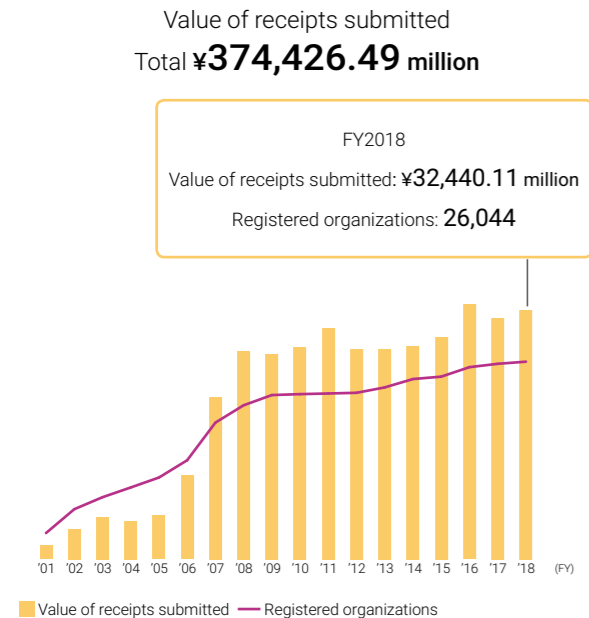
To create a more abundant society with our customers the local community, we are promoting activities for community invigoration, such as the Aeon Happy Yellow Receipt Campaign for supporting the local neighborhood and *Local WAON* cards for supporting a distant hometown or favorite area.

In the Aeon Happy Yellow Receipt Campaign, 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 that they wish to support. Aeon then

contributes goods accordingly at a value of 1% of the total amount of the receipts. The campaign has been in operation since 2001, and the total amount of receipts posted in the box had reached approximately ¥374.4 billion by 2018.

In association with local governments throughout Japan, *Local WAON* cards contribute part of the amount used on the card to the local community. In this initiative, customers purchase a *WAON* e-money card for the area that they wish to support, then Aeon donates part of the amount used on the card to that community. The system has been in place since 2009, and donations are used for regional revitalization, environmental conservation, tourism promotion, and other such efforts. By FY2018, the total amount of donation had reached approximately ¥1.5 billion. Card issuance of the *Hokkaido Isan WAON*, first issued in 2011, had reached 234,620 cards by FY2018, with the total amount of donations to Hokkaido reaching ¥82,034,056, making it the No. 1 *Local WAON* card.

Performance to Date of the Aeon Happy Yellow Receipt Campaign



Types of *Local WAON* cards

As of the end of February 2019



Stimulating Local Industry

Aeon actively contributes to local ecosystems and the preservation of local traditions. 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.*

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 2019, our artisanal food product activities cover 29 prefectures and 40 dishes, whose unique local flavors are delivered to customers across Japan.

* JF Shimane, JF Hiroshima, JF Ishikawa, JF Katase-Enoshima



Aeon purchases all fish caught by this fishing vessel
Fresh fish caught in the morning

Concluded a Disaster Prevention Agreement

As a local corporate citizen, Aeon has concluded around 900 disaster prevention-related agreements with approximately 650 local governments throughout Japan. These include agreements related to cooperation with procurement of supplies during disasters, which stipulate that Aeon and local governments nationwide will cooperate during disaster events to support the procurement of supplies.

Through these agreements, Aeon will contribute to the rapid recovery and restoration of areas affected by disasters as a local lifestyle infrastructure by providing supplies and evacuation areas as required. In addition, during ordinary times, stepping up collaboration with local communities in their disaster prevention efforts by conducting joint disaster prevention drills with the parties to these agreements.

Supporting Procurement of Living Essentials Based on Disaster Prevention Agreements

During the June 2018 Osaka Earthquake and the torrential rains of July 2018, Aeon procured and provided the necessary supplies requested by each local government. In the 2018 Osaka Earthquake, we supplied over 6,000 items including beverages, food, and blue plastic tarpaulins in response to requests from Osaka Prefecture, Moriguchi City, and Takatsuki City.

In addition to the above, we have supplied over 860,000 items of support aid during natural disasters, including beverages, food, clothing, as well as sanitary items such as wet-wipes and cosmetic wipes.



A shipment of milk transported to Kurashiki City in response to a request under the agreement with Tokyo Prefecture.

Dialogue with 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.

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 stakeholders.

Dialogue with Shareholders and Investors

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.

Response to the Corporate Governance Code
 We have implemented each principle of the Corporate Governance Code and have responded to all of the Tokyo Stock Exchange's rules and regulations as required of listed companies under the Code. (June 3, 2019)
 Please refer to our Corporate Governance Report at <https://www.aeon.info/en/investors/policy/governance.html> for more details.

General Meeting of Shareholders

At 94th Ordinary General Meeting of Shareholders, in addition to presenting the business report and proposals, the president also gave a presentation on Aeon's management policies to provide shareholders with a deeper understanding of Aeon's reforms. Fifteen of the shareholders asked questions regarding management strategy, product strategy, store management, and other topics, and these were answered and explained by the executives responsible. All eight of the nominees for director were approved as proposed.



In addition, in an exhibition corner set up in the venue for the General Meeting of Shareholders, we presented a history of the Aeon Group's initiatives to date to mark its 30th anniversary, and received valuable opinions from our shareholders.

Date and Time 10:00 a.m., Wednesday, May 29, 2019
Venue Makuhari Messe International Exhibition Halls, Hall No. 6 2-1 Nakase, Mihama-ku, Chiba-shi, Chiba
Meeting Time 10:00 to 11:32 a.m. (92 minutes)
Number of shareholders attending 1,951

Dialogue with Institutional Investors

We provide opportunities for explanation and dialogue about our environmental and social initiatives, and our efforts to involve diverse human resources in management. These include four financial results briefings and telephone conferences at which we present the Company's financial results and our progress on the medium-term management policies, as well as an annual sustainable management briefing. We also engage proactively in individual meetings and conferences.



Dialogue with Individual Investors

The Informal Aeon Shareholders' Conference is held to provide the management team an opportunity to hear feedback from individual investors, which they reflect in management. In 2018, we presented our financial results and regional initiatives at seven venues throughout Japan, holding Q&A sessions. We also set up TOPVALU food sampling and experience corners as part of these efforts to provide a deeper understanding of Aeon.



Dialogue with 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.

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

Holding Dialogues with Stakeholders

Since 2003, Aeon has conducted regular audits of all primary suppliers for TOPVALU products, in line with the Aeon Supplier Code of Conduct. The audits have been used to improve risk management and various issues.

In 2018, we conducted due diligence again on human rights across all of Aeon's supply chains. In doing so, we first reflected on our own activities and sought advice from a human rights expert.

We invited three people from NGOs and three scholars to a dialogue in August on the results of our human rights impact assessment. At the session, we received guidance about the method of the assessment, and opinions about various topics, including the importance of tackling human rights issues such as child labor at raw material production sites and accountability to customers for supply chain issues. In October, we met with UNI Global Union Secretary Christopher Ng on his visit to Japan from Singapore. He shared ideas for dealing with human rights due diligence through cooperation between labor and management.



Please refer to Sustainability Data Book 2019 for details.

Directors



Director
Chairman of the Board

Number of company shares held: 17,000

Non-executive

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)



Director
President and Representative Executive Officer
Group CEO, Member of Nomination and Compensation Committees

Number of company shares held: 2,505,000

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 Representative Executive Officer of Aeon (current position)
Mar. 2012 Appointed Group CEO of Aeon (current position)



Director
Executive Vice President and Executive Officer
CFO, Business Management

Number of company shares held: 20,000

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 Dai-ichi, 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)
Mar. 2016 Appointed Executive Officer and Executive Vice President of Aeon (current position)
Appointed CEO of Aeon's Financial Services Business and officer in charge of Aeon's Finance Division
May 2016 Appointed Director of Aeon (current position)
Mar. 2017 Appointed Executive Vice President and Executive Officer, and CFO of Business Management of Aeon (current position)
Appointed Director of AEON Retail Co., Ltd (current position)
Jun. 2018 Appointed Director of AEON Stores (Hong Kong) Co., Limited (current position)



Director
Chairman of Nomination Committee
Audit Committee Member

Number of company shares held: —

Outside Independent

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
Jun. 2008 Appointed Outside Director of Sony Corporation
Oct. 2009 Appointed Director and Executive Vice President of Benesse Holdings, Inc.
Apr. 2013 Appointed Honorary President of Berlitz Corporation
May 2013 Appointed Outside Director of Aeon (current position)
Jun. 2013 Appointed Outside Director of Hoya Corporation (current position)
Sep. 2013 Appointed Representative Director and President of Globalization Research Institute (current position)
Mar. 2014 Appointed Outside Director of DIC Corporation
Jun. 2018 Appointed Outside Director of Teijin Limited (current position)

Total number of shares held by Directors: 2,543,000
Note: The term of office of Directors is from the conclusion of the regular General Meeting of Shareholders for the fiscal year ended February 2019 to the conclusion of the regular General Meeting of Shareholders for the fiscal year ending February 2020.

Outside Outside director

Independent Independent directors for whom notification has been submitted to the Tokyo Stock Exchange

Non-executive Inside directors (directors other than outside directors) who are not concurrently serving as executives, executive officers, employees, or managing directors of the Company or the Company's subsidiaries



Director
Chairman of Compensation Committee
Audit Committee Member

Number of company shares held: —

Outside Independent

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)
May 2016 Appointed Outside Director of Aeon (current position)
Jun. 2016 Appointed Audit & Supervisory Board Member (external) of Daikin Industries, Ltd. (current position)
Apr. 2018 Appointed Honorary Advisor of Teijin Limited (current position)



Director
Compensation Committee Member
Audit Committee Member

Number of company shares held: —

Outside Independent

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.
Jul. 2013 Appointed Chairman of Mizuho Bank, Ltd.
Apr. 2014 Appointed Senior Advisor of Mizuho Financial Group
Jun. 2016 Appointed Chairman of The Japan-British Society (current position)
Jul. 2016 Appointed Outside Director of Asahi Mutual Life Insurance Company (current position)
Apr. 2017 Appointed Honorary Advisor of Mizuho Financial Group (current position)
May 2017 Appointed Outside Director of Aeon (current position)
Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. (current position)
Appointed Outside Director of Internet Initiative Japan Inc. (current position)



Director
Chairman of Audit Committee
Nomination Committee Member

Number of company shares held: —

Outside Independent

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
Jul. 2014 Appointed Prosecutor-General
Nov. 2016 Registered as Attorney at Law
May 2017 Appointed Outside Director of Aeon (current position)
Jun. 2017 Appointed President of International Civil and Commercial Law Centre Foundation (current position)
Appointed Outside Audit & Supervisory Board Member of Komatsu Ltd. (current position)
Appointed Outside Audit & Supervisory Board Member of ITOCHU Corporation (current position)



Director
Nomination Committee Member
Compensation Committee Member

Number of company shares held: —

Outside Independent

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
May 2018 Appointed Outside Director of the Company (current position)

Executive Officers

Motoya Okada
President and Representative Executive Officer
Group CEO

Motohiro Fujita
Executive Vice President and Representative Executive Officer
Supermarket Business

Yuki Habu
Executive Officer
China Business

Kahori Miyake
Executive Officer
CSR & Communication

Takehiko Saitoh
Executive Officer
Internet Business

Akio Yoshida
Executive Vice President and Representative Executive Officer
Shopping Center Development Business and Digital Business

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

Eiji Shibata
Executive Officer
Merchandising and Logistics

Hidehiko Osano
Executive Officer
Logistics Reform

Yasuo Nishitoge
Executive Officer
Asean Business

Soichi Okazaki
Executive Vice President and Representative Executive Officer
GMS Business and International Business

Shinya Wako
Executive Vice President and Executive Officer
Management Strategy

Masaki Suzuki
Executive Officer
Financial Services Business

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



Over the past few years companies have committed compliance violations and risk management errors that have rapidly eroded the trust of society and threatened their survival.

Aeon's business involves direct contact with consumers, mainly through retail, and since food safety in particular has enabled the Company to achieve this trust, it is working actively to achieve it in new business fields as well. Given the nature of these businesses, compliance in the narrow legal sense will not be sufficient; it is important to refine the Company's risk awareness with an even wider sense of the customer's perspective and concerns. I believe that continuing to provide safe and secure products in this way will lead to acceptance of the brand.

However, given the large scale of the Group and the number of its employees, there is the potential for problems to occur in areas that are difficult for the holding company to monitor, and for governance and compliance to grow lax under different approaches used by each Group company. It is therefore important not only to take formal measures such as the establishment of rules and systems, but also to approach these issues more realistically with an awareness of risk. Specifically, the holding company must make the its policy known throughout the entire Group and guide the creation of a framework for realizing it; the various issues brought up by the Audit Committee should be shared with Group companies; the top management of each Group company should properly acknowledge the importance of the policy to those concerned and ensure that all are following it; and the internal reporting system must be widely publicized and used by all concerned.

Ensuring governance and emphasizing compliance in every situation is a precondition for a company to continue being trusted by society. I will use my experience in judicial and legal affairs as I fulfill my role of monitoring the Company's business execution to ensure that Aeon continues to develop over the medium to long term.

Kotaro Ohno
Outside Director
Chairman of Audit Committee, Chairman of Nomination Committee



I feel that the most important issue for the Nomination Committee in this era of rapid change is not the selection process and education system for future management personnel candidates, but the approach to selecting the management personnel that Aeon needs going forward, and creating new forms, policies, and systems.

In particular, the issue of a success for the CEO is constantly being considered by the Nomination Committee and all of the Outside Directors. Since a succession plan cannot be made without a successor candidate, one of the main roles of the Nomination Committee is to continuously work on creating processes for developing such candidates. The process for developing and giving experience to high quality personnel from within Aeon's giant organization must be made visible, and the process must be fair and meaningful. Currently, President Okada is also participating with relevant departments in a united effort to create these processes. I consider this a big challenge. Furthermore, with regard to the candidates for management personnel, while it is not directly the Nomination Committee's role, I believe an important factor for the committee is to not only consider the people who come up as candidates, but to consider rigorously whether there are any high quality human resources among the approximately 580,000 employees and whether such human resources are being identified from diverse perspectives to be given opportunities and developed.

To assist the Aeon Group's growth going forward, I expect to see further promotion of diversity. It is when the business environment is in a state of rapid change or the Company is in an adverse environment that diversity become more important. The top management and employees of all Group companies must each take an appropriate stance on handling diversity if the Aeon Group is to grow going forward.

Yukako Uchinaga
Outside Director
Chairman of Nomination Committee, Audit Committee Member



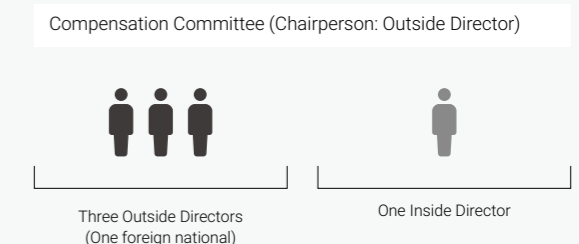
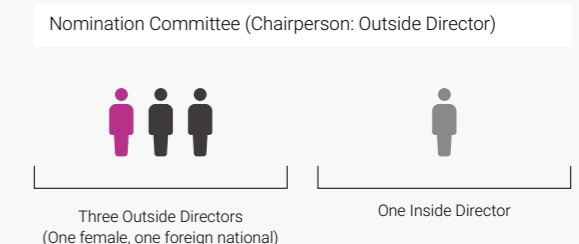
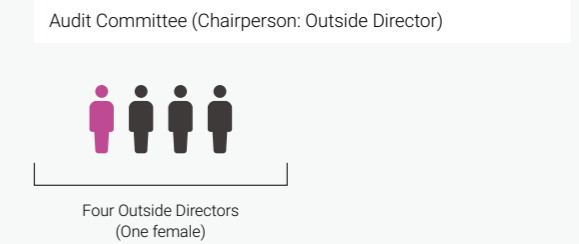
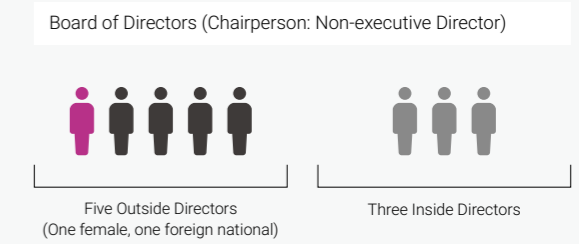
In corporate management it is important to have short-term initiatives and a long-term vision, and to use both perspectives to see. In the Board of Directors meeting, based on what I have learned from my own experience as a CEO I advocate examining not only profit and loss, but also carefully looking at cash flows and the balance sheet. I also promote the idea that the presidents of even small Group companies should act with the sensitivity of a top manager. Since Aeon is a large group, I sometimes feel that it provides fertile ground for lax attitudes to take root, in which people assume "things will work out somehow." I believe that in this situation, the presidents and CEOs of Group companies must have proper opportunities to be educated and trained as Aeon Group management, and nurture the discipline and mental fortitude for rigorous self-reflection.

In the compensation system, I think it is important to consider the balance between short-term and long-term perspectives, as well as stakeholder perspectives. Currently, remuneration comprises three elements: base salary, short-term performance compensation, and medium to long-term stock options. Looking ahead, we will update the system for the short-term performance compensation so that it is determined only on the indicator of profit, but also on ROA, ROE, and other factors. Moreover, we will widen the scope of applicability for medium- to long-term stock options beyond executive officers to include employees, with a view to changing the awareness of employees as well. In addition, as Aeon is also prioritizing non-financial initiatives, our task now is to establish non-financial KPIs and incorporate them into the remuneration system.

The core reference for management decisions is the corporate philosophy, "everything we do, we do for our customers." Naturally, the penetration of this philosophy through the organization will establish the Aeon brand more securely. To promote the growth of the Aeon Group going forward, I will use my position as an outside director to monitor the Group and give advice that since the Group is so large, it is important to return to basics and ensure that the Aeon philosophy is securely planted in the individual CEOs and employees of every Group company.

Toru Nagashima
Outside Director
Chairman of the Compensation Committee, Audit Committee Member

Structure of Board of Directors and Three Committees



Outside directors' activity report
The outside directors are appointed from among corporate managers and people with abundant experience and expert knowledge in specialized fields such as IT, corporate strategy, or legal affairs to ensure that the Board of Directors can adequately demonstrate its supervisory function. In addition, outside directors include female directors and foreign nationals in recognition of the importance of diversity in perspectives, including gender and internationality. Furthermore, to enable wide-ranging discussion from an independent perspective on medium- to long-term issues pertaining to the increase of corporate value, the Company holds meetings attended only by outside directors. At these meetings, the outside directors speak openly about issues that AEON needs to address, and periodic consultations between the outside directors and the CEO are later held to discuss the results of such discussions. Furthermore, the Company is actively expanding venues for discussion and activity outside of Board of Directors meetings, including policy deliberation meetings for formulation of medium-term management plans and progress reports, as well as overseas business visits and tree-planting activities.

Group Management Organization Reforms

Aeon has a history of alliances and mergers with leading regional companies that began with the formation of JUSCO, while transforming Group management to increase the Group's scale with a nationwide chain of stores.

We used a federated approach to management based on an alliance and merger strategy after establishing JUSCO. Under this approach, we created streamlined management units at the head office to raise efficiency and address issues common to the Group companies through the entire Group. We also largely delegated authority to enable the Group companies to operate independently with close community relationships. We subsequently diversified and internationalized operations, leading us to revolutionize Group strategy in 1989 and change our name to Aeon Group from JUSCO Group. In this period of innovation, we formed a loose confederation that brought the Group closer together while respecting the autonomy of the Group companies and sharing expertise to support Group growth.

In 2008 we changed by moving to a pure holding company to clarify the holding company and operating company organization framework as we developed mall-type shopping centers, operated retail stores, implemented an M&A strategy, increased the Group's scale, and diversified with a focus on the retail business.

We have subsequently evolved our management organization in line with changes in the external operating and competitive environment and the scale of Group businesses while maintaining our commitment to putting customers first, close community relationships and a frontline focus. Following these reforms, the GMS Business, the Supermarket Business, the Health & Wellness Business, the Financial Services Business, and the Shopping Mall Development Business have reached a nationwide business scale, as Aeon has grown into a corporate group with FY2018 consolidated operating revenues of more than ¥8.5 trillion.

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.

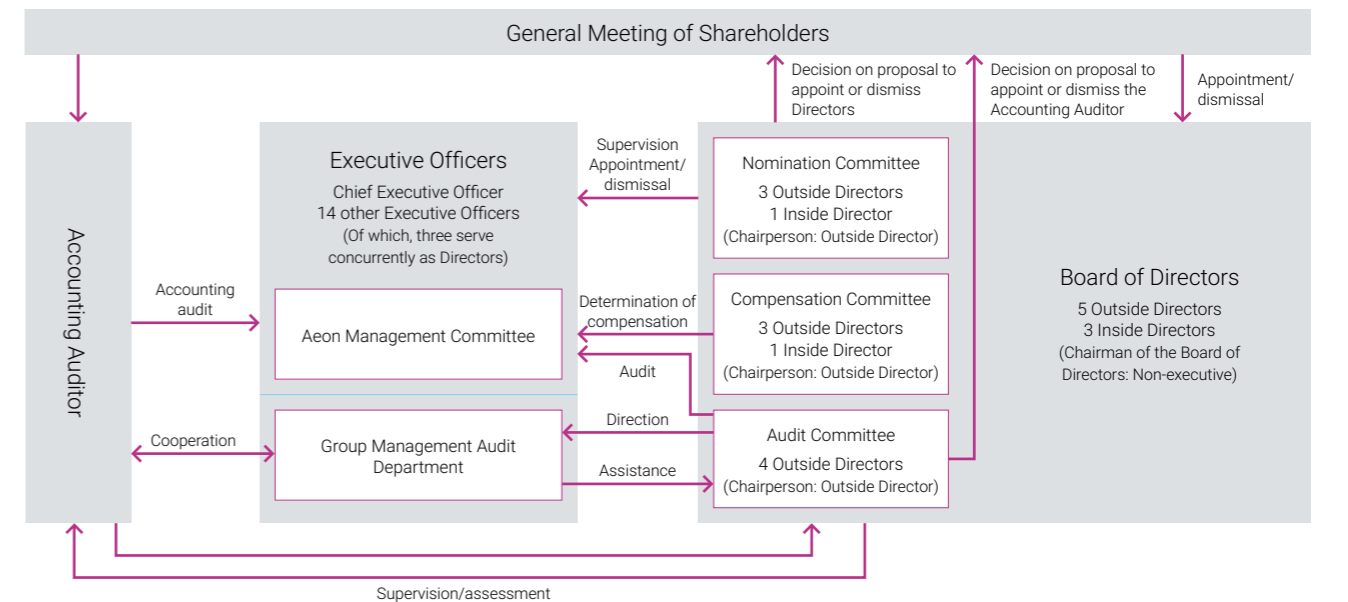
<p>Basic Stance on Corporate Governance</p> <p>Creating Value by Focusing on Customers and the Front Lines Customer delight is our most important mission. We create optimal value aligned with changing customer needs by focusing on the front lines of our business, which are our point of contact with customers, 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 members, including customers,</p>	<p>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.

Corporate Governance System (As of May 29, 2019)



Corporate Governance Highlight

	FY2000	FY2001	FY2003	FY2007	FY2008	FY2009	FY2013	FY2016	FY2017	FY2018	FY2019
Trade name	JUSCO Co., Ltd.	Aeon Co., Ltd. (since Aug. 2001)									
Organization form	Operating holding company				Pure holding company (since Aug. 2008)						
Corporate governance system	Company with a Board of Directors		Company with a Nomination Committee and Other Committees (since May 2003)								
Committees	Nomination Committee (Chairman: outside director) Compensation Committee (Chairman: outside director) Audit Committee (Chairman: outside director)										
Number of Directors	23	8	7	7	9					8	
(Of which, outside directors)	—*	4 (half of directors)	3	3	5 (more than half of directors)					5 (more than half of directors)	
(Of which, female directors)									1		
(Of which, foreign nationals)										1	
Operations of the Board of Directors, etc.								Assessment of the effectiveness of the Board of Directors		Outside Directors' Meeting	
Policies and code of conduct	Aeon Basic Principles (1989–)										
	Established Aeon Code of Conduct										
									Established Basic Policy on Corporate Governance		

* The outside director system was introduced with the revision of the Commercial Code in 2003. Aeon had already invited outside officers prior to this.

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 eight 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.

Election Criteria for Outside Directors

1. The Outside Director shall subscribe to the Company's basic principles, code of conduct, etc.
2. The Outside Director shall have extensive experience as a chief executive officer or other corporate executive, or shall have comparable experience, knowledge and insight.
3. The Outside Director shall be able to make judgments independently of the Company's management.
4. The Outside Director shall be able to participate in most of the Company's Board of Directors' meetings and in the committees to which he or she is assigned.

Criteria for Independence of Outside Directors

To maintain independence, Outside Directors of the Company shall satisfy the requirements stipulated below.

1. A person who is not currently, and has not been during the past ten years, a Managing Director, Executive Officer, or employee (hereinafter "executing person") of the Company or a subsidiary of the Company
2. A person who does not currently, and has not during the past three years, fallen under any of the following categories:
 - (1) A major shareholder of the Company (a person who directly or indirectly holds 10% or more of voting rights) or an executing person thereof
 - (2) A partner of the Company's independent auditor or employee thereof involved in auditing of the Company
 - (3) An executing person of a major lender to the Company (a lender from which the Company's borrowings exceed 2% of consolidated total assets)
 - (4) An executing person of an important business partner of the Company (a business partner for whom transactions with the Aeon Group exceeded 2% of consolidated annual sales in said business partner's most recent business year)
 - (5) A person who is an attorney at law, certified public accountant, licensed tax accountant, or other consultant and who has received compensation exceeding ¥10 million from the Company other than remuneration as a corporate officer.
 - (6) An executing person of a non-profit organization for which donations from the Aeon Group exceed ¥10 million and the donation amount exceeds 2% of said organization's total revenue or ordinary income.
 - (7) A spouse or relative within the second degree of kinship of any person who falls under items 1. and 2. (1) to (6) above.

* However, even if a person falls under any of categories (1) to (7) above, if the Company has judged that there is substantive independence from the Company in light of the person's character, acumen, or the like, the Company may make the person a candidate for Outside Director, provided it explains the reason publicly.

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 29, 2019)

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	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 (FY2018)

	Times Convened	Main Functions
Board of Directors	8	<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	5	<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.

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.

■ Compensation Policy

Principle and Objective of the Compensation System

- On the basis of the Basic Principles, the Company's Directors and Executive Officers shall continuously take on challenges without fear of risk as members of a corporate group with its ever-lasting innovative spirit, thereby contributing to the sustainable growth of the Group.
- The Company's Directors and Executive Officers shall receive compensation in accordance with the roles expected of corporate officers and the degree of achievement of management objectives.

I. Basic policy on the compensation system

- The compensation system shall be highly fair and easy to understand, so as to be understood and endorsed by customers, employees, and shareholders and shall be decided by a transparent, appropriate process that ensures fairness.
- The system shall link compensation with the Aeon Group's medium- and long-term management strategies and performance, creating strong motivation to execute management strategy.
- The level of compensation shall be such that it secures, retains, and motivates human resources responsible for management of the Aeon Group.
- The compensation structure and levels shall be reviewed appropriately as needed, in light of economic and social conditions and the Aeon Group's business environment and financial performance.

2. Director Compensation

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

3. Executive Officer Compensation

- Base compensation
Base compensation shall reflect the evaluation of each executive officer and fall within the standard compensation for each position.
- 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 FY2018

Officer Class	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of eligible recipients
		Base compensation	Stock options	Performance-based compensation	
Director (Excluding Outside Directors)	46	46	—	—	1
Executive Officer	466	335	53	78	12
Outside Officer	75	75	—	—	6

■ Assessment of the Effectiveness of the Board of Directors

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

(1) Assessment method

With regard to evaluation of the effectiveness of the Board of Directors in FY2018, at the January 2019 Outside Directors Meeting, the Outside Directors reviewed the Board's deliberations in FY2018 and exchanged views on medium- and long-term issues to be resolved by Aeon. The Chairman of the Board of Directors conducted individual interviews, and a questionnaire survey for evaluating matters such as the substantiality of agenda items aimed at enhancing the oversight function of the Board of Directors (Aeon's medium- and long-term issues, progress with the medium-term management plan, etc.) and the status of improvement in operation of the Board of Directors, designated as an issue in the previous fiscal year.

(2) Status of improvement of issues designated in the previous fiscal year

- Issues designated in the previous fiscal year
 - Deepening of discussion by securing sufficient frequency and duration of discussions about Aeon's medium- and long-term issues and the progress and status of the medium-term management plan
 - Expansion of Outside Director activities, such as information sharing to further utilize their knowledge (policy discussion meetings) and overseas inspections

■ Overview of improvement of issues

Discussion of medium- and long-term issues and progress with implementation of the medium-term management plan was more substantial than in the previous fiscal year and improvements have been made. At the same time, there is a wide range of important issues associated with business diversification that need to be discussed, and it is necessary to strengthen the internal structure for steady implementation of measures.

Debate at policy discussion meetings and overseas visits are highly effective for deepening Outside Directors' understanding of business activities, since industry information, trends at other companies, market analysis, and other information is provided. The Board of Directors will aim for further improvement while reviewing matters such as time allocation.

(3) Overview of evaluation results

At Board of Directors meetings in FY2018, the executive Directors attentively listened to vigorously expressed, frank opinions from the Outside Directors, who make up a majority of the Board of Directors. The Board of Directors also actively incorporated the knowledge and opinions of the Outside Directors in management by expanding their activities other than Board meetings, such as policy discussion meetings and overseas business inspections. Also, the Board of Directors assesses that the Board's overall governance system is progressing. For instance, the Board regularly takes up ESG initiatives, which underpin Aeon's sustainable management, as an important agenda item and monitors ESG promotion while engaging in discussions informed by the views of Outside Directors with diverse backgrounds.

Criteria for evaluating the Board of Directors in FY2018

- 1) Strengthening of holding company functions and group governance (continuation)
 - Thorough group-wide dissemination and education regarding Audit Committee findings
 - Continuous monitoring of compliance status
- 2) Further deepening of discussion aimed at group-wide value enhancement
 - Business portfolio analysis and structural reform to maintain a balance between business growth and financial discipline
- 3) Improvement of communication between oversight and business execution

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 related to corporate ethics, 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 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 and Aeon Retail Co., Ltd. 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 FY2018, we provided the training at 68 Group companies overseas. A total of 53,173 employees took part in grade-specific training for management, promotion leaders, general employees, and new employees.

In FY2019, we plan to provide training to about 58,000 "Aeon People" at 68 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 March 2019, we conducted the survey at 68 Group companies overseas and received 47,869 responses. In March 2020, we plan to survey 58,000 employees at 68 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 workplace 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) 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 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}

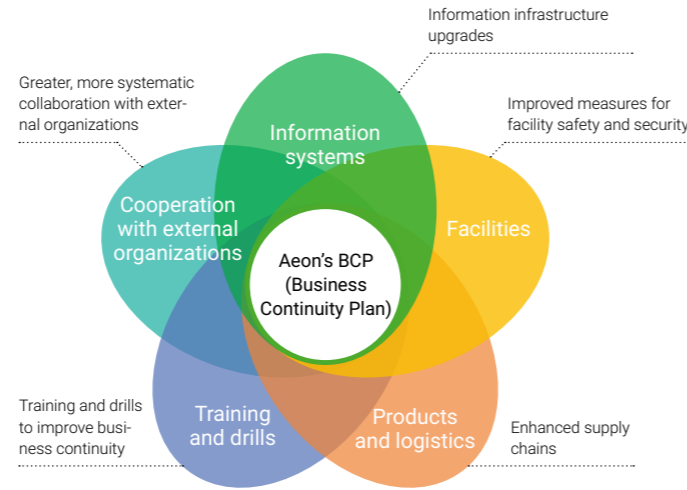
Hypothetical risks have become more diverse in recent years, ranging from an increasing number of natural disasters such as earthquakes and torrential rain due to abnormal weather to terrorist attacks and bombings.

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 all 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 51 locations since the launch of the program in 2012. We built new disaster-prevention facilities at 11 stores in FY2018.

3. Products and Logistics (Enhanced supply chains)

In March 2016, we launched a new system to be used during disasters that links to approximately 50 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 at the time of registration, operation and management of the shopping center at Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services. Moreover, in June 2019, the Group expanded its operation and management services and so forth to a further 14 commercial facilities.

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 <ul style="list-style-type: none"> • 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. • Aeon Inage Store operated by Aeon Retail Co., Ltd. • Aeon Inage Center operated by Aeon Delight Co., Ltd. • Aeon Mall Tomakomai operated by Aeon Hokkaido Corporation • Tomakomai Center Aeon Mall Tomakomai operated by Aeon Delight Co., Ltd. • Maxvalu Numanohata Store operated by Maxvalu Hokkaido Co., Ltd. • Aeon Mall Tendo operated by Aeon Mall Co., Ltd. • Aeon Style Tendo operated by Aeon Retail Co., Ltd. • Yamagata Area Center, Aeon Mall Tendo operated by Aeon Delight Co., Ltd. • Maxvalu Tendo Store operated by Maxvalu Tohoku Co., Ltd. • Aeon Omiya Store operated by Aeon Retail Co., Ltd. • Omiya Center operated by Aeon Delight Co., Ltd. • Maxvalu Nagazumi Nakatogari operated by Maxvalu Tokai Co., Ltd. • Aeon Komaki Store operated by Aeon Retail Co., Ltd. • Aeon Komaki Center operated by Aeon Delight Co., Ltd. • Maxvalu Komaki-Ekinshi Store operated by Maxvalu Chubu Co., Ltd.* • Aeon Mall Kyoto Katsuragawa operated by Aeon Mall Co., Ltd. • Aeon Style Kyoto Katsuragawa operated by Aeon Retail Co., Ltd. • Aeon Mall Kyoto Katsuragawa Center operated by Aeon Delight Co., Ltd. • Aeon Mall Okayama operated by Aeon Mall Co., Ltd. • Aeon Style Okayama operated by Aeon Retail Co., Ltd. • Aeon Mall Okayama Center operated by Aeon Delight Co., Ltd. • The Big Kurashiki Store operated by Maxvalu Nishinohon Co., Ltd. • Aeon Fukuoka Store operated by Aeon Kyushu Co., Ltd. • Fukuoka Area Center operated by Aeon Delight Co., Ltd. • Maxvalu Mikasagawa Store operated by Maxvalu Kyushu Co., Ltd.

*Company names as of February 28, 2019

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.

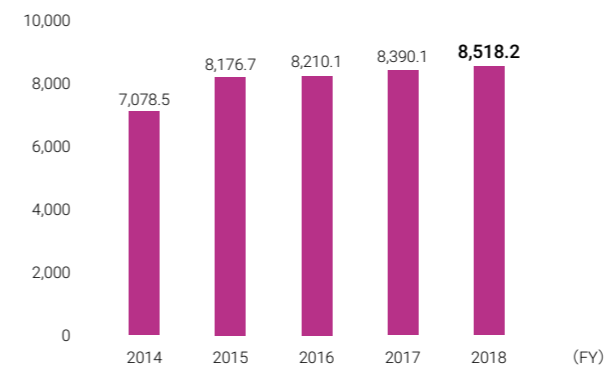
<p>1: Initiatives to protect personal information</p> <p>We undertake the following activities to conscientiously implement our basic policy for personal information protection.</p> <p>1-1: Officers and all employees shall comply with laws and internal regulations pertaining to personal information.</p> <p>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.</p> <p>1-3: We shall appoint people responsible for the protection of personal information and audit the protection of personal information.</p> <p>1-4: We shall improve internal regulations and operations based on the results of audits.</p> <p>1-5: We shall ask suppliers and related parties for cooperation to protect personal information.</p> <p>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.</p> <p>2: Handling of personal information</p> <p>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.</p> <p>2-2: We shall respond to requests to disclose, correct, or delete personal information promptly within a reasonable period and an appropriate scope.</p> <p>2-3: We shall implement safety measures appropriately to preclude problems such as unauthorized access, loss, tampering, or leakage.</p> <p>September 21, 2004</p> <p>Motoya Okada President and Representative Director, Aeon Co., Ltd.</p>

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

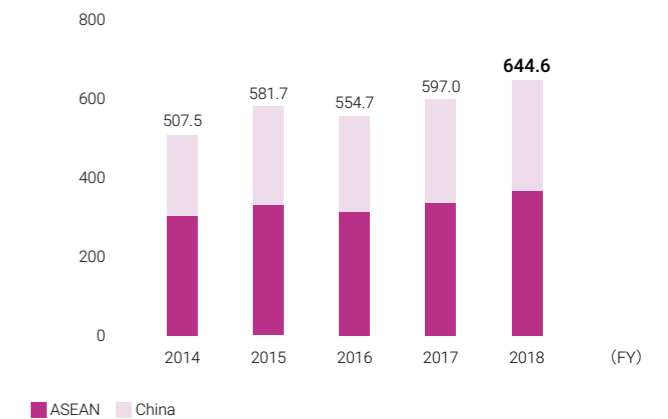
Financial and Non-Financial Highlights

(Millions of yen)	FY2014	FY2015	FY2016	FY2017	FY2018
FISCAL YEAR					
Operating revenues	7,078,577	8,176,732	8,210,145	8,390,012	8,518,215
Segment operating revenue by Region					
Japan	6,486,616	7,464,583	7,543,969	7,674,425	7,757,433
ASEAN	304,360	333,196	312,717	334,981	365,741
China	203,177	248,540	242,068	262,081	278,952
Operating income	141,368	176,977	184,739	210,273	212,256
Segment operating income by Region					
Japan	123,230	166,620	173,903	187,098	176,675
ASEAN	23,323	20,190	18,651	24,806	33,863
China	(5,856)	(10,323)	(7,744)	(1,521)	1,470
Ordinary income	152,509	179,674	187,351	213,772	215,117
Income before income taxes	144,860	169,225	149,339	168,594	168,083
Net income attributable to owners of parent	42,069	6,008	11,255	24,522	23,637
FINANCIAL POSITION					
Total assets	7,859,803	8,225,874	8,750,856	9,452,756	10,049,680
Equity	1,829,980	1,819,474	1,862,410	1,916,737	1,875,364
Interest-bearing debt	1,845,032	2,170,800	2,257,094	2,344,381	2,552,589
CASH FLOWS					
Net cash provided by operating activities	398,453	43,156	294,893	463,911	469,874
Net cash used in investing activities	(361,838)	(446,612)	(267,710)	(427,854)	(662,416)
Net cash provided by financing activities	95,527	313,344	81,450	28,641	143,792
Cash and cash equivalents, end of year	778,151	700,511	802,099	870,013	814,479
PER SHARE OF COMMON STOCK					
Basic net income (¥)	50.22	7.19	13.44	29.23	28.11
Net asset per share (¥)	1,443.97	1,364.57	1,349.79	1,371.60	1,299.32
Cash dividends applicable to the year (¥)	28.00	28.00	30.00	30.00	34.00
MAJOR FINANCIAL INDICATORS					
Operating Profit Margin	2.0	2.2	2.3	2.5	2.5
Return on Equity (ROE)	3.6	0.5	1.0	2.1	2.1
Return on Invested Capital (ROIC)	3.1	3.7	3.8	4.3	4.2
Shareholder's Equity Ratio (%)	15.3	13.9	12.9	12.2	10.9
Debt Equity Ratio (excl. Financial Services Business) (Times)	0.9	1.1	1.2	1.2	1.4
NON-FINANCIAL DATA					
Stores in Japan and Overseas	18,372	20,017	20,633	21,248	21,516
Card members of Aeon Financial Service Co., Ltd. on a consolidated basis	3,567	3,722	3,894	4,064	4,269
WAON electronic money cards issued to date	4,844	5,638	6,430	6,992	7,509
Types of Local WAON cards issued to date	101	124	132	145	150
CO ₂ Emissions (Gross emissions) (Millions of t-CO ₂ /Millions of m ²)	0.078	0.075	0.075	0.078	0.077
Reduction of Plastic Bags Used at Cash Registers (Millions of bags)	2,408	2,709	2,770	2,735	2,647
Ratio of Female Managers	19.4	21.5	25.6	26.6	26.5

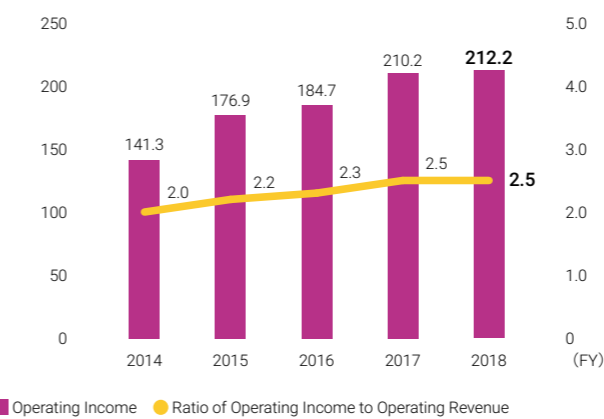
Operating Revenues
(Billions of yen)



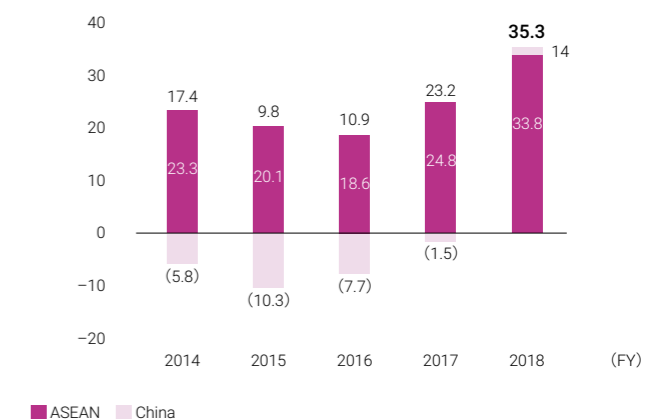
Operating Revenues (ASEAN, China)
(Billions of yen)



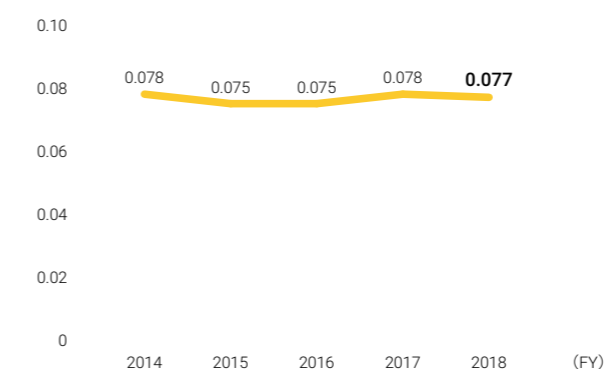
Operating Income / Ratio of Operating Income to Operating Revenue
(Billions of yen) (%)



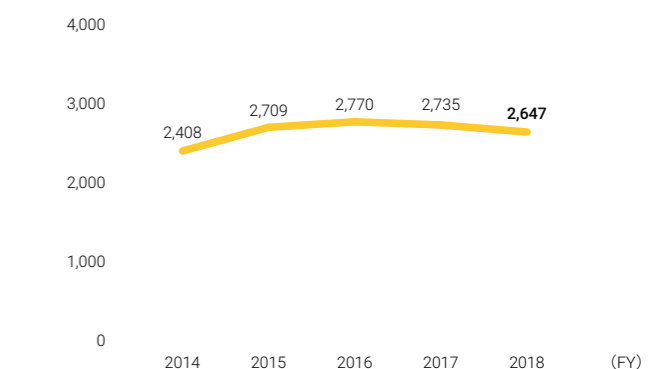
Operating Income (ASEAN, China)
(Billions of yen)



CO₂ Emissions (Gross emissions)
(Millions of t-CO₂/Millions of m²)



Reduction of Plastic Bags Used at Cash Registers
(Millions of bags)



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.

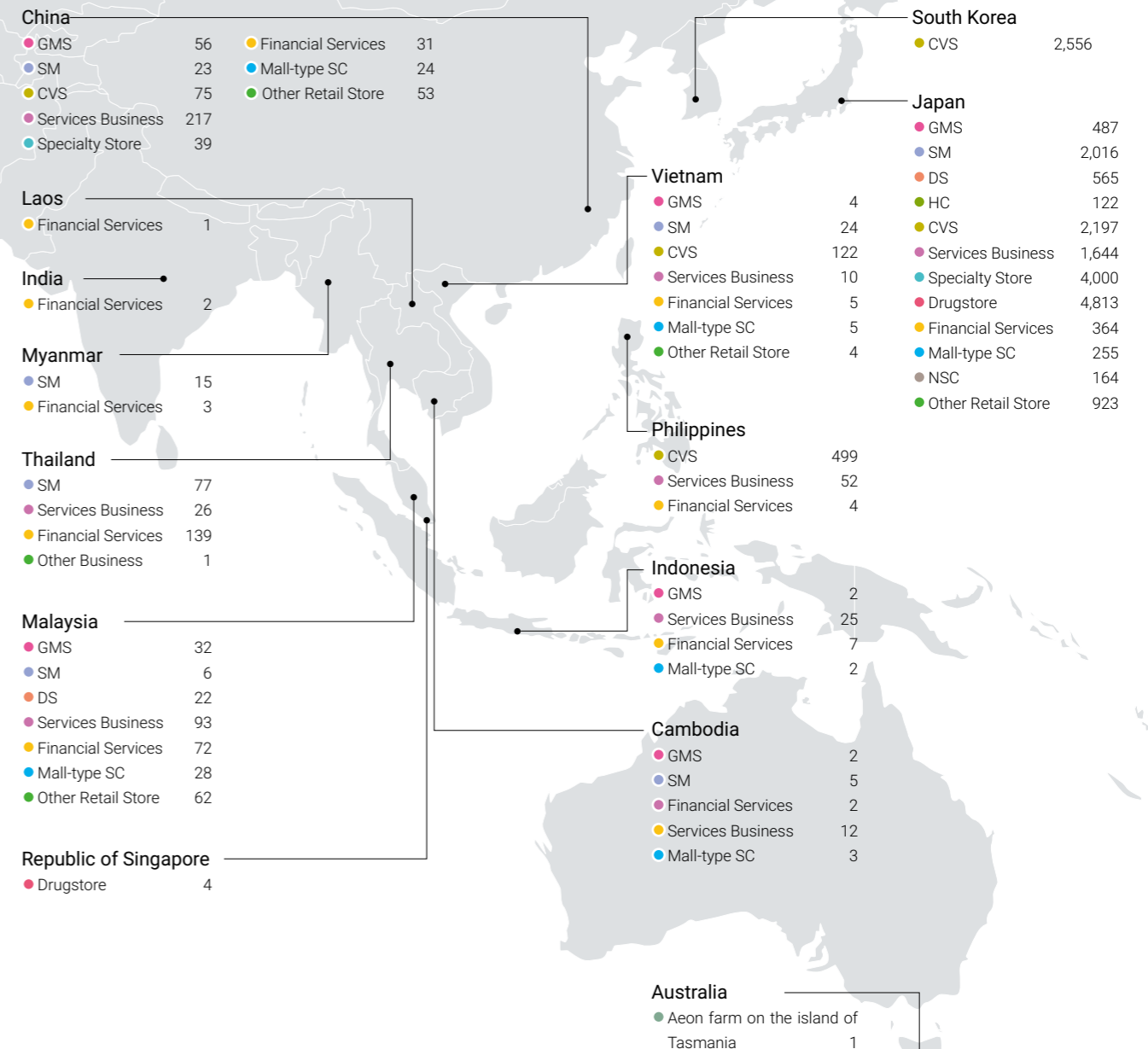


Shared Function Companies / Others

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

Global Expansion

Expanding Aeon to Asia and around the World



GMS (General Merchandise Store)	583	SM (Supermarket)	2,166	DS (Discount Store)	587
HC (Home Center)	122	CVS (Convenience Store)	5,499	Specialty Store	4,039
Drugstore	4,817 ^{*1}	Other Retail Store	1,043	Mall-type SC (Shopping Center)	315 ^{*2}
NSC (Neighborhood-type Shopping Center)	164 ^{*3}	Financial Services	640	Services Business	2,070
Aeon farm on the island of Tasmania	1				

Total **21,996** stores/locations
(as of the end of February 2019)

*1. Including affiliated companies
*2. Including SCs operated under the name of Aeon Mall as well as those with total leased area of over 20,000m²
*3. NSCs operated under the name of Aeon Town
Number of stores operated by consolidated subsidiaries and equity-method affiliates

(As of the end of February 2019)

Corporate Data

Headquarters	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8515, Japan	Stock Exchange Listing	Tokyo Stock Exchange
Representative	Motoya Okada, Representative Director, President and Group CEO	Independent Auditor	Deloitte Touche Tohmatsu LLC
Founded	1758	Transfer Agent	Sumitomo Mitsui Trust Bank, Limited
Established	September 1926	Number of Shareholders	767,999
Number of Employees	Approx. 580,000	Shares Issued and Outstanding	871,924,572
Fiscal Year End	End of February	Website	https://www.aeon.info/en/
Annual Shareholders' Meeting	Held by the end of May		

Major Shareholders (As of the end of February 2019)

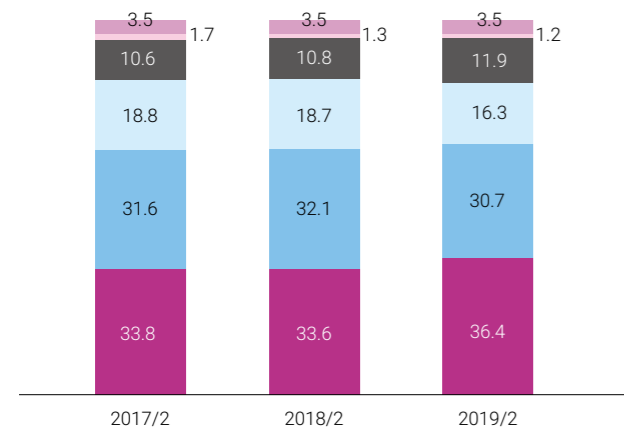
Name	Number of shares held (Thousands of shares)	Ratio of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,151	6.20
Mizuho Bank, Ltd.	33,292	3.96
Japan Trustee Services Bank, Ltd. (Trust Account)	33,118	3.93
AEON Environmental Foundation	21,657	2.57
The Cultural Foundation of Okada	21,164	2.51
Mitsubishi Corporation	20,422	2.43
The Norinchukin Bank	18,133	2.15
Japan Trustee Services Bank, Ltd. (Trust Account #5)	14,872	1.77
Employees' stockholding association	12,355	1.47
Japan Trustee Services Bank, Ltd. (Trust Account #7)	11,881	1.41

Notes:

- Calculations of ratio of shares held exclude treasury stock (30,145,261 shares) and have been rounded.
- The number of shares held by Mizuho Bank, Ltd. includes its contribution of 9,378 thousand shares to the retirement benefit trust (the holder of said shares, as listed in the shareholder registry, is "Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.").

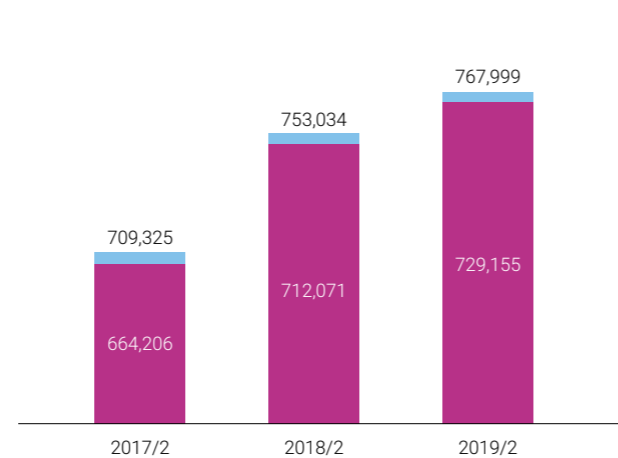
Shareholder Distribution by Owners

■ Japanese financial institutions ■ Japanese individuals and others
■ Other Japanese corporations ■ Foreign institutions and individuals
■ Japanese securities companies ■ Treasury stock

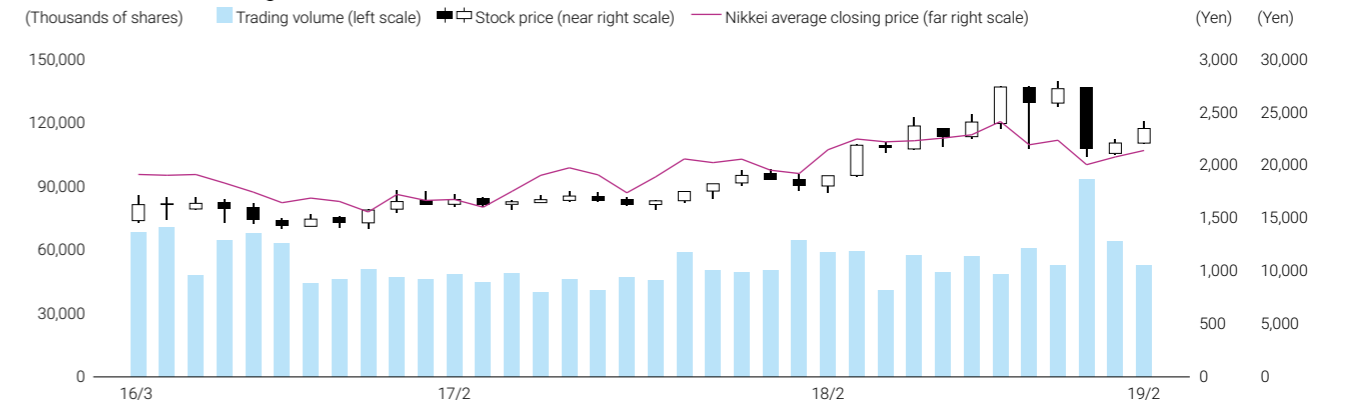


Number of Shareholders and Number of Individual Unit Shareholders

■ Number of individual unit shareholders



Stock Price and Trading Volume



	FY2017	FY2018	FY2019
High	¥1,764.0	¥1,959.5	¥2,792.0
Low	¥1,400.5	¥1,577.0	¥1,736.0

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/>

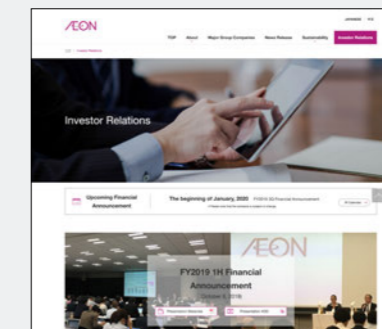
The corporate section presents information for various stakeholders. Please access the latest company information and news releases here.



<https://www.aeon.info/en/>

English

Investor Relations



<https://www.aeon.info/en/ir/>

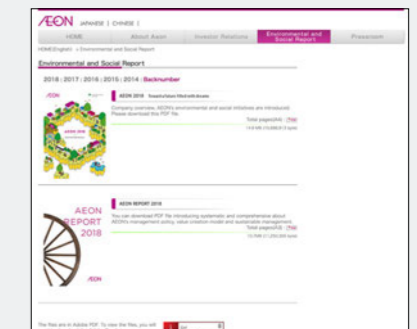
This section presents our management policy, financial and performance data, stock information, IR materials, and other information.



<https://www.aeon.info/cn/>

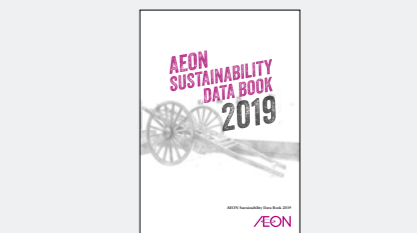
Chinese

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 Sustainability Data Book

A data book that complements this Aeon Report (Integrated Report). The data book is available on the IR website.



AEON CO., LTD.

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Website: <https://www.aeon.info/en/>

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