



Better Use of Resources

Management Approach

Recognition of Challenges

The world's population continues to grow. Many believe it will increase from the current 7 billion to 9 billion by the year 2050. Meanwhile, the issues of hunger and poverty continue to plague developing countries. The only way to improve the living standards of people around the world in a sustainable manner is to make sure that the earth's limited resources are used effectively and responsibly. Aeon generates food waste through its business and is also tied to waste produced by customers after the use of plastic bags and food containers. This is why we are working on various activities for the better use of resources as one of our key issues.

Aeon's Approach

Aeon launched the Bring Your Own Shopping Bag Campaign back in 1991 and has changed the specifications and formats of packaging materials as part of its ongoing efforts aimed at the responsible use of resources. In 2000, the Bring Your Own Shopping Bag Campaign developed into the My Basket Campaign where customer bring their own shopping basket and in 2007 Aeon was the first nationwide retailer to eliminate free plastic bags at the register, illustrating its many pioneering initiatives over the years. As a result of these initiatives, as of February 28, 2015 some 67.5% of Aeon customers decline plastic shopping bags, greatly exceeding the industry-wide average of 51.3% (as of March 2015). Aeon established a goal to achieve zero waste (reduction of landfill waste to zero) at its stores by FY2020, given the rising demand in society to reduce waste, and began stepping up its initiatives. Food waste, a growing social issue, has also been established as a priority KPI.

Future Initiatives

The reduction of garbage and food waste was included as a goal within the Sustainable Development Goals Report issued by the United Nations in 2014. Additionally, Japan is set to tighten related regulations as well, including the Food Recycling Law and Waste Management and Public Cleansing Act. Given this rising demand from society, the Aeon Group will consolidate the individual activities of its companies and regions during FY2015 and establish a common Aeon Group infrastructure after organizing the basic approach, case studies and indicators of these activities. Starting in FY2016, Aeon's subsidiaries will begin to set individual targets and carry out efforts to achieve them.

Progress of KPI of FY2014

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2014 Results	Summary of Actions/Initiatives
Initiatives for Zero Waste in Stores and Products	Reduce Amount of Materials Used in Packaging and Containers	Amount for Third-Party Processing Required under the Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging (basic unit per ¥100 million in net sales)	Consolidated companies subject to third-party processing requirements	FY 2010: 1,175 tons FY 2014: 0.94 tons below (* 20% reduction or more compared to FY 2010) * From FY 2014, to change to the original unit comparison as a group from the companies of the original unit total	0.88 tons * 25.1% reduction compared to FY 2010	Reduce the use of sales materials such as plastic shopping bag reduction • Specification change of packaging materials • Review of providing method
	Reducing Food Waste Emissions	Food Waste Emissions (amount per million yen in net sales)	Consolidated companies in Japan for GMS and SM businesses	FY 2014: Reduction from the previous year	Retail performance FY 2013: 38.73kg/million yen FY 2014: 35.32kg/million yen	1) Disposal sales change of reduction 2) Thorough sorting of what the resources
		Food waste recycling rate	Consolidated companies in Japan for GMS and SM businesses	Food retailing FY 2015-FY 2019: 55%	Retail performance FY 2013: 50.2% FY 2014: 52.3%	1) Waste oil, fish crude recycling, consignment forwarding to play operators 2) Construction of recycling loop
		Construction of Food Recycling Loop	Domestic consolidated target of food-related companies	Construction of recycling loop (1 place / year)	Stretch penetrating type food recycling loop operation in Miki city Hyogo prefecture	1) Aeon Agri Create Co., Ltd. and Daiei Kankyo Holdings Co., Ltd. signed an "Agreement on food recycling loop propulsion" in September 2014 2) Food residue of vegetables and meat or the like generated by an Aeon store or the like is compost processed at composting facilities of Daiei environment (strain), it is used in Aeon Miki-satowaki farm, selling the cultivated vegetables in this compost in Aeon store
Reduce Waste	Emissions of non-food waste	Consolidated Group companies in Japan, China and ASEAN	Expansion efforts	Aggregation and sharing of information Group companies Efforts	Maxvalu Chubu: the reduction and recycling increase in the amount of waste, dropping to department objectives for each sector, and promoting efforts Aeon Ryukyu: By selling as thorough resources fractionation of cans, bottles, pet tray, reduce the amount to be discarded Laura Ashley: furniture reuse promotion	
						Together with Customers
Strengthening the Management System	Management System for Waste Emissions	Number of Employees Completing Internal Training Course to Improve Management of Waste Emissions	Consolidated Group companies in Japan	FY 2014: Total more than 300 people	Seminar participants: 53, Examinees: 30, Successful candidates: 30	1) The training by external specialized agencies 2) Utilizing the TV conference, a larger student opportunities
		Electronic manifest introduction rate	Consolidated Group companies in Japan	Until FY 2016: The introduction of 50%	Companies that were introduced into the 2014 year-end: 12 More than 95%: The Daiei, Inc., MAXVALU KANTO CO., LTD., MAXVALU NAGANO CO., LTD., SANYO MARUNAKA CO.,LTD., AEON BIG CO., LTD., ORIGIN TOSHU CO., LTD., My Basket CO.,LTD 95% or less: AEON Retail Co., Ltd., AEONBIKE CO., LTD., Maxvalu Chubu Co., Ltd., AEON MARKET CO., LTD., AEON TOWN Co.,Ltd.	Information sharing, such as good efforts and results and the introduction procedure

Initiatives for Zero Waste in Stores and Products

Reducing Amount of Materials Used in Packaging and Containers

Most of the rubbish discharged from the home is made up of packaging and containers. It is therefore an important responsibility of the retail industry to sell products used in everyday life that contribute to less rubbish by minimizing them.

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

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

As a result of these efforts, we reduced the required amount of packaging and containers for recycling by a third party (per ¥100 million in net sales) under the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging by 25.1% in FY2014 compared with FY2010, with a total of 0.88 tons*.

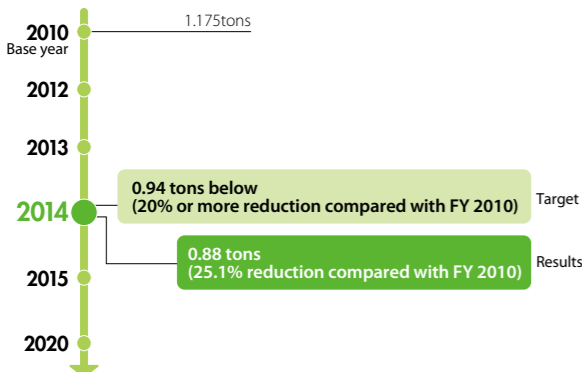
Moving forward, we plan to take further actions in this area.

* In FY2014, we switched from the per unit total for each company (total volume) to a per unit comparison as a Group.

FY 2014 Results and Target of KPI

Amount for Third-Party Processing Required under the Law for the Promotion of Sorted Collection and Recycling of Containers and Packaging

(basic unit per ¥100 million in net sales)



Packaging materials reduction case 1

For our product named TOPVALU BESTPRICE Buttered Roll, we tried to save materials by eliminating the closure mechanism and shortening the length of the product bag. As a result, we were able to cut the bag weight to approx. 50% of the benchmark national brands.



Packaging materials reduction case 2

In the past we attached both a product name sticker and a thermal sticker to *bentos* (boxed meals) and salads. We have eliminated the product name sticker by putting the TOPVALU logo on the thermal sticker. As a result, we were able to reduce the number of stickers by 1.2 million a month.



Packaging materials reduction case 3

We conducted a trial regarding the supply of TOPVALU Gurinai Junkikei Chicken, replacing tray film packaging with three-sided packaging with the aim of reducing household garbage. We plan to introduce the new packaging officially from the beginning of 2016.



* Provided in the area north than the Kanto region.

Reducing Food Waste Emissions

Aeon is committed to reducing the volume of food waste produced by stores. For example, Aeon Retail Co., Ltd. has established a target for a food waste-to-sales ratio* of 0.5% or less.

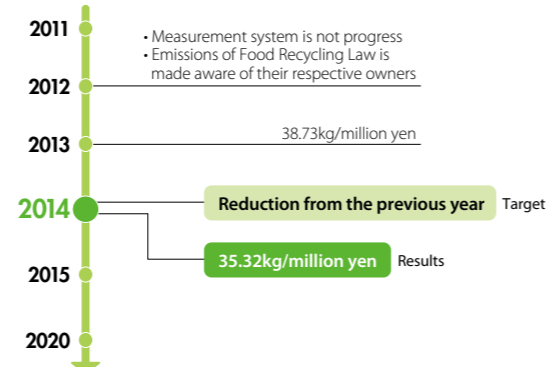
In FY2014, the company-wide results failed to meet targets. However, led by store managers, many stores successfully kept the food waste-to-sales ratio low through such means as implementing thorough progress management of price changes, promotion of information sharing through meetings, clearance of products using taste testing and other methods, and early withdrawal of products with degraded freshness.

In FY2015, we will share this best practice Group-wide and continue promoting initiatives aimed at reducing food waste.

* Food waste-to-sales ratio: Food waste x Retail price / Sales

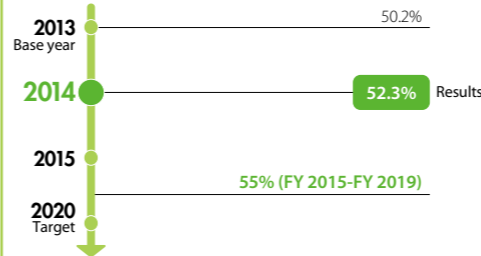
FY 2014 Results and Target of KPI

Food Waste Emissions (amount per million yen in sales)



FY 2014 Results and Target of KPI

Food waste recycling rate



Construction of Food Recycling Loop

Aeon Agri Create Co., Ltd., which manages Aeon's directly operated farms, and Daiei Kankyo Co., Ltd., engaged in recycling business, concluded an Agreement on the Promotion of Food Recycling Loop in September 2014. The two companies will establish the largest compost recycling loop in Japan by creating a cooperative network among Aeon Miki-Satowaki farm, Aeon stores and the compost processing facilities.

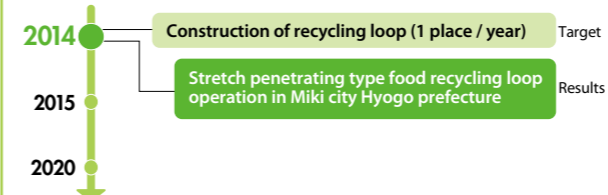
Daiei Kankyo processes food waste such as vegetables and meat dregs gathered from the stores. The produced compost is then used on the Aeon Miki-Satowaki farm. The vegetables grown and harvested using this compost will be sold in Aeon stores. In this way, Aeon will be able to achieve a self-contained food recycling loop.



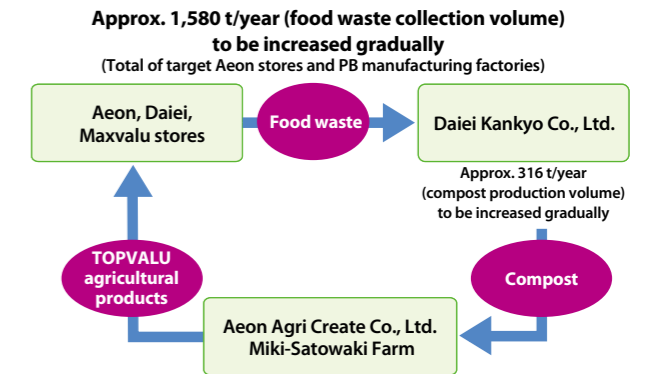
Aeon Miki-Satowaki farm

FY 2014 Results and Target of KPI

Construction of Food Recycling Loop



Circulation flow



VOICE

“We continue to provide compost traceable to its source materials.”

Aeon's efforts toward a self-contained food-recycling loop have an impact not only as food recycling, but also as a mechanism for better use of resources, and thus we recognize the possibility of triggering a substantial change in society. While expanding the scale of recycling, we will bear the responsibility of supplying safe, reliable compost that is traceable to its source.



Fumio Kaneko
President and CEO
DAIEI KANKYO Holdings
Co., Ltd.

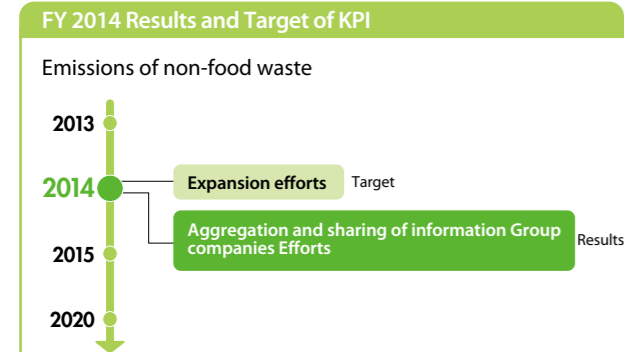
Reducing Waste

As an enterprise that operates business in approximately 18,000 stores and locations in Japan and overseas, Aeon generates a large volume of waste. The social demand for reductions in waste has increased in Japan and overseas. In addition to the prospect that targets for waste management and food waste reduction will be incorporated into the United Nations' Sustainable Development Goals (SDGs), regulations are also being strengthened in the EU. Moreover, there are plans to strengthen waste-related laws and regulations in Japan, including the Food Recycling Law and the Waste Management and Public Cleansing Act.

In order to meet these demands, Aeon has decided to further strengthen initiatives aimed at reducing waste and has established a new target for zero waste by FY2020 (reduction of landfill waste to zero) to launch initiatives. Social demands concerning food waste are particularly significant, and we have given priority to establishing KPIs related to the Food Recycling Law.

While many companies are conducting a variety of initiatives aimed at reducing waste, the reality of the current Aeon Group initiatives is that they are being implemented by individual stores and regions. Based on this situation, in addition to aggregating, sharing and communicating the circumstances at each company, we will promote the creation of infrastructure to coordinate approaches and indicators and

to implement common Group initiatives in FY2015. Following that, in FY2016, we will aim for each company to establish targets and promote initiatives.



Use of Returnable Containers

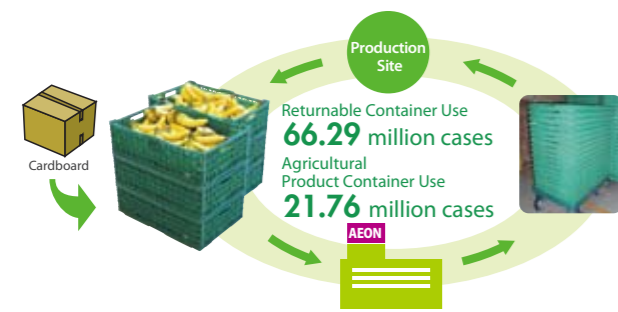
Aeon is reducing the amount of cardboard thrown away at stores by using returnable containers and agricultural product containers that can be used repeatedly when shipping products.

In addition, our apparel departments conduct reused hanger delivery in which clothing is brought to the store on hangers and then displayed on the sales floor using the same hangers. This reduces the amount of cardboard boxes used when transporting the clothing and the amount of hangers used only for transport.

In FY2014 we used 66.29 million cases of returnable containers,* and 21.76 million cases of agricultural product containers, which helped us substantially reduce cardboard waste.

* Aeon's own containers only.

Usage of Returnable Container, Agricultural Product Container



Promoting Green Purchasing

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

We commenced green purchasing for construction materials in FY2001. When developing new general merchandise stores, we strive to use products procured through green purchasing for construction materials and to increase the range of items subject to green purchasing.

Together with Customers

Reducing Plastic Bag Use

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

In FY2014, we held the Aeon My Bag Design Contest with the aim of further increasing customers' use of their own shopping bags.

As of the end of February 2015, the reduction of plastic bags at our 26 Group companies has totaled 2,482.5 million bags, with 67.5% of customers declining plastic bags. This result broadly outpaces the 51.28%*¹ average for retailing businesses and has led to 74,174 tons*² of CO₂ reductions.

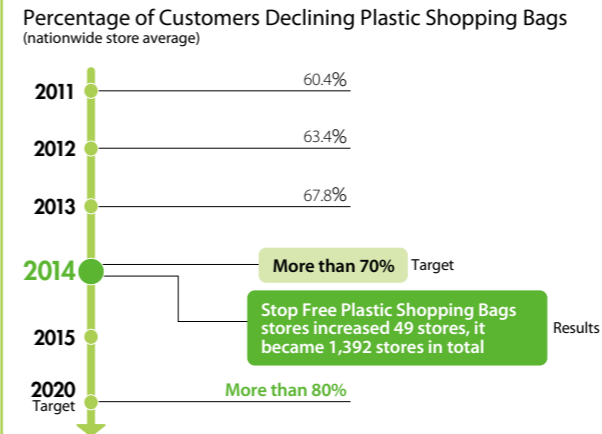
For customers that desire them, we offer plastic bags for a fee. We donate the profit*³ toward local environmental conservation through local governments, etc.,. The profit in FY2014 was approximately 5.35 million yen.

*¹ As of March 2015. Study by the Japan Chain Stores Association.

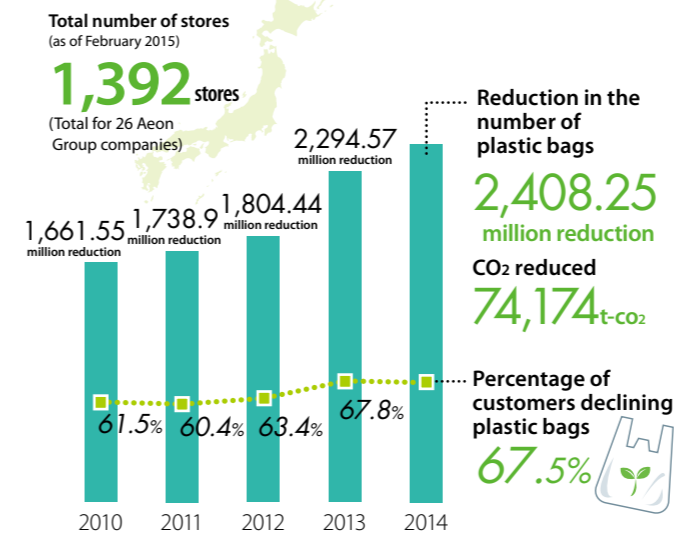
*² CO₂ reduction rate index: 30.8 g-CO₂ per plastic bag declined by customers (treated as 6.8 g of unused HDPE plastic bags).

*³ Plastic bag profit = Sales price - (consumption taxes + material cost)

FY 2014 Results and Target of KPI



Stores Stopping Free Plastic Shopping Bags



Progress of plastic bag reductions



TOPICS

Aeon My Bag Design Contest

Aeon held the Aeon My Bag Design Contest in June, the "Environment Month," as part of the Bring Your Own Shopping Bag Campaign and collected designs under the theme of "nature that you want to hand down to the future". Among around 3,900 designs submitted, three designs were awarded grand prizes (one from the elementary and junior high school student category and two from the high school student and general public category) after careful consideration by the judges. The designs were featured on My Bag products, which were sold in about 1,200 Aeon Group stores nationwide. As an additional prize, the award winners were invited to an overseas tree-planting tour hosted by Aeon.

For realization of a sustainable society, Aeon will continuously engage in various environmental conservation activities along with customers.



Prize winners and judges

Reducing Waste by Collecting Resources in Stores

For recycling valuable resources, Aeon has collection bins for drink cartons, food trays, aluminum cans, and PET bottles in our stores. Drink cartons and aluminum cans are used as raw materials for TOPVALU brand products. Through these efforts, Aeon is moving forward to the creation of a recycling society. In the delicatessen sections in our stores, 100% of used oil is collected and recycled for soaps, feed, and fertilizer.



TOPVALU BEST PRICE Recycled Toilet Paper - Single Ply
Recycled toilet paper that uses 100% waste paper pulp.

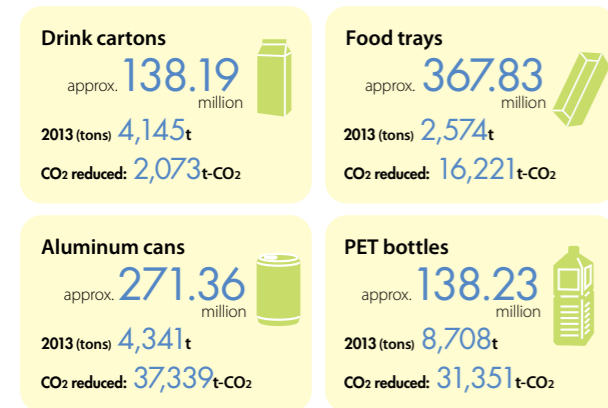


TOPVALU Oil Guard
An aluminum oil guard that prevents soiling due to oil splashing around the gas range cooktop. It is made using at least 80% aluminum remelted from aluminum cans collected at stores.



Collection boxes placed in one of our stores

Results for 2014 (total for 23 consolidated subsidiaries)



Weight estimates: Drink carton (1000ml)=30g, Food tray=7g, Aluminum can (350ml)=16g, PET bottle=63g
 * CO₂ reduction rate index (per 1kg of collected material):
 Drink cartons : 0.50kg- CO₂,
 food trays: 6.3kg- CO₂, aluminum cans: 8.6kg- CO₂,
 PET bottles (material recycling): 3.6kg- CO₂
 Source: Ministry of the Environment's "Tools for Visualizing 3R Activities"

Launching Recovery of Waste Paper and Plastic Bottles Linked with WAON

Aeon has launched resource recovery (waste paper and plastic bottles) that provides WAON points to customers who take part in resource recovery with the aim of promoting resource recovery and increasing convenience for customers.

We are promoting the initiative with a focus on stores in municipalities where there are infrequent collections of recycling waste. As of July 31, 2015, the initiative had been introduced at a total of 15 stores—including 11 Aeon Retail Stores, 3 MaxValu Tokai stores, and 1 Daiei store—and has been welcomed by customers. In introducing the initiative, we established a clear division of roles with recycling businesses to create a system that can carry out ongoing recovery.



A recycling station (waste paper and plastic bottle collection equipment)

Collecting and Promoting Reuse of Clothing

Each company in the Aeon Group is actively committed to collecting and reusing clothing.

Aeon Retail Co., Ltd. has established a system for regularly trading in clothing in partnership with I:CO Japan, the Japanese subsidiary of SOEX, which is the world's leading corporate group in textile recycling. The full-fledged initiative was launched in 2015. Traded in clothing is transported to I:CO's partner plants and subsequently sorted at the plants of the company's overseas partners. 70% of the clothing is reused as apparel with the remainder being recycled according to condition and application. Clothing being reused as apparel is sold in 64 countries worldwide, including Africa, South America, and Asia.

Moreover, Cox Company Limited collects and recycles used clothing. In addition to this, clothing and sundry goods shop SELF+SERVICE is working toward fiber recycling in a proactive manner by selling products bearing the Ecomate mark, which ensures the commitment to fiber recycling, and by collecting all clothing items sold in stores (including shoes, hats and caps, and other fiber products).



Flyer for trade-in campaign (Aeon Retail)



Clothing collection (SELF+SERVICE)

Strengthening the Management System

Management System for Waste Emissions

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

In FY2014, 53 employees received training in waste disposal management. Of that number, 30 sat, and all of them passed, a certification exam in waste disposal management. This result brought the cumulative total, since FY2011, to 316 employees receiving the training and 193 receiving official waste disposal management certification. Continuing to provide training will pave the way to improvements in the Group's level of waste management.

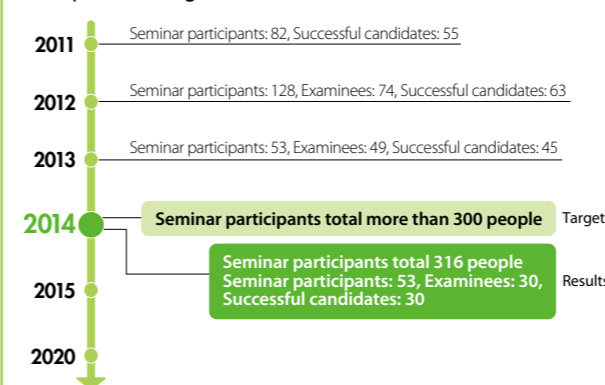
Meanwhile, we provide combined training and testing for persons in charge, with the aim for them to acquire the requisite skills and knowledge, such as waste manifest management at each respective company.

Also, in order to make Manifest management more efficient and precise, we are introducing the Electronic Manifest* in stages. As of the end of February, 2015, the Electronic Manifest system had been introduced at 12 companies, including those where it had been introduced at some offices. Among them, Aeon Big Co., Ltd., which introduced the Electronic Manifest in July 2012, achieved results including computerization of approximately 4,800 manifests in FY2014, reduction of approximately 1,200 man-hours in work required for management, and enhanced levels of management. In the future, we will continue our efforts with a target of introducing the Electronic Manifest at half of Group companies by FY2016 by creating operational and educational tools as well as by sharing these kinds of success stories within the Group.

* Electronic Manifest: a management form, issued when industrial waste is generated, that confirms that treatment has been carefully carried out. Previously, a ledger was used for this, which changed hands between the generator of the waste and the waste treatment company. Recently, however, information on these forms has been digitized and an electronic manifest has become common, with digital networks carrying the data.

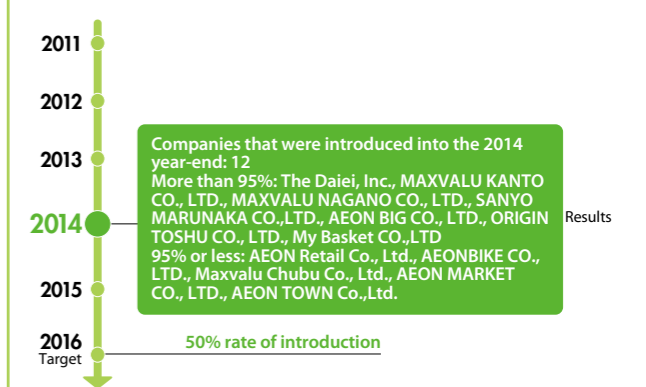
FY 2014 Results and Target of KPI

Number of Employees Completing Internal Training Course to Improve Management of Waste Emissions



FY 2014 Results and Target of KPI

Electronic manifest introduction rate



Initiatives Undertaken by Group Companies

Aeon Food Supply Co., Ltd.

Reducing Food Waste and Promoting Reuse

Aeon Food Supply Co., Ltd., which produces and processes perishables and prepared foods, is promoting the reduction of food waste as well as its reuse as a resource.

Waste generated is turned into animal feed and fertilizer by a designated resources-reutilizing business operator, then is reused by a supplier farm. In addition, even when food waste is generated, initiatives have been taken to reduce the volume. For example, the company has achieved weight reductions of approximately 50% by dehydrating radish garnishes.

As a result of these initiatives, Aeon Food Supply has practically achieved a 99.9% reutilization rate for food waste, pushing disposal volumes down to near zero.

Maxvalu Nishinohon Co., Ltd.

Regularly donating rice as a food bank activity

Since 2006, Maxvalu Nishinohon Co., Ltd. has been donating rice to Food Bank Kansai, an authorized non-profit organization, as food aid for people in need of food. In 2012, the company also started to provide rice to Hiroshima city's AIANET.

In FY2014, approximately 8.5 tons of rice was used for food bank programs*.

* Food bank programs: programs to deliver food that is edible but has been discarded for various reasons to facilities and people in need of food.