

Corporate Governance

Basic Approach

Aeon has been leading all of its corporate activities according to the basic philosophy for 'pursuing peace, respecting humanity and contributing to local communities, centered on our customers'.

We aim to continue management from a long-term perspective founded in this basic philosophy and DNA of innovation able to reach beyond any one generation. We formulated and released our Basic Corporate Governance Policy around our fundamental belief in focusing on our values, management approach, and corporate governance at Aeon by stipulating the basic approach to corporate governance indicated below.

<p><Basic Stance on Corporate Governance> Value Creation through Customer Orientation and Frontline Focus At Aeon, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, our point of contact with customers, and by always thinking with customers as the starting point.</p>		<p>Sustained Growth Based on a Long-Term Perspective and Ceaseless Innovation To continue to meet the expectations of customers and local communities, Aeon strives for sustained growth accompanied by value creation from a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.</p>
<p>Respect for People, Our Most Important Management Resource By respecting employees, placing importance on diversity, and actively providing education opportunities in keeping with the conviction that people are the most important management resource, Aeon aspires to be a company made up of employees who strive for self-growth, are linked by strong bonds, and find their greatest pleasure in contributing to customers.</p>	<p>Pursuit of Transparent, Disciplined Management Aeon strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.</p>	
<p>A Posture of Developing Together with Local Communities As a member of local communities and a caring corporate citizen, Aeon seeks to develop together with our fellow community members, namely our customers, employees, shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.</p>		

Corporate Governance Framework

Aeon is engaged in management based on a basic philosophy from a Group-wide perspective and management that has transparency, sustainability, and stability in addition to ceaseless innovation with our customers at the core. To put these ideas into practice, we have chosen a nomination committee and other committees as the optimal corporate governance framework.

We have separated management supervision and business execution in order to greatly transfer authority to executive officers and construct a framework that realizes rapid decision-making of management. On another front, we have installed three committees--the nomination committee, audit committee, and compensation committee--made up of a majority of outside directors to assure transparency and objectivity of management.

We always aim to have the highest-level of corporate governance with ongoing inspections and reviews of our corporate governance framework.

Role and Structure of the Board of Directors

The Board of Directors determines and approves basic management policies and important matters in the execution of business while resolving the legal requirements as a decision-making body of management at Aeon. The Board of Directors also supervises the performance of directors and executive officers.

We are establishing a Board of Directors with executives who have diverse experiences, abilities, and specialized knowledge to heighten the effectiveness of our Board of directors.

The majority of members is made up of outside directors to enhance the supervision functions of the Board of Directors.

Outside Directors

Our Board of Directors, which are nomination committees and other committees institutionally separated by the supervision functions and business execution of management, is made up of nine inside directors and five outside directors. We are practicing management with a high-level of transparency based on supervision from a stance with outside perspectives.

Outside directors ask managers representing Japan to share the philosophy and values of Aeon to spearhead the most experience and knowledge each individual has from the standpoint of the customer.

As there are no special interests between the Outside Directors and Aeon, Aeon has notified the Tokyo Stock Exchange that all five of the Outside Directors are designated as independent directors.

Operations of the Board of Directors

The Chairman of the Board of Directors is building a framework able to facilitate lively discussion, appropriate decision-making, and fair supervision at the Board of Directors' Meetings.

The thoughts and ideas based on the knowledge and objectivity of outside directors is reflected in the operations of the Board of Directors by sharing sufficient information with outside managers through efforts such as prior distribution of Board of Directors' Meeting materials, explanation in advance as necessary, and sharing of vital information with all

management.

We have put in place opportunities for separate discussion toward deliberations at the Board of Directors' Meeting for important issues prioritized in discussions such as medium term management plans and important policies.

Reason for appointment to Outside Director (As of May 25, 2016)

Name	Duty	Reason for appointment
Takejiro Sueyoshi	Director Nomination Committee Chairman Compensation Committee Member	Based on his knowledge and extensive experience in matters concerning global environmental issues and corporate social responsibility, Takejiro Sueyoshi, Chairman of the Nomination Committee provided leadership in discussions on a corporation's role in conserving the environment and contributing to society.
Keiichi Tadaki	Director Nomination Committee Chairman Compensation Committee Member	Based on his extensive experience in and knowledge of legal and compliance-related matters, Keiichi Tadaki provided leadership in discussions aimed at promoting legal compliance management.
Ken Sato	Director Nomination Committee Chairman Audit Committee	Based on an extensive career and expert knowledge as well as crisis management, Ken Sato provided guidance in enhancing the transparency and objectivity of management.
Yukako Uchinaga	Director Audit Committee Nomination Committee	In addition to her broad experience and expertise within the IT sector, Yukako Uchinaga is well versed in diversity-related issues and promoting healthy and efficient business management
Toru Nagashima	Director Audit Committee Nomination Committee	Based on his extensive experience in global corporate management and his wide-ranging knowledge, Toru Nagashima, Outside Director and Independent executive, provided guidance to promote global management and enhance corporate governance at Aeon.

Board of Directors' Meeting and Corporate Committees (FY 2015)

	Held	Main Role
Board of Directors	7 times per year	<ul style="list-style-type: none"> Oversees the execution of work duties of directors and executive officers. Determines matters that must be decided by the board of directors as stipulated by Article 416 of Japan's Companies Act and matters that cannot be mandated to executive officers.
Audit Committee	9 times per year	<ul style="list-style-type: none"> Oversees the execution of work duties of directors and executive officers. Determines resolutions concerning whether to appoint, dismiss or reappoint the Company's auditor to be submitted to the general shareholders' meeting.
Nomination Committee	3 times per year	<ul style="list-style-type: none"> Determines resolutions concerning the appointment and dismissal of directors to be submitted to the general shareholders' meeting.
Compensation Committee	4 times per year	<ul style="list-style-type: none"> Determines compensation of individual directors and executive officers.

We review the activities and performance of the previous fiscal year at the Board of Directors' Meeting at the end of the fiscal year, and publish an overview of those results.

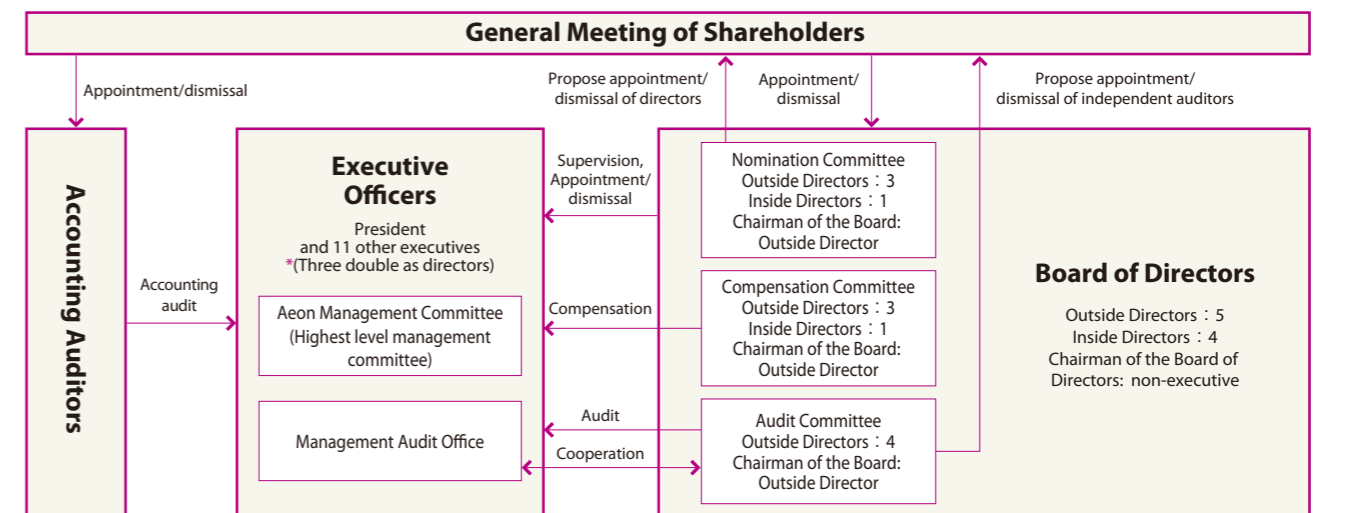
Three Committees

The nomination committee, audit committee, and compensation committee are run as even more highly objective and transparent committees by appointing an outside director as the chairman of each committee.

Three of the four nomination and compensation committee members are outside directors.

The audit committee is made completely separate from the business execution by appointing outside directors for every position in the committee to monitor whether the duties of directors and executive officers is lawful as well as whether operations are valid. In addition, we are working to improve functions by assisting in duties through the internal audit division which is independent from Group management and linking to external accounting auditors.

Aeon's Corporate Governance System (As of May 25, 2016)



Corporate Governance

Executive officers

The President represents the company, determines items mandated by the Board of Directors and fully engages in operations. Executive offices determine the mandated items they receive based on the decisions made by the Board of Directors and engage in executing management according to the instructions of the President.

Decision-making for Business Execution

We appoint the President and make decisions more quickly, excluding matters that must be approved by the Board of Directors, according to the corporate laws and our articles of incorporation assigning authority to the Board of directors.

The Aeon Management Committee*, which is made up of management lead by the President, debates business execution policies as well as important matters, and the President makes decisions after this council.

The President clarifies responsibilities and expedites management decisions by clarifying the role and authority of each executive officer.

* The Aeon Management Committee is a deliberative body chaired by the Group CEO and consisting of the vice presidents, the chief corporate planning officer, and other persons named 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

Since Aeon is a company with a nomination committee and other committees, the Board of Directors and Audit Committee play central roles in the management supervision function. The Management Audit Office was established as an organization independent of business units to aid the Audit Committee. In addition to linking to full-time auditors, the internal audit division, and accounting auditors of each Group company, the Management Audit Office aids in duties and conducts administrative operations of the Audit Committee.

Policies on Remuneration for Directors and Executive Officers

Remuneration for directors and executive officers is decided by the Compensation Committee consisting of a Chairman and majority of members who are outside directors for highly transparent remuneration policies determined from an objective perspective.

Basic Remuneration Principles

- (1) Remuneration by principle shall link to the management strategy and performance of Aeon and facilitate strong motivation to execute those management strategies.
- (2) Remuneration by principle shall have a high level of transparency and feeling of fairness in order for our partners (customers, shareholders, employees, etc.) to consent to and support this remuneration.

Total Compensation for Each Category of Corporate Officer, Total Amount for Each Type of Compensation, and Number of Eligible Corporate Officers

Implemented in 107 stores as of FY2015

Category of corporate officer	Total amount of compensation (Million JPY)	Total amount for each type of compensation (million JPY)			Number of eligible corporate officers (Persons)
		Basic remuneration	Stock option	Performance remuneration	
Directors (Excluding Outside Directors)	46	46	—	—	1
Executive officers	452	403	—	49	15
Outside corporate officers	75	75	—	—	5

Total Amount of Compensation for Each Corporate Officer on Consolidated Basis

Name (Category of corporate officer)	Total amount of compensation (Million JPY)	Total amount for each type of compensation (million JPY)		
		Basic remuneration	Stock option	Performance remuneration
Jerry Black (Executive Officer)	102	98	—	3

Note: Total amount of compensation on consolidated basis only for those with over ¥100 million.

- Basic remuneration refers to compensation that is paid monthly to directors and executive officers. For the latter, basic remuneration is determined individually and is limited to standard amounts set for each position.
- Executive performance remuneration shall be a sum paid to executive officers after the end of each business year based on the annual results achieved for the year in question. It shall consist of the total of two remuneration components based on the financial results of AEON CO., LTD. and the results achieved by individual officers. However, President shall only be paid the remuneration based on the financial results of AEON CO., LTD.
- Stock compensation-type stock options shall be granted to executive officers in the form of stock acquisition rights following the end of each business year, based on their performance during the year.

The Company shall not pay directors' compensation to directors who also perform executive duties.

Dialogue with Stakeholders and Management

Aeon positions all stakeholders from customers and local communities to shareholders and investors as partners of management and it strives to have an active dialogue with these stakeholders. We engage in constructive dialogue based on appropriate informational disclosure in a timely manner and from a long-term perspective. In addition to management strategies and financial information, we work to promote understanding even for non-financial information, which includes our environmental and social contributions and our corporate governance.

We have established a division in charge of IR under the executive officer in charge of IR as a contact point to further constructive dialogue with our shareholders and investors. We strive to enhance the content of this dialogue by organically linking the division in charge of IR to relevant organizations such as public relations, general affairs, environmental/social contribution, finance, accounting, and business proprietors. In addition to responding individually through the division in charge of IR for this dialogue, we respond directly to directors, executive officers, and management for important matters.

We also actively endeavor to disclose, explain and carefully answer questions related to our management policies at our general shareholders' meeting. Moreover, we are deepening informational disclosure and furthering the practicality of this dialogue for greater understanding of stakeholders and investors through efforts such as holding briefings for institutional investors and conducting inspections of business facilities both in Japan and overseas as well as by hosting social gatherings for shareholders and corporate overview briefings in each region for individual shareholders.

We appropriately debate the feedback we receive through this dialogue in a timely manner at the Board of Directors and Management meetings in an effort to reflect this feedback in the dialogue we have with our shareholders and investors.

Responding to the Corporate Governance Code

In March 2015, Aeon introduced and has been supporting each and every rule in our response to the corporate governance code required for a public company by the Tokyo Stock Exchange. For more information, please see our Corporate Governance Report at <https://www.aeon.info/en/investors/policy/governance.html>.

Risk Management

Basic Approach

Aeon regards risk management as an important task of management that is the responsibility of each department. Based on this recognition, daily risk management is handled at the company and department level, while General Affairs of the Group and other departments monitor the status of risk management at each department.

The Risk Management Committee performs reviews of 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 found in products, facilities and services across the entire Aeon Group. We work to foresee, predict and prevent risks with particularly high impact potential by assembling interdivisional task forces.

Aeon has taken an organizational response that includes establishing in-house regulations and forming close ties with investigative agencies with the aim of eliminating aggressive anti-social forces.

Response to Natural Disasters, Incidents, and Major Accidents

Rules and procedural manuals have been conventionally devised at Aeon to respond to large-scale natural disasters and major incidents and accidents and we are implementing education and training to ensure swift and precise responses.

We also introduced disaster prevention measures in each region around the world, including areas afflicted by disasters based on a BCP (Business Continuity Plan)*1 after the Great East Japan Earthquake.

In recent years, the estimated risks are diversifying, including terror attacks and bombings while the number of natural disasters is increasing from earthquakes to torrential downpours due to unusual weather.

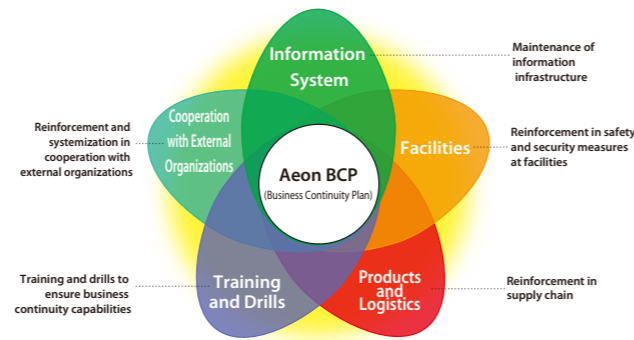
Considering these types of environmental changes, Aeon has formulated the Aeon Group BCM (Business Continuity Management)*2 Five Year Plan with the aim of building a management framework able to heighten the performance of the BCP. We started the Aeon BCM Project toward the execution of this plan in March 2016.

Aeon aims to establish an operational framework by promoting BCM in five areas – (1) Information System, (2) Facilities, (3) Products and Logistics, (4) Training and Drills, and (5) Cooperation with External Organizations.

*1 Business Continuity Plan:
In case of an unforeseen situation, a plan to ensure continuity of important operations or to quickly resume operations after a suspension.

*2 Business Continuity Management:
To strategically conduct a process from establishing the BCP to implementing measures to ensure the plan is executed in case of emergency, and reviewing the plan.

<Five Areas of Focus in the Aeon BCM Project>



1. Information System (Maintenance of information infrastructure)

We will maintain an information infrastructure between our 315 Group companies for when disasters strike. We will reinforcing the link between each company even further by switching to a new Total BCM Aggregation System able to centralize disaster-related information such as disaster information, safety confirmation results, and the status of stores afflicted by disasters.

2. Facilities (Reinforcement in safety and security measures at facilities)

We will build disaster prevention facilities at 100 locations by fiscal 2020 to enhance security and safety measures of our establishments. This effort has currently completed installations at 27 locations since the start of the program in 2012. We will build new disaster-prevention facilities at nine stores in fiscal 2016.

3. Products and Logistics (Reinforcement in supply chain)

We started the operation of a new system to use during disasters that links approximately 50 companies such as manufacturers of food and daily necessities from March 2016. We use the BCP Portal, which connects our partners using cloud computing, to visualize information with 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 ensure business continuity capabilities)

Aeon is periodically introducing Group-wide disaster prevention and safety drills. In the future, we will promote not only information gathering drills but also training at stores and business offices and improve our present business continuity capabilities with the aim of protecting our customers and employees from risk.

5. Cooperation with External Organizations (Reinforcement and systemization in cooperation with external organizations)

We are reinforcing links with external partners rooted in each community from local government offices, hospitals, and schools to private enterprises in each area in addition to links to energy companies required to sustain business when disaster strikes.

Compliance and Corporate Ethics

Basic Rules

-Aeon Code of Conduct

Aeon established the Aeon Code of Conduct in 2003 in order to express the Aeon Basic Principles in terms of a specific set of guidelines. Education and training on the code, establishment of a Code of Conduct Hotline as an internal reporting system, and monitoring activities (the Code of Conduct Survey) were all also started in 2003 in conjunction with establishment of the code.

The Aeon Code of Conduct makes explicit to Group employees criteria for action, consideration and judgment, under the Aeon Basic Principles, in order to serve customers. It is intended as a shared set of values for the Aeon Group.

Aiming to make the Aeon Code of Conduct shared and mutually recognized by all employees, training on the code for Group companies in Japan began on a full-fledged basis in 2004. The same training has been provided by Group companies overseas since 2006.

Since FY2011, we have been working to create a system to disseminate and instill the Aeon Code of Conduct at Group companies in China and ASEAN nations in line with the 'shift to Asian markets,' one of the strategies outlined in 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 humanity.
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 was established as the department responsible for the promotion of the code of conduct throughout the Aeon Group, and is under the direct control of the person in charge of management. The Corporate Ethics Team develops and executes policies for the overall Aeon Group based on an annual plan and proposes and recommends specific measures to address various problems and issues facing the company. The status of compliance issues and initiatives as well as the promotion of the code of conduct pertaining to the overall Group are reported to the Aeon Management Committee, which is AEON CO., LTD.'s executive organ, and to the Audit Committee (outside directors).

Each company in the Aeon Group has established administrative offices for promoting the code of conduct after appointing managers for the same purpose to connect to business practices. These managers conduct code of conduct training, conduct fact-finding investigations for consultations reported through the hotline, respond to 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 code of conduct. They work on activities to disseminate and instill the Aeon Code of Conduct at the business office.

Code of Conduct Hotline

Aeon set up the Aeon Code of Conduct Hotline as an internal reporting system for employees for employees in 2004. The hotline can be used not only to report non-compliance and improprieties, but also to speak to someone about various workplace issues, such as not being able to speak with a boss or encountering something that is troubling. The hotline handles a wide variety of reports and consultations. It is available to all employees working at the Aeon Group. There are two lines in operation, one for internal consultations and another to connect and consult with an outside party.

Reports and consultations are passed on to Group companies concerned as feedback through a corporate ethics team. Within two weeks time, an investigation is conducted to ascertain the facts behind each report or consultation, and a response is made, with the results, including corrective measures, reported to the corporate ethics team. In addition, all consultation matters are conveyed to the executive management team of AEON CO., LTD. and the presidents of all Group companies in a weekly and monthly report.

Compliance and Corporate Ethics

Education and Training

Aeon conducts training to disseminate and instill the Aeon Code of Conduct as a buttress for corporate ethics, primarily through four programs: training for executive management, training for code of conduct promotion leaders, general training, and training for new employees. A code of conduct curriculum is also incorporated into problems asked on hiring examinations and in recruitment training.

Training for Executive Management (since 2003)

Executive management from Group companies learns about and shares the situation surrounding corporate ethics and risk management both within and outside their own respective companies. The curriculum aims to empower participants with the ability to make their own decisions based on the Aeon Code of Conduct and to lead as well as set a precedent for general employees.

Training for Code of Conduct Promotion Leaders (since 2003)

Participants learn about corporate ethics and how to proceed with related training. They also acquire skills to act as teachers themselves for conducting study sessions on the Aeon Code of Conduct.

General Training (since 2003)

All of the Group employees hold general training to reconfirm the Aeon code of conduct. This training connects to shared values among the employees by once again recognizing the necessity of corporate ethics.

Training for New Employees (since 2004)

This training is held mainly as an orientation for new employees of each Group company to teach the meaning of customer-first actions and decisions through the Aeon code of conduct.

Promoting Corporate Ethics at Group Companies Overseas

Since 2006, Aeon has begun introducing Code of Conduct training, establishing hotlines, and instituting monitoring systems (the Code of Conduct Survey) at Group companies overseas.

In FY2015, we held training on the Aeon Code of Conduct at 60 Group companies overseas. A total of 53,000 employees took part in grade-specific training for management, promotion leaders, general employees, and new employees.

In FY2016, we plan to hold training for about 54,000 Aeon people at a total of 62 companies, including Group companies where we plan to introduce the Code of Conduct for the first time.

Implementing the Aeon Code of Conduct Survey

Once a year since 2003 we have conducted an anonymous Aeon Code of Conduct Survey of employee awareness to ascertain the extent to which the Aeon Code of Conduct has penetrated the organization as well as to gather information on workplace issues, employee working formats, motivation levels and the like. This survey is used as 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 the situation of each workplace.

Its findings are also compiled, analyzed as well as shared with Aeon Group companies, and are used to help resolve specific social issues.

In FY2015, we conducted the survey at 59 Group companies overseas and received 37,000 responses.

In FY2016, we will survey 39,600 employees at 67 companies overseas. We will continue to strengthen our response to compliance risk by identifying the current situation at each company based on an analysis of the responses and building systems to draw up and implement measures to improve our corporate culture. (The survey is conducted every other year in Japan with the next survey scheduled for FY2017.)

Creating Support and Awareness-Raising Tools

In addition to training programs, Aeon also creates a variety of awareness-raising tools to disseminate and instill its Code of Conduct.

For example, the Aeon Code of Conduct Newsletter, published every other month since 2004, presents issues reported or consulted on via the Aeon Code of Conduct hotline, reports on the results of training programs, and conveys Aeon's values through excerpts from the writings of our founder and initiatives of each group company.

Every month, approximately 290,000 copies are printed and distributed to employees of Aeon Group companies. The newsletter has been very well received by employees, prompting some to revisit the Code of Conduct and take advantage of the hotline.

TOPICS

Utilizing a Picture Book to Share the Aeon Basic Principles

Aeon makes use of the picture book *Arigatou no Yaku-soku* ("The Promise of Thank You," Text by Masato Ochi with pictures by Soya Nagashima) as a tool to share and encourage mutual understanding of the Aeon Basic Principles among new employees, employees of new Group companies, and employees overseas whose native language is not Japanese.

By providing the picture book, which introduces the importance of being grateful and saying 'thank you' in any situation, we aim to boost understanding of the essence of our principles in an intuitive manner.

Environmental Management

Environmental Policy System

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

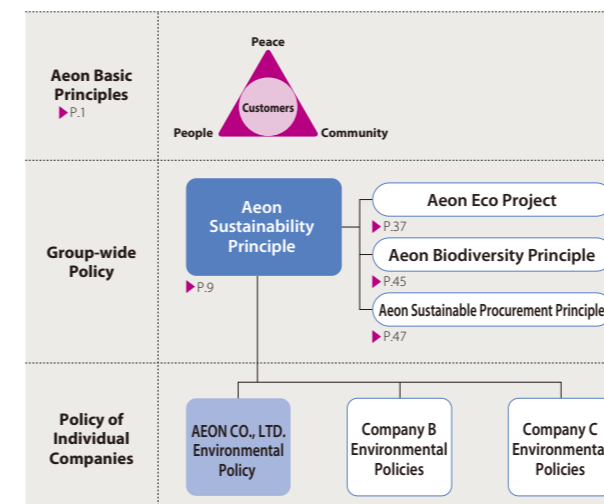
Effective measures are conducted following the environmental policies and environmental management systems established by each Group company based on their own unique characteristics. This is because the Aeon Group encompasses a multitude of business areas and the challenges that each Group company faces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

As an example, AEON CO., LTD. undertakes environmental protection activities based on the Aeon Environmental Policy, which sets targets and objectives for such activities pursuant to the key issues defined in the Aeon Sustainability Principle.

Targets for the following fiscal year are determined by sharing the status of activities undertaken across the entire Group under the guidance of the AEON Deputy President, Chief Corporate Strategy Officer, Chief International Business Officer* as well as by an evaluation of the progress toward meeting previous targets.

* As we changed to a structure under which the Corporate Planning Section is the organization for the integrated operation of management strategy, environmental and social contribution, public relations, and investor relations in FY2015, Deputy President, Chief Corporate Strategy Officer, Chief International Business Officer is now responsible for this function.

Environmental Policy System



Aeon Environmental Policy*

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

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

Enacted March 1, 2011

Motoya Okada
President and Executive Officer
AEON CO., LTD.

* The Environmental Guideline of AEON CO., LTD. is applied in the following group companies: AEON CO., LTD., AEON Retail Co., Ltd., AEON SUPERCENTER Co., Ltd., MAXVALU MINAMI TOHOKU CO., LTD., MAXVALU KANTO CO., LTD., MAXVALU NAGANO CO., LTD., MAXVALU HOKURIKU CO., LTD., AEON BIG CO., LTD., Aeon Integrated Business Service Co., Ltd., My Basket CO., LTD., AEONBIKE CO. LTD., AEON LIQUOR CO., LTD.

Environmental Management

ISO Certification

As of February 2016, 36 companies in the Aeon Group have acquired ISO 14001 certification, the international standard for environmental management systems. Each company runs its own Plan-Do-Check-Act (PDCA) cycle, achieving results in efforts to continually reduce environmental impacts.

List of ISO-Certified Companies (as of February 2016)

Company	Company	Company	Company
AEON CO., LTD.	●	Maxvalu Kyushu Co., Ltd.	●
AEON Retail Co., Ltd.	●	Maxvalu Hokkaido Co., Ltd.	●
AEON SUPERCENTER Co., Ltd.	●	AEON DELIGHT CO., LTD.	●
MAXVALU MINAMI TOHOKU CO., LTD.	●	LAURA ASHLEY JAPAN CO., LTD.	●
MAXVALU KANTO CO., LTD.	●	Mega Sports Co., Ltd.	●
MAXVALU NAGANO CO., LTD.	●	COX CO., LTD.	●
MAXVALU HOKURIKU CO., LTD.	●	Maxvalu Tokai Co., Ltd.	●
AEON Integrated Business Service Co., Ltd.	●	Research Institute For Quality Living Co., Ltd.	●
AEON BIG CO., LTD.	●	AEON Hokkaido Corporation	●
My Basket CO., LTD. Head Office	●	AEON GLOBAL SCM CO., LTD.	●
AEONBIKE CO., LTD. Head Office	●	GUANGDONG AEON TEEM CO., LTD.	●
AEON LIQUOR CO., LTD. Head Office	●	The Daiei, Inc.	●
Maxvalu Tohoku Co., Ltd.	●	AEON MARKET CO., LTD.	●
AEON FOOD SUPPLY Co., Ltd.	●	The Maruetsu, Inc.	●
Maxvalu Nishinohon Co., Ltd.	●	Kasumi Meat Processing Center, Ltd.	●
Maxvalu Chubu Co., Ltd.	●	AEON CREDIT SERVICE (ASIA) CO., LTD.	●
AEON Mall Co., Ltd.	●	AEON CREDIT SERVICE (M) BERHAD	●
AEON KYUSHU CO., LTD.	●	AEON THANA SINSAP (THAILAND) PLC.	●
AEON CREDIT SERVICE CO., LTD.	●	QINGDAO AEON DONGTAI CO., LTD.	●
AEON RYUKYU CO., LTD.	●		

* AEON STORE KYUSHU CO., LTD. acquired the ISO14001 in April 2016 and AEON Retail Store Co., Ltd. acquired the certification in March 2016.

We are working to restructure our environmental management system after the reorganization of our Group companies. As an example of the management framework that focuses on AEON CO., LTD. and AEON Retail Co., Ltd., we have had assessments of systems at 29 stores migrating from The Daiei, Inc. to AEON Retail Co., Ltd. and 7 stores migrating from MaxValu Tohoku Co., Ltd. in April 2016. This assessment was separate to our standard periodic assessments. The Japan Audit and Certification Organization for Environment and Quality discovered there is still some separation, but stated a comparatively smooth transition had begun to acknowledge the expansion within the range of their certification. In the future, we are working to be able to drive a synergistic effect through integration while also increasing our overall level through the integration of systems based on issues confirmed through this assessment.

Wastewater Management

Wastewater discharged from Aeon stores rarely if ever contains hazardous substances. Sometimes, however, this wastewater may contain large amounts of oils, which can exceed legal limits or clog up wastewater pipes leading to a leakage or other accident. As a result, Aeon conducts training for its employees and the employees of its tenants to ensure day-to-day maintenance is correctly performed, including compliance with cleaning grease traps. We have been making improvements by strengthening day-to-day management, including regularly taking photographs for use in providing instructions. We have also included grease trap monitoring as part of the required hygiene checks for our stores, and adopted a system where third parties regularly perform these checks.

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

Environmental Education

Aeon provides time in its various training sessions for learning about Aeon's environmental principles and policies in order to raise the awareness of employees regarding the environment.

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

Training seminars for internal environmental auditors led by qualified instructors are also held every year to facilitate smooth operation of the environmental management system. As of February 2016, a total of 1,876 employees have attended the seminars since 2000, when the ISO certification was acquired.

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

FY2015 ISO 14001 Targets and Performance

[Company-wide Targets]

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

Environmental Policy	Category	Company-wide Targets	Target	Results	Evaluation	Supervision
Realization of a Low-carbon Society	Stores	◎	Promoting Theme1 Energy Conservation Reduce electric consumption to more than 1% to 3% of FY2014 * Target varies according to company	Target: 1,960,309,000kWh Result: 1,971,931,000kWh Stated target: 100.6% Comparison last year: 99.0% * The total of AEON Retail Co., Ltd., AEON SUPERCENTER Co., Ltd., MAXVALU MINAMI TOHOKU CO., LTD., MAXVALU KANTO CO., LTD., MAXVALU NAGANO CO., LTD., MAXVALU HOKURIKU CO., LTD., and AEON BIG CO., LTD.	△	AEON CO., LTD. Each Group company
			Reduction of money used for materials At least 1% to 10% reduction from FY2014 * Target varies according to company	Target: 871,659,000 JPY Result: 902,240,000 JPY Stated target: 103.5% Comparison last year: 98.8% * The total of AEON Retail Co., Ltd., AEON SUPERCENTER Co., Ltd., MAXVALU MINAMI TOHOKU CO., LTD., MAXVALU KANTO CO., LTD., MAXVALU NAGANO CO., LTD., MAXVALU HOKURIKU CO., LTD., and AEON BIG CO., LTD.	△	AEON CO., LTD. Each Group company
Better use of resources	Stores	◎	Maintain food waste-to-sales ratio at below 0.50% * Target varies according to company	<Average> Result: 0.54% Stated target: 117.8% Comparison last year: 92.6% * The total of AEON Retail Co., Ltd., AEON SUPERCENTER Co., Ltd., MAXVALU MINAMI TOHOKU CO., LTD., MAXVALU KANTO CO., LTD., MAXVALU NAGANO CO., LTD., MAXVALU HOKURIKU CO., LTD., and AEON BIG CO., LTD.	×	AEON CO., LTD. Each Group company

[Departmental Targets]

Environmental Policy	Category	Company-wide Targets	Target	Results	Evaluation	Supervision
Realization of a Low-carbon Society	Stores	—	Smart Aeon Stores opening	AEON Mall Okinawa Rycom AEON Mall Shijonawate	○	AEON CO., LTD. AEON Mall Co., Ltd.
Conservation of Biodiversity	Together with Customers	—	Continuation of tree planting activities and education activities tree "Aeon Hometown Forests Program" Systematically introduction of sustainable management as hometown forests	1. Confirm the progress and thorough implementation of management plans at each GMS store 2. Spread weeding and cleaning through Clean & Green Activities carried out by employees at each GMS store 3. Revision of management manual (creation of by-laws manual)	△	AEON CO., LTD. Each Group company
Low-carbon, resources, and biodiversity	Products	—	Expand sales of environment-friendly products	Expand sales of MSC, ASC certification product Expand sales of LED light bulbs Expand sales of TOPVALU PEACE FIT Expand dealings in organic products Expand sales of water conservation toilets Expand sales of SELF+SERVICE products, etc.	△	AEON CO., LTD. AEON TOPVALU CO., LTD. AEON Retail Co., Ltd. Each Group company
Partnerships	Together with Customers	—	Promotion of the Aeon Cheers Club activity 1. All GMS stores implement more than 4 activities/year More than 80% 2. Complete store wall newspapers More than 80%	334 stores out of the 441 stores conducted activities more than four times/year. (Excluding new shops) Stated target: 97.2% Implement programs linked to companies within the Group and add activities. Aim for utilization for 0 activities at stores	△	AEON CO., LTD. Each Group company
Pollution Prevention	Stores	—	Implement proper wastewater management (comply with standards, prevent accidents) 1. Implement efforts aimed at maintaining proper values at all times 2. Continue individual measures for problem stores (non-correction of infringements/lack of equipment)	Implement simultaneous voluntary surveys Rate of violations to initial voluntary standards 24.3% (Improvements) Support was provided to stores with continual violations individually. Introduce proposals for equipment renovations and implement equipment. <Good Examples> We take pictures of the cleaning process to make sure cleaning is conducted correctly.	△	AEON CO., LTD. Each Group company

Environmental Management

FY2015 Environmental Accounting

Main Category	Accounting items	Aeon Group			GMS(subtotal)				SM/DS(subtotal)			Small-sized Stores(subtotal)			Developer(subtotal)			Drugstore & Pharmacy, Financial Services, Service & Specialty Store, Function Companies, Pure Holding companies (subtotal)		
		Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)	Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)		Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)	Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)	Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)	Environmental conservation costs (Thousand JPY)	Economic benefits of environmental conservation (Thousand JPY)	Environmental conservation benefits (t-CO ₂)
Realization of a Low-carbon Society	Installation cost for photovoltaic power systems	3,815,116	34,646	1,022	-	-	-	168,915	-	51	2,910,324	34,646	770	733,311	-	201	2,565	-	-	
	Investments in energy efficient equipment for new stores *Installation conforming to plans to implement energy-saving equipment set by the General Affairs Department	3,043,322	273,509	6,149	616,955	67,561	1,574	474,145	38,378	1,101	1,604,376	146,628	3,222	197,027	-	-	150,818	20,940	252	
	Adoption cost of CO ₂ refrigerant at new stores	130,613	5,657	239	102,485	617	195	15,355	4,560	33	12,772	480	11	-	-	-	-	-	-	
	Investments in energy efficient equipment for existing stores *Installation conforming to plans to implement energy-saving equipment set by the General Affairs Department	1,509,942	196,508	2,486	292,256	56,639	1,197	555,423	96,221	1,289	652,645	43,647	-	-	-	-	9,618	-	-	
	Installation of LED lighting at existing stores	6,375,294	902,811	23,283	1,717,845	303,214	6,867	1,816,588	502,773	8,625	35,509	11,104	177	2,330,109	12,528	560	475,241	73,191	7,054	
	Visualization of energy usage at existing stores	381,303	25,744	241	1,400	4,140	87	39,133	21,604	154	-	-	-	340,650	-	-	120	-	-	
	Costs associated with energy management seminars (participation)	5,188	-	-	5,020	-	-	151	-	-	-	-	-	-	-	-	17	-	-	
	FC filling costs	382,529	-	-	196,074	-	-	182,778	-	-	1,006	-	-	2,562	-	-	107	-	-	
	Management costs of fluorocarbon leaks (new)	318,393	-	-	105,847	-	-	196,777	-	-	1,395	-	-	7,260	-	-	7,114	-	-	
	Carbon offset costs CO ₂ emission trading (new)	7,234	-	1,150	2,962	-	-	3,688	-	350	-	-	-	-	-	-	584	-	800	
Total		15,968,939	1,438,877	34,570	3,040,846	432,173	9,921	3,452,956	663,537	11,602	5,218,029	236,506	4,181	3,610,920	12,528	761	646,186	94,131	8,106	
Conservation of Biodiversity	Aeon Hometown Forest program implementation costs	125,726	-	-	13,447	-	-	25,133	-	-	-	-	-	87,145	-	-	-	-	-	
	Aeon Hometown Forest program tree planting festival	34,890	-	-	29,328	-	-	5,505	-	-	-	-	-	-	-	-	56	-	-	
	Cost of regular maintenance for planted zones / Next 10 million trees	665,490	-	-	170,732	-	-	41,332	-	-	-	-	-	449,661	-	-	3,763	-	-	
Total		826,107	-	-	213,509	-	-	71,971	-	-	-	-	536,807	-	-	3,819	-	-		
Better use of resources	Payment of third-party processing required under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging	1,331,861	-	-	340,657	-	-	643,764	-	-	109,322	-	-	-	-	-	238,116	-	-	
	Operating costs for home appliance recycling program	89,440	-	-	89,364	-	-	75	-	-	-	-	-	-	-	-	-	-		
	Processing cost of recyclables collected in-store	378,898	136,682	-	68,782	40,884	-	287,081	95,798	-	-	-	-	-	-	-	23,034	-		
	Processing cost of recycling of food residue	603,854	11,077	-	129,289	-	-	322,507	2,491	-	119,885	2,880	-	-	-	-	32,172	5,705		
Total		2,404,055	147,760	-	628,094	40,884	-	1,253,429	98,289	-	229,207	2,880	-	-	-	-	293,323	5,705		
Addressing Social Issues	Contributions to the Aeon Happy Yellow Receipt Campaign	373,324	-	-	237,839	-	-	99,165	-	-	-	-	-	36,318	-	-	-	-		
	Activity costs of the Aeon Cheers Club	117,206	-	-	4,950	-	-	403	-	-	-	-	-	-	-	-	111,852	-		
Total		490,530	-	-	242,790	-	-	99,568	-	-	-	-	-	36,318	-	-	111,852	-		
Environmental Communication	Cost of preparing the Aeon Environmental and Social Report	27,008	-	-	609	-	-	7,685	-	-	3,755	-	-	3,408	-	-	11,549	-		
	Operating costs of environmental website	3,909	-	-	-	-	-	1,520	-	-	-	-	-	-	-	-	2,389	-		
	Cost of operating or exhibiting at environmental events	63,538	-	-	830	-	-	1,176	-	-	-	-	-	27,400	-	-	34,131	-		
	Environmental advertising (external)	308,052	-	-	126,525	-	-	2,833	-	-	-	-	-	19,597	-	-	159,095	-		
	Cost of Eco Test	285	-	-	-	-	-	-	-	-	-	-	-	285	-	-	-	-		
	Membership dues in and donations for environmental organizations	73,202	-	-	7,982	-	-	60,619	-	-	-	-	-	-	-	-	4,600	-		
Total		475,997	-	-	135,947	-	-	73,835	-	-	3,755	-	-	50,692	-	-	211,766	-		
Environmental Management	Processing cost of waste generated by stores and offices	12,069,838	-	-	4,958,415	-	-	4,515,722	-	-	585,938	-	-	1,815,103	-	-	194,658	-		
	Implementation costs of waste measurement equipment (new)	53,671	-	-	325	-	-	53,346	-	-	-	-	-	-	-	-	-	-		
	Maintenance of pollution prevention equipment and devices (including inspections and testing)	2,741,528	-	-	752,221	-	-	604,596	-	-	1,680	-	-	1,381,584	-	-	1,445	-		
	Personnel costs	1,757,218	-	-	135,284	-	-	154,357	-	-	6,600	-	-	1,331,902	-	-	129,074	-		
	Operating cost of environmental management system (ISO)	63,168	-	10,941	11,971	-	-	24,990	-	-	-	-	-	21,230	-	-	4,975	10,941		
	Costs for preventing environmental accidents and for restoring in case of accident	597,481	-	-	1,126	-	-	16,237	-	-	-	-	-	580,117	-	-	-	-		
	Cost of organizing waste management seminars	1,354	-	-	24	-	-	709	-	-	-	-	-	-	-	-	621	-		
Total		17,284,261	-	10,941	5,859,368	-	-	5,369,959	-	-	594,218	-	-	5,129,938	-	-	330,775	10,941		

Companies covered: AEON Retail Co., Ltd., AEON Hokkaido Corporation, SUNDAY CO., LTD., AEON STORE KYUSHU CO., LTD., AEON SUPERCENTER Co., Ltd., AEONBIKE CO., LTD., AEON LIQUOR CO., LTD., AEON RYUKYU CO., LTD., TOPVALU COLLECTION CO., LTD.

Companies covered: MV Nishinohon Co., Ltd., MV Tohoku Co., Ltd., MV Tokai Co., Ltd., MV Chubu Co., Ltd., MV Hokkaido Co., Ltd., MV Kyushu Co., Ltd., A-colle CO., LTD., AEON BIG CO., LTD., AEON MARKET CO., LTD., KASUMI CO., LTD., KOHYO CO., LTD., SANYO MARUNAKA CO., LTD., The Daiei, Inc., MV KANTO CO., LTD., MV NAGANO CO., LTD., MV HOKURIKU CO., LTD., MV MINAMI TOHOKU CO., LTD., The Maruetsu, Inc., marunaka CO., LTD. *MV=MAXVALU

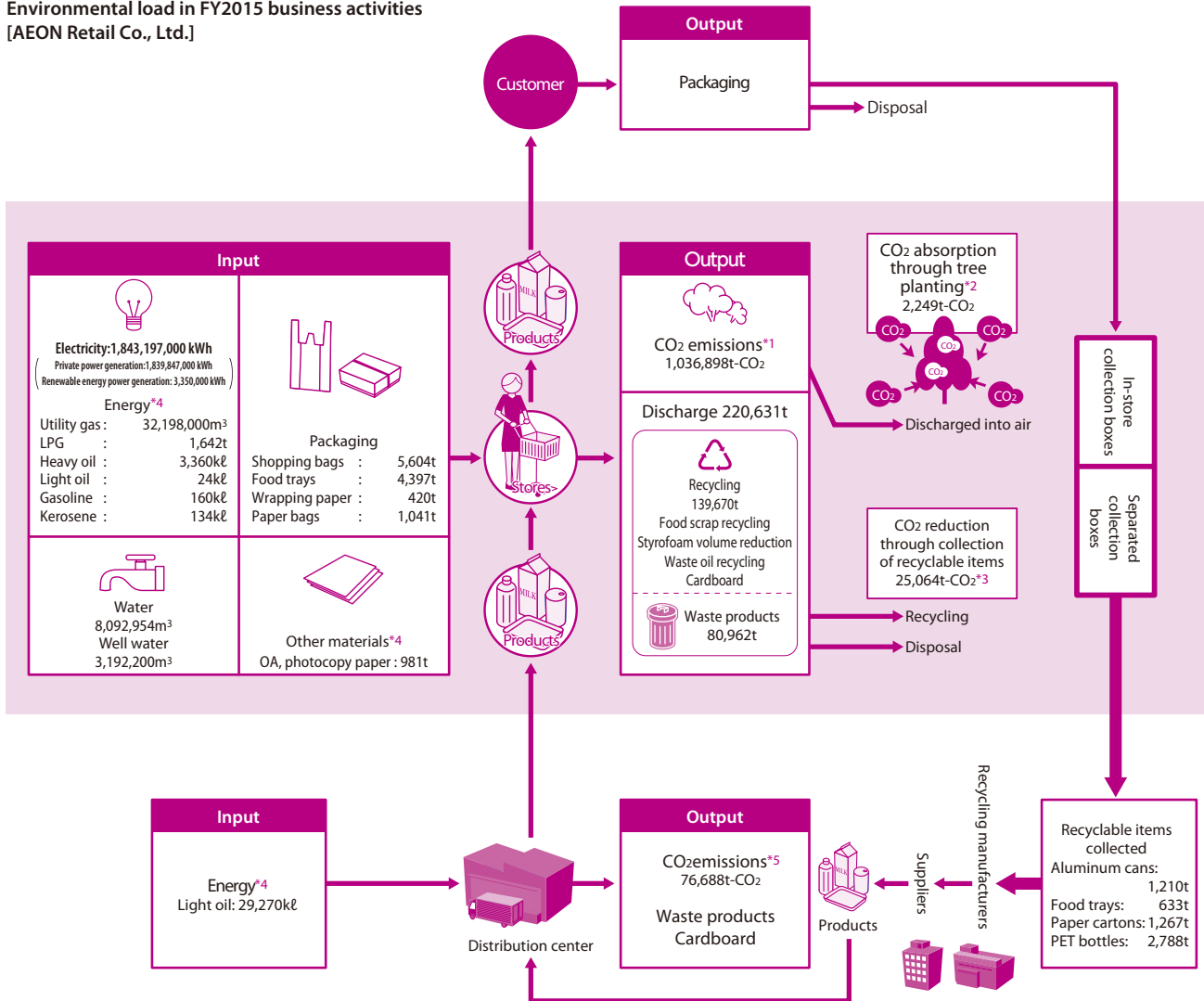
Companies covered: MINISTOP, CO., LTD., ORIGIN TOSHU, CO., LTD., My Basket CO., LTD.

Companies covered: AEON Mall, Co., Ltd., AEON TOWN Co., Ltd.

Companies covered: AEON CO., LTD., AEON Fantasy Co., Ltd., AEON Eaheart CO., LTD., AEON CULTURE CO., LTD., Reform Studio Co., Ltd., G-FOOT CO., LTD., AEON FOREST CO., LTD., Claire's Nippon Co., Ltd., Talbots Japan Co., Ltd., Branshes Co., Ltd., MIRAIYA SHOTEN CO., LTD., Mega Sports Co., Ltd., LAURA ASHLEY JAPAN CO., LTD., WELCIA YAKKYOKU Co., Ltd., SHIMIZU YAKUHIN CO., LTD., CFS Corporation, AEON AGRI CREATE Co., Ltd., AEON GLOBAL SCM CO., LTD., AEON TOPVALU CO., LTD., AEON FOOD SUPPLY Co., Ltd., Cordon Vert CO., LTD., FeliCa Pocket Marketing Inc.

Environmental Management

Environmental load in FY2015 business activities
[AEON Retail Co., Ltd.]



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

*2 Calculated based on the group-wide total number of trees planted under the "Aeon Hometown Forest" program.

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

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

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