



Key Issue 3

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 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 initiatives 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.

Societal demand for waste reduction has been increasing both in Japan and overseas. Goals related to the reduction of waste and food waste were included as United Nations sustainable development goals (SDGs) and adopted in 2015. In addition, Japan is also expected to strengthen related regulations such as the Food Recycling Law and the Waste Disposal Law.

In order to meet these demands, Aeon aims for "Zero waste by FY 2020 (=disposal/incineration/landfill of waste as is to zero), determines the "Aeon "Waste Zero" Effort Concept" and is promoting these efforts. Even within these efforts, there are important themes from the relevance of food waste to Aeon's business, and efforts have been strengthened in these 3 sections: "In stores and products", "Through communication with customers" and "Together with local areas".

Future Initiatives

Activities being worked on in each region and individual company in Aeon are aggregated based on growing social demand for waste reduction, which is listed in the goals such as the UN's SDGs, and we are committed to construction of a common group infrastructure through organizing items such as cases, indexes and the basic ideas of the activities. Starting in FY 2016, Aeon's subsidiaries will begin to set individual targets and carry out efforts to achieve them.

AEON "Zero Waste" Initiative Concept

We will continue to reduce waste through disposal/burning and landfills to zero through the 3R method of "Reduce", "Reuse" and "Recycle". In collaboration with stakeholders and customers through our efforts, we will contribute to the construction of a recycling-oriented society.



FY2015 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2015 Results	Actions/Initiatives in FY2015
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 domestic companies subject to third-party processing requirements	FY 2010: 1.175 tons ⇒FY 2015: less than 0.88 tons * 20% reduction or more compared to FY 2010	1.080 tons 8.1% 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 Waste	Emissions of non-food waste	Consolidated Group companies in Japan, China and ASEAN (Japan, China, ASEAN)	Expansion efforts	Initiatives Undertaken by Each Group Company Aggregation and information sharing (Ongoing efforts)	<Case> 1) Aeon Mall: Sorting 17 basic items into waste. We operate a system to weigh by item in cooperation with stores. Aim for "visualization" and work for reduction 2) COX: Efforts with the goal of product waste reduction through store responsibility. Interior part reuse implementation
	Reducing Food Waste Emissions	Food Waste Emissions (basic unit per ¥100 million in net sales)	Domestic consolidated target of food-related companies within GMS, SM companies	FY 2015: Reduction from the previous year	FY 2014 Results: 36.48kg/million JPY FY 2015 Results: 36.40kg/million JPY	1) Selling price change reduction through disposal of goods (food) 2) Thorough sorting of the resources 3) "Visualization" through introduction of a weighing machine, uniform management
		Food waste recycling rate	Domestic consolidated target of food-related companies within GMS, SM companies	FY 2015-FY 2019 55% (Abide by the basic policy related to promotion of food circulation resource recycling, etc.) * Year-on-year plus 1%	FY 2014 Results: 53.1% FY 2015 Results: 56.1%	1) Waste oil, fish crude recycling, consignment forwarding to play operators 2) Construction of a recycling loop, investment promotion
		Construction of Food Recycling Loop	Domestic consolidated target companies within food products Related companies	Construction of recycling loop (1 place / year)	Food residue recovery store: 12 stores⇒76 stores* * Operation from November 2016	Aeon Group Companies expand food residue recovery stores
	Together with Customers	Percentage of Customers Declining Plastic Shopping Bags (Nationwide store average)	Consolidated Group companies in Japan for GMS and SM businesses	FY 2015: More than 70% FY 2020: More than 80%	64.8% (Stop Free Plastic Shopping Bags stores increased 161 stores, 1,553 stores in total)	1) Provision of information to each group company shopping bag refusal rate and shopping bag free distribution stopping stores 2) Active participation and outreach to the shopping bag free distribution abort agreement in the region
Strengthening the Management System	Management System for Waste Emissions	Number of Employees Completing Internal Training Course to Improve Management of Waste Emissions	Consolidated targets in Japan Group Companies	FY 2015: More than 360 people passed (Total from FY 2010)	45 students, out of 25 test examinees, 21 people passed A total of 361 people passed	The training by external specialized agencies In addition to utilizing videoconferencing, seminar contents are recorded in the Aeon Mall, and they are utilized as in-house teaching materials
		Electronic manifest introduction rate	Consolidated Group companies in Japan	Introduction rate of 50% by FY 2016 (Country target: introduction rate of 50% by FY 2016)	Adopting companies up to the end of FY 2015 (more than 95%) 15 companies: Aeon Kyushu, Aeon Store Kyushu, Daieli, MV Minami Tohoku, MV Kanto, MV Nagano, MV Chubu, MV Kyushu, Aeon Market, Maruetsu, Sanyo Marunaka, Aeon Big, Origin Toshi, My Basket, Acore (Less than 95%) 8 companies: Aeon Retail, Aeon Hokkaido, Aeon Bike, MV Hokkaido, MV Hokuriku, Marunaka, Aeon Mall, Aeon Town	1) Consignment to management providers, contract management and introduction of interlocked mechanisms 2) Sharing of roles with the stores, head office and management consignment company, and communication rules review implementation



Initiatives for Zero Waste in Stores and Products

Reduce the 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 recognizing and minimizing them.

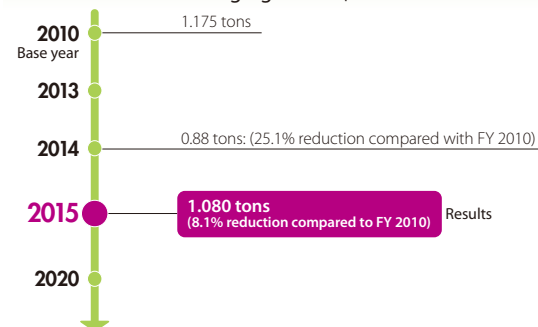
With this in mind, Aeon is working actively to reduce the amount of packaging and containers we use. In addition to focusing on reducing plastic shopping bags, we are also promoting the use of thinner as well as more ecofriendly trays.

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 8.1% in FY 2015 compared with FY 2010, with a total of 1.080 tons. Moving forward, we plan to take further action in this area.

FY 2015 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, this has led to a reduction of about 14,210,000 stickers in FY 2015.



Waste Reduction

As an enterprise that operates business in approximately 20,476 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 targets for waste management and food waste reduction that were incorporated into the United Nations' Sustainable Development Goals (SDGs) and adopted by the UN General Assembly in 2015, 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 FY 2020 (reduction of landfill waste to zero) to launch initiatives.

Currently, each Aeon Group company is implementing a variety of initiatives aimed at waste reduction.

For example, in AEON Mall Co., Ltd., the medium-term environmental plan from April 2015 to FY 2017 was determined, and for waste, they are aiming for zero emissions malls, with maintenance of a waste recycling rate higher than 80% and implementation of waste education to specialty stores as pillars of this plan. With the cooperation of specialty stores, a system to separate waste into 17 basic items and to measure each item is introduced, and this aims for waste "visualization". In separated waste, items that can be recycled are recycled, and the recycling rate is aggregated in each item.

In this way, although many of the group companies are implementing various initiatives, the actual situation is that initiatives are being worked on by individual company and region. Based on these circumstances, each company's situation in FY 2015 is collected and shared, and we promoted foundations to tackle commonly as a group and considered indicators along with organizing company thinking and approaches that have been successful.

In FY 2016, we will aim for each group company to establish targets and promote waste reduction initiatives.

The efforts of each region about waste through the characteristics and legal constraints of waste itself is important. Communication is enriched with stores as the base along with working with stakeholders in local areas such as recyclers,

producers, governments and NPOs, and we will continue to contribute to local waste reduction as a part of societal infrastructure.

FY 2015 Results and Target of KPI

Emissions of non-food waste



Food Waste Reduction

Aeon is working on the control of food waste emission occurring in stores.

For example, in AEON Retail Co., Ltd., a goal of "reducing the food waste sales ratio to less than* 0.5%" has been set.

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.

Maxvalu Chubu Co., Ltd. is also working on a goal of a 5% year-on-year reduction of general waste weight, including food waste.

The company actually measures emissions in meters installed in waste depots, and the emissions are counted and managed daily in the head office general affairs department. The significant purpose is described in addition with descriptions of usage methods in the stores, and they are working to raise awareness.

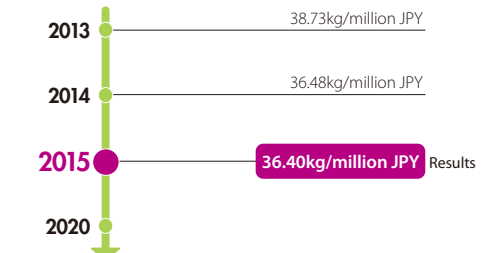
In addition, a discard rate (waste amount÷sales amount) goal is set by every company, and each department implements day-to-day execution management in a PDCA cycle. Changes and the like are also recommended to recyclers from business-based waste disposers in order to improve the food residue recycling rate.

In the future we will also share this best practice Group-wide in this way and continue promoting initiatives aimed at reducing food waste.

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

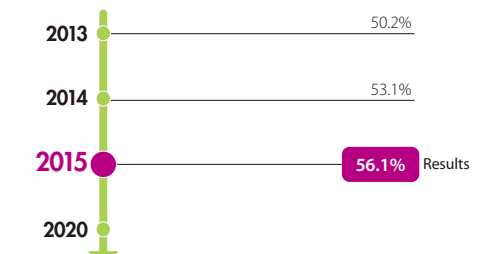
FY 2015 Results and Target of KPI

Food Waste Emissions(basic unit per ¥1 million in net sales)



FY 2015 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. As a result, farms, stores and composting treatment facilities are connected, and they aim at the construction of a composting recycling loop.

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.



Cabbage that has been shipped from the Aeon Miki-Satowaki Farm

Soil development started from January 2016, and group stores in Hyogo Prefecture started full-scale shipments from June. Shipment of about 500 tons of agricultural products is being planned for radish, Chinese cabbage, spinach and cherry tomatoes in addition to cabbage.

In addition, implementation scales, etc. as a closed recycling loop are recognized worldwide, and the system was introduced as a best practice system at TCGF (The Consumer Goods Forum/the world's largest consumer goods distribution industry organization, with about 400 companies in 70 countries around the world) in April 2016.



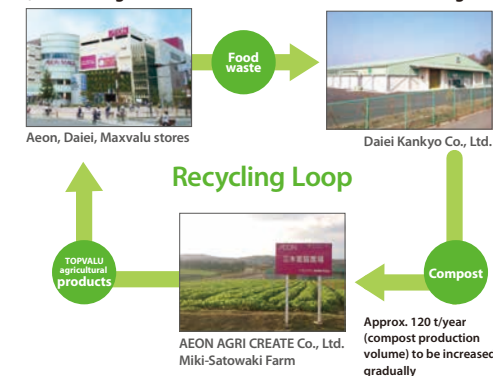
FY 2015 Results and Target of KPI

Construction of Food Recycling Loop



Circulation flow

Approx. 3,660 t/year (food waste collection volume) to be increased gradually (Total of target Aeon stores and TOPVALU manufacturing factories)



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 FY 2015 we used 76.19 million cases of returnable containers*, and 23.31 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

Aeon started the Green Purchasing initiative from 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.

Green procurement of construction materials started from 2001. 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

Reduce the Number of Plastic Shopping Bags

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.

As of the end of February 2016, the reduction of plastic bags at our 29 Group companies has totaled 2,794.7 million bags, with 64.8% of customers declining plastic bags. This result broadly out paces the 51.86%^{*1} average for retailing businesses and has led to CO₂ reductions of 83,452 tons^{*2}.

Customers who also want to use plastic bags are provided them for a fee. These proceeds^{*3} help local environmental conservation activities, such as through local governments. Proceeds in FY 2015 were 16,360,000 JPY, and the total proceeds from plastic bag fees since 2007 have been about 602,340,000 JPY.

^{*1} As of October 2015. Japan Chain Stores Association examination

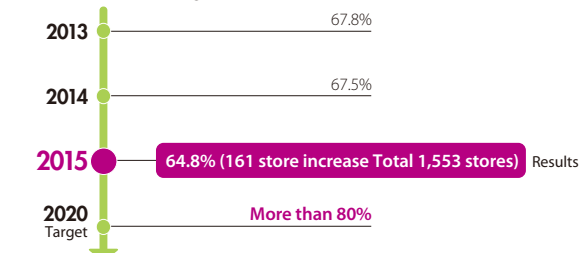
^{*2} CO₂ reduction rate index: 30.8g-CO₂ per plastic bag declined by customers (treated as 6.8g of unused HDPE plastic bags).

Source: Ministry of the Environment's "Tools for Visualizing 3R Activities"

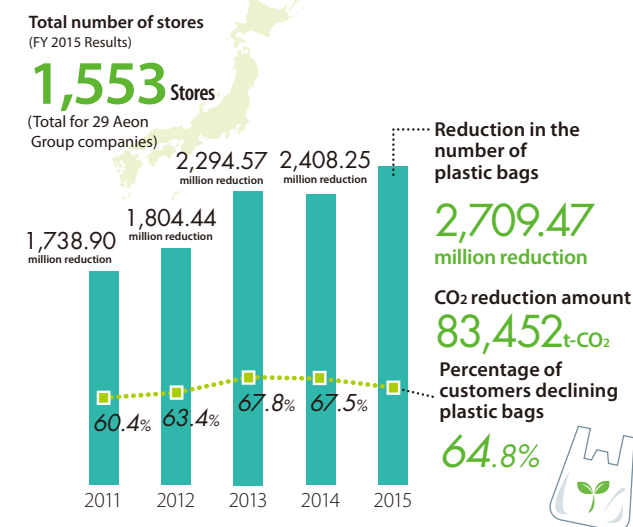
^{*3} Plastic bag profit = Sales price - (consumption taxes + material cost)

FY 2015 Results and Target of KPI

Percentage of Customers Declining Plastic Shopping Bags (Nationwide store average)



Stores Stopping Free Plastic Shopping Bags



TOPICS

Aeon welcomes the 25th year of "Bringing Our Own Shopping Bags".

We have been working on "Bringing Our Own Shopping Bags" since 1991 for the purpose of reducing CO₂ emissions during plastic bag production.

According to the June 2015 Environmental Monthly, reusable bags were reborn and made easier to use.

We have newly deployed "Bag IN Bag", a cold and room temperature 2 piece set, and a "non-woven fabric tote bag" with the ability to reflect light in the street at night (with retro-reflective tape) while having an affordable price.

Through these reusable bag suggestions and familiar shopping, we are committed to various environmental conservation activities going forward together with our customers.



Bag IN Bag

Non-woven fabric tote bag

Progress of plastic bag reductions





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"
Recycled toilet paper that uses 100%
waste paper pulp.

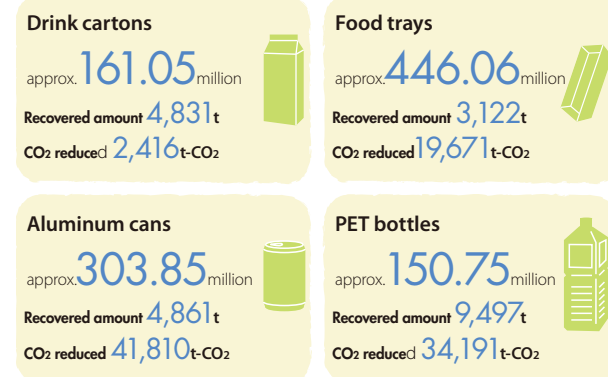


TOPVALU Oil Guard
An aluminum oil guard that prevents
soiling due to oil splashing around the
gas range cooktop. It is made using
at least 80% aluminum remelted from
aluminum cans collected at stores.



Collection boxes placed in one of our stores

Results for 2015 (total for 25 consolidated subsidiaries)



Weight conversion: Conversion as Paper carton (1000ml) 1 carton = 30g,
Food tray 1 tray = 7g, Aluminum can (350ml) 1 can = 16g,
PET bottle 1 bottle = 63g

*CO₂ reduction rate index (per 1kg of collected material):
Paper 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, 2016, the initiative had been introduced at a total of 59 stores—including 33 Aeon Retail Stores, 9 MaxValu Tokai stores, 12 MaxValu Chubu stores—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)

Initiatives Undertaken by Group Companies

AEON Retail Co., Ltd., Minami Kanto Company

[In food] Carry out an enlightenment event

The AEON Retail Co., Ltd., Minami Kanto Company held the "Food Loss Challenge Festival@ Aeon Kasai Store" in February 2016, hosted by the Tokyo Metropolitan Government and Food Loss Challenge Project.

As part of the food loss measures, one of which is Tokyo's "Model project to promote the sustainable use of resources", PR activities were conducted in shopping places along with the Tokyo Metropolitan Government Bureau of Environment Food Loss Challenge Project, and awareness-raising and information dissemination about the food loss problem was carried out.



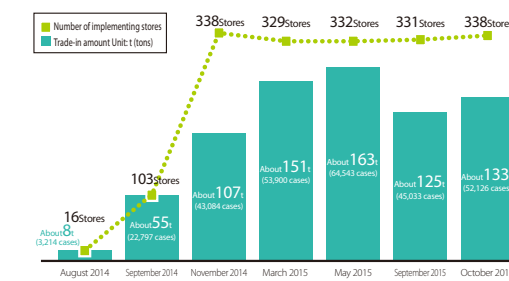
During the event

AEON Retail Co., Ltd.

Collecting and Promoting Reuse in 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. Traded in clothing is transported to I:CO's partner plants without being discarded in about one week and about 400 types are 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. After trade-in at a store, the items are sold in 64 countries in places such as Africa, South America and Asia in at least 3 months.

FY 2015 trade performance



The trade-in campaign was also conducted 4 times in FY 2015. This campaign is also planned in FY 2016. A trade-in campaign was conducted in AEON Retail Co., Ltd. with the main purpose of continuous clothing rewear, and it aims towards the realization of a recycling-based society.

G-FOOT CO., LTD.

[In shoes] Promote reuse and recycling

G-FOOT CO., LTD. is actively working on shoe recovery and reuse/recycling. The company developed a system in cooperation with I:CO so that trade can be permanently carried out, and they are working to contribute to environmental issues. 942,599 shoes were recovered in FY 2015. In addition to providing shoes to those who need them overseas as reuse of traded-in shoes that can still be used, shoes that cannot be reused are recycled as road building materials, and the reduction of waste is promoted.

* I:CO stands for I COLLECT, and it is a subsidiary of the world's largest fiber and shoe recycling company, SOEX.

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.

45 people attended waste disposal management training in FY 2015. 25 of these people took the waste disposal manager test, and 21 people passed. This result brought the cumulative total, since FY 2011, to 361 employees receiving the training and 218 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, 2016, the Electronic Manifest system had been introduced at 23 companies, including those where it had been introduced at some offices. We will continue efforts to have a target of introduction in half of the group companies.

* Electronic Manifest: A manifest issued to ensure that processing has been performed when discharging industrial waste. Traditional operation between emitters and processing companies has been done in paper form, but digitization of manifest information in recent years with electronic manifests that are exchanged through networks have become widespread.

FY 2015 Results and Target of KPI

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



FY 2015 Results and Target of KPI

Electronic manifest introduction rate

