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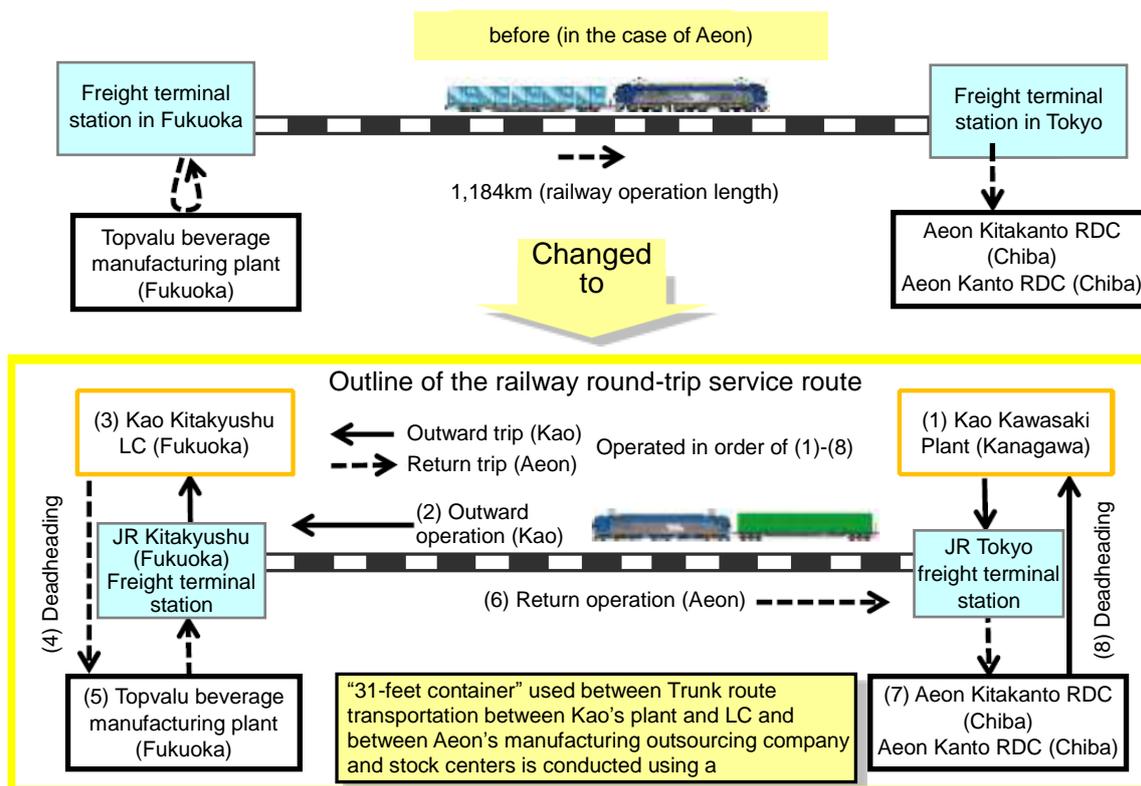
September 4, 2014  
 AEON CO., LTD.  
 Kao Corporation

## Sustainable railway transportation system launched by Aeon and Kao On September 4, Aeon Global SCM and Kao begin a railway transportation

Aiming for the reduction of CO<sub>2</sub> emissions

On September 4, 2014, Aeon Global SCM Co., Ltd. (hereinafter called “Aeon Global SCM”), a consolidated subsidiary of Aeon Co., Ltd. (President: Motoya Okada), and the logistics division of Kao Corporation (President: Michitaka Sawada) (hereinafter called “Kao”) start a round-trip use of a railway container for the route between Tokyo and Fukuoka with the cooperation of Japan Freight Railway Company, with the aim for less CO<sub>2</sub> emissions and more efficient logistic system.

### [Outline of the round-trip operation of railway transportation by Aeon Global SCM and Kao]



\* LC: Logistics Center, RDC: Regional Distribution Center

#### [Specific approach]

- (1) Shared use of the railway container  
 The rail container transports Kao products on one way from Tokyo to Fukuoka and Aeon’s Topvalu products on the way back. This will reduce approximately 2.8 tons of CO<sub>2</sub> emissions on the round-trip compared with the former transportation conducted by truck.
- (2) Use of a “31-foot container” that realizes a smooth modal shift  
 The 31-foot container, which is about 2.5 times longer than the traditional 12-foot container, has almost the same carrying capacity as a large truck and realizes a smooth modal shift in such moves as from truck to railway. Being the size of a truck, in addition, cargo handling can be done easily.

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### [Background to this initiative]

#### ■ Aeon

Based on “Aeon Sustainability Principle” launched in 2011, the company aims to achieve “sustainable management” through “Aeon Group growth” and “social development” by addressing four cores: realization of “a low-carbon society,” “conservation of biodiversity,” “better use of resources,” and “addressing social matters.”

As one of these efforts, Aeon Global SCM promotes environmentally-friendly distribution of goods with the aim of achieving a “low-carbon society.” Specifically, ahead of other retailers, the company has sequentially switched the transportation of clothing and other items for Hokkaido and Kyushu from transportation by truck to transportation by railway to achieve low prices through low costs.

#### ■ Kao

In 2009, Kao announced the “Kao Environmental Statement,” that places ecology at the core of its management.

Kao promotes “Yoki-Monozukuri”,(meaning good product making) that minimize environmental burdens throughout the entire life cycle of the products, from procurement of materials, design, transportation, manufacturing, transportation and to disposal.

With the common purpose of becoming more environmental friendly, the two companies have studied the efficient operation of transportation by railway at the “Rail Transportation Study Meeting,” which was formed voluntarily by retailers and manufacturers toward the expansion of transportation by railway to reduce CO<sub>2</sub> emissions. At this meeting, the two company decided to implement this project after Kao agreed on the proposal made by Aeon Global SCM.

### [Content of the discussion between the two companies leading to this initiative]

This initiative was realized after empirical examinations conducted from April to August this year. The two company jointly made examination mainly of the operation aspect of the joint transportation and the quality of products.

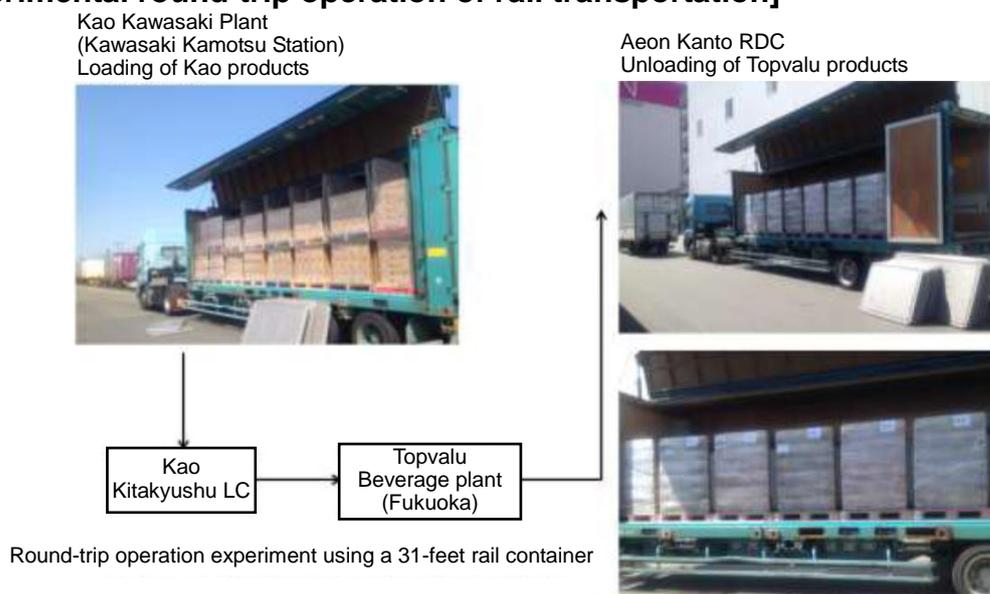
With regard to the operation of the joint transportation, we adjusted each other’s time required from placing order to delivery and adjusted the loading and unloading work with the large container at the arrival and departure sites to make this joint transportation possible.

With regard to the quality of products, in order to examine the temperature and oscillation during transportation and the quality of interior materials of the container, we began with preliminary validation using a 12-feet container and then conducted a transportation test between Tokyo and Fukuoka using a 31-feet container.

Moreover, since on the return trip from Fukuoka to Tokyo, bottled beverages are loaded into the container in which fragrant cleansers were loaded on the outgoing trip from Tokyo to Fukuoka, there was a fear that the products would absorb the fragrance. However, after measurements by an odor measuring device and sensory assessments, we confirmed that it was not necessary to take special measures.

The results of the above-mentioned empirical examinations made it possible for us to adopt the rail transportation jointly using a 31-feet container.

### [Experimental round-trip operation of rail transportation]



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## **[expected results from this initiative]**

### ■ Aeon

Compared with the traditional transportation by truck, CO<sub>2</sub> emissions are expected to be reduced to approximately one-fifth. While looking at similar plans on other lines, Aeon will promote further contributions to reducing environmental burdens. As the reduction of freight charge costs is expected due to the expansion of the railway round-trip service in the future, we will contribute to realizing reasonable low costs for Aeon's Topvalu products.

### ■ Kao

Kao has been working on a modal shift since the 1990s and implements the transport of products from Tokyo and Fukuoka using a 12-foot container. As the result of accepting Aeon's proposal, the company can improve the loading ratio and make the disposal of goods more efficient on the route that is adapted to a 31-foot container, which is approximately 2.5 times the size of the traditional container. As the development of this initiative into other routes is expected in the future, Kao expects that a modal shift will be further promoted.

Kao had been implementing joint delivery with its business partners mainly in transportation by truck. Based on this initiative, Kao, from now on, tries expanding cooperation with various business partners including cooperation with companies from outside its industry.

Aeon and Kao will continue their efforts to realize a sustainable society in cooperation with many stakeholders.