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.

Better Use of Resources
Management Approach

| Key Issue 3 |
| Better Use of Resources
| Management Approach |

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<td>Construction of Food Recycling Loop</td>
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<td>Emissons of non-food waste</td>
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Key Issue 3
Better Use of Resources
Management Approach
Reduction of 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 eco-friendly trays.

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 per unit comparison as a Group.

Packaging materials reduction case 2

In the past we attached both a product name sticker and a thermal sticker to bento 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 Junikiki Chickens, 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.

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.

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 0.3% 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.

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
Key Issue 3 | Better Use of Resources

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 51.2%¹⁵ average for retailing businesses and has led to 74,174 tons² of CO2 reductions.

For customers that desire them, we offer plastic bags for a fee. We donate the profit⁶ toward local environmental conservation through local governments, etc., as The profit in FY2014 was approximately 3.35 million yen.

¹⁵ As of March 2015. Study by the Japanese Chain Stores Association
² CO2 reduction rate: 430 g of CO2 per plastic bag declined by customers (treated as 6.8 g of unused NOPE plastic bags)
³ Plastic bag profit = sales price – (transpiration taxes + material cost)

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 reuse of 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,³ and 21.76 million cases of agricultural product containers, which helped us substantially reduce cardboard waste.

Promoting efforts to set the target at 52.3%.

FBXBSFPGUIFJSSFTQFDUJWFPXOFST

Results

2014

Target

55% (FY 2015-FY 2019)

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 1,000 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.

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

Aeon My Bag Design Contest winners and judges.

Progress of plastic bag reductions

1991

Began the “My Basket” Campaign

2007

Began the “Stop Free Plastic Shopping Bags” Program

2009

Began an initiative to direct profit from plastic bag charges into environmental conversation efforts

2013

Established regional forests, etc.

2014

Sheets Stopping Free Plastic Shopping Bags

Total number of stores (as of February 2015)

1,392 stores (Total for 26 Aeon Group companies)

Reduction in the number of plastic bags

2,408.25 million reduction

CO2 reduced

74,174 tons² of CO2

Percentage of customers declining plastic bags

67.5%
**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.

- **Food waste recycling rate**
  - 2014: 52.3%
  - 2015: 50.2%

- **Construction of Food Recycling Loop**
  - 2020: Construction of recycling loop (1 place / year)

- **PET bottles (material recycling)**: 3.6kg-CO2 reduced

**Launching Recovery of Waste Paper and Plastic Bottles**

- Linked with WAON

Aeon has launched a recovery program for the collection and processing of waste paper and plastic bottles that provides WAON points to customers who take part in the recovery process.

<table>
<thead>
<tr>
<th>Collection boxes placed in one of our stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOPVALU NEXT FREE Recycled Toilet Paper Paper - Single Ply</td>
</tr>
<tr>
<td>TOPVALU Oil Guard An aluminum oil guard that prevents soiling due to oil splashing around the gas range in kitchens. It is made using at least 60% aluminum remelted from aluminum cans collected at stores.</td>
</tr>
</tbody>
</table>

**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 ITO 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 ITO’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, the clothing and sandy goods shop SELF+SERVICE is working toward fiber recycling in a proactive manner by selling products bearing the Ecocmate 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).

**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 management manifest 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 2014, achieved results including compaction rate 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's management form, issued when the waste is generated, that confirms that treatment has been carefully carried out. Previously, a lodger 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.

**Strengthening the Management System**

**FY 2014 Results and Target of KPI**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Number of Companies</th>
<th>Waste disposal management manifest received</th>
<th>Total users</th>
<th>Passed exams</th>
<th>Passed exams rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
</tbody>
</table>

Aeon has been promoting efforts to set the target at 60% CO2 reduction rate index (per 1kg of collected material): Drink cartons: 0.50kg-CO2, PET bottles: 0.25kg-CO2.

**CO2 reduced:**
- Drink cartons: approx. 8,708 (tons)
- PET bottles: approx. 3,135 (tons)

**Results for 2014 (total for 23 consolidated subsidiaries)**

<table>
<thead>
<tr>
<th>Waste material</th>
<th>FY 2014</th>
<th>Target</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drink cartons</td>
<td>approx. 138.19 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food trays</td>
<td>approx. 367.83 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aluminum cans</td>
<td>approx. 271.36 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PET bottles</td>
<td>approx. 138.23 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Weight estimates:** Drink carton: 100ml=13g, Food tray=7g, Aluminum can: 100ml=16g, PET bottle=16g

**CO2 reduction rate index (per 1kg of collected material):**
- Drink cartons: 0.50kg-CO2, PET bottles: 0.25kg-CO2

**Summary:** Aeon is making efforts to promote waste reduction and manage waste disposal effectively. The company continues to introduce initiatives to improve waste management and set targets for the future.