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 framework through organizing items such as cases, indexes and the basic ideas of the activities. Staring 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.

Better use of Resources

Management Approach

Recognition of Challenges

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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 bento (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 1.42 million 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, 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 separate 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.

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.

Makuhari 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 dispensers 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**
Key Issue 3
Better use of Resources

**Promoting Green Purchasing**
Aeon started the Green Purchasing initiative from 1996. When purchasing stationary 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.

**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.

**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 outpaces the 51.86% average for retailing businesses with 64.8% of customers declining plastic bags. This result was achieved through initiatives such as providing reusable bags 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.

**Together with Customers**

**FY 2015 Results and Target of KPI**

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<thead>
<tr>
<th>FY 2015 Results and Target of KPI</th>
<th>2014</th>
<th>2015</th>
<th>2020</th>
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<tbody>
<tr>
<td>Emissions of non-food waste</td>
<td>67.5%</td>
<td>60.4%</td>
<td>50%</td>
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<td>Results</td>
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<td>Key Issue 3</td>
<td></td>
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<td>Better use of Resources</td>
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<td>FY 2015 Results and Target of KPI</td>
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<tr>
<td>Percentage of Customers Declining Plastic Shopping Bags (Percentage of average)</td>
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Launching Recovery of Waste Paper and Plastic Bottles Linked with WAGON

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

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 soap, feed, and fertilizer.

Results for 2015 (total for 25 consolidated subsidiaries)

- Drink cartons: approx. 161.05 million, CD reduced: 4,831 t
- Food traps: approx. 446.06 million, CD reduced: 512 t
- PET bottles: approx. 303.85 million, CD reduced: 4,861 t
- Aluminum cans: approx. 150.75 million, CD reduced: 9,479 t

Efforts of each group company and information sharing

Seminar participants: 53, Examinees: 49, Successful candidates: 45

Trade-in amount

About 8 t

About 55 t

About 133 t

50% rate of introduction

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. It is aimed at employees 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 33 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 exploitation of manifest information in server years with electronic manifests that are exchanged through networks has become widespread.

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 circulation of waste, 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 lCO 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 solutions 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.