

Aeon Report 2017





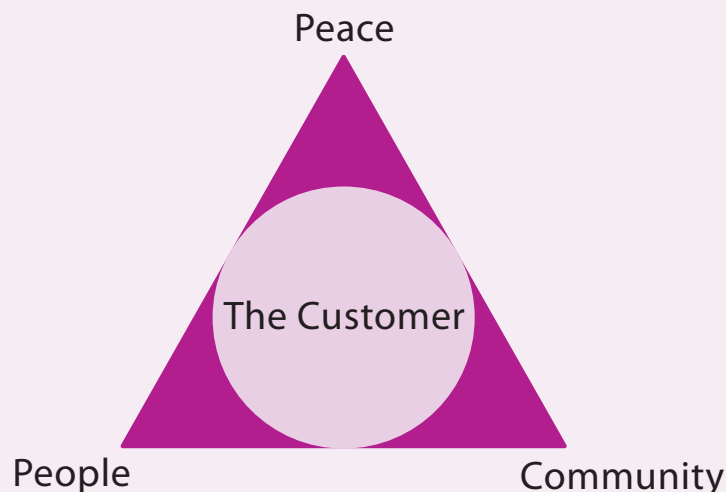
Creating a future where
communities flourish



trees grow and

Aeon Basic Principles

Pursuing peace, respecting humanity, and contributing to local communities,
always with the customer's point of view as its core.



The word (Aeon) has its origins in a Latin root meaning “eternity.”

The customers’ beliefs and desires comprise the central core of our philosophy.

At Aeon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

“Peace”	Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
“People”	Aeon is a corporate group that respects human dignity and values personal relationships.
“Community”	Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the Aeon Basic Principles, Aeon practices its
“Customer-First” philosophy with its **everlasting innovative spirit**.

Editorial Policy

Aeon Co., Ltd. believes its business activities contribute to a sustainable society. To further deepen its stakeholders’ understanding of its business activities, from the current fiscal year Aeon has decided to publish an Integrated Report that incorporates the Aeon Environmental and Social Report.

The first half of the Report introduces the orientation of management, its strategies and various initiatives, and also covers Aeon’s management itself from a variety of perspectives. In addition, it comprehensively addresses non-financial information such as social contribution activities.

The second half of the Report deals with sustainability initiatives by Aeon Group companies, mainly Aeon Co., Ltd., which is a pure holding company, and the General Merchandise Store Business and the Supermarket Business,

from the aspects of the environment and society. In addition, with regard to its seven priority issues, including the four society-related priority issues newly specified in a materiality assessment conducted during fiscal 2016, this section reports in detail on management approaches, progress toward key performance indicators and individual activities.

This Integrated Report is produced with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), and the knowledge of interdivisional project members within the Aeon Group and external experts is incorporated throughout.

Note: For the purposes of this Report, “Aeon” is used to refer to Aeon Co., Ltd. and the approximately 300 companies that make up the Aeon Group.

Contents

Introduction	4	Information Security	53
Snapshot	4	Compliance (Corporate Ethics)	54
Value Creation Model	6	Our Sustainability	56
Value Creation Overview	8	Celebrated 25th Anniversary of Aeon's Tree Planting Activity	58
Our Strengths	10	Feature 1: Dialogue with Stakeholders	60
Business Overview	14	Feature 2: Promotion of CSR in the Value Chain	66
Global Expansion	16	Aeon Group CSR	70
Highlights	18	Environmental Management	76
Financial Highlights		FY2016 Activities	82
Non-Financial Highlights		Environmental Activities	
Our Strategies	22	Realization of a Low-Carbon Society	84
Comments from the Group CEO	24	Conservation of Biodiversity	92
Comments from the CFO	26	Better Use of Resources	102
Aeon Group Medium-term Management Plan (FY2017-FY2019)	28	Social Activities	
Medium-term Management Plan: Year One		Responding to Diverse Consumer Issues	110
Completion of Earnings Structure Reforms at Aeon Retail and Daiei	32	Carry out Fair Business Practices	122
Aeon Retail Reforms		Create Workplaces that Emphasize Human Rights and Diversity	130
Daiei Reforms		Collaborate with the Community	140
Aeon's Product Mindset	38	Support After the 2016 Kumamoto Earthquakes	148
Corporate Governance	40	Activities that Widen the Circle of Tohoku Creation	150
Features of Aeon's Corporate Governance	40	External Awards List (FY2016)	153
Comments from the Chairman of the Board	42	Initiatives by Aeon Public Interest Incorporated Foundations	154
Comments from the Chairperson of the Audit Committee	44	GRI Guidelines Indicators	160
Comments from the Chairpersons of the Nomination and Compensation Committees	45	Financial Section	166
Board of Directors and Executive Officers	46	Corporate Data	222
Status of Corporate Governance	48		
Risk Management	52		

● Report Period

Fiscal 2016 (March 1, 2016 – February 28, 2017)*

* For operating companies with different fiscal years and certain initiatives, the relevant time periods are indicated in each report section.

● Scope of Report

This Report covers the pure holding company Aeon Co., Ltd. and its 296 consolidated subsidiaries and 32 equity-method affiliates (as of the end of February 2017).

When information applies only to certain operating companies, it is indicated as such. This Report also features information on the Aeon 1% Club Foundation, whose activities are funded by donations made by major Aeon Group companies totaling 1% of their pre-tax profits, and the Aeon Environmental Foundation, which takes part in activities to protect the Earth's environment.

● Target Audience

Our customers, shareholders, investors, students, local residents of neighborhoods with Group stores, business partners, NPOs, NGOs, governments and Aeon People (Aeon employees)

● Reference Guidelines

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G4)
- Environmental Reporting Guidelines (2012 Version), Ministry of the Environment of Japan
- Environmental Accounting Guidelines 2005, Ministry of the Environment of Japan
- ISO 26000: Guidance on Social Responsibility

Disclaimer

This Report contains plans and strategies for the future of Aeon, as well as predictions and prospects regarding its performance. Such information is based on our determinations and beliefs in accordance with facts and information currently available to us.

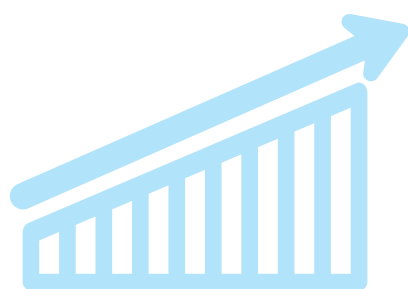
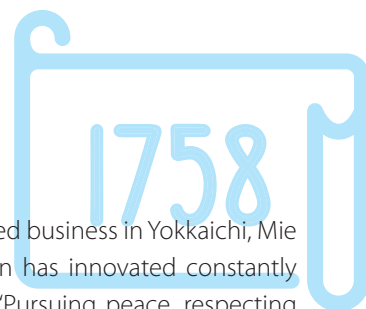
SNAPSHOT

(As of February 28, 2017)

259 years

Years in Business

Okadaya, an Aeon predecessor, started business in Yokkaichi, Mie Prefecture in 1758. Since then, Aeon has innovated constantly under the Aeon Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core."



¥8,210 billion

Operating Revenues

A highly competitive company that creates synergy among its businesses, Aeon has achieved the highest operating revenue in Japan's retailing industry for six consecutive fiscal years. In fiscal 2015, its operating revenues exceeded ¥8 trillion.

520 thousand people



Number of Group Employees

Uniting over 300 Group companies in Japan and overseas as one, Aeon focuses on creating an environment in which each employee can excel, enabling its diverse human resources to take advantage of the differences in their values to demonstrate their skills and capabilities.

13 countries

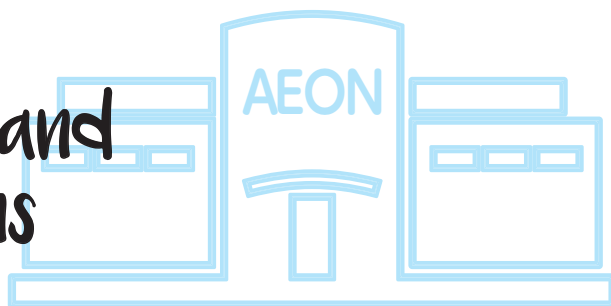


Asian Countries We Serve

Since the launch of business in Malaysia in 1984, Aeon has begun operations in Thailand, Hong Kong and other countries in Asia, hoping to modernize distribution and enhance lifestyles to help make society peaceful and prosperous. To help all people live better, Aeon is steadily expanding the regions it serves, mainly in Asia.



21,113 stores* and locations



Number of Stores and Offices

With a unique business model that encompasses seven businesses centering on the retail industry, Aeon expands its operations and develops each store in Japan and overseas to help residents live safe, secure, comfortable and affluent lives with new lifestyle support propositions closely attuned to local communities.

* Consolidated subsidiaries and equity-method affiliates

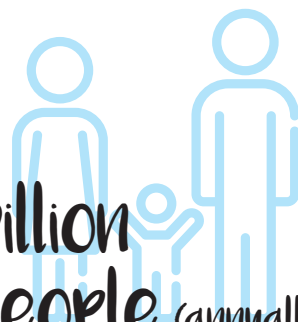
38.9 million people



Aeon Card Cardholders

Aeon initiated its financial services business in 1981 as a means to provide useful payment services for everyday purchases. The number of Aeon Card cardholders is approximately 38.94 million and is increasing in Japan and other Asian countries.

1.2 billion people (annually)



Aeon Mall Visitors in Japan and Overseas

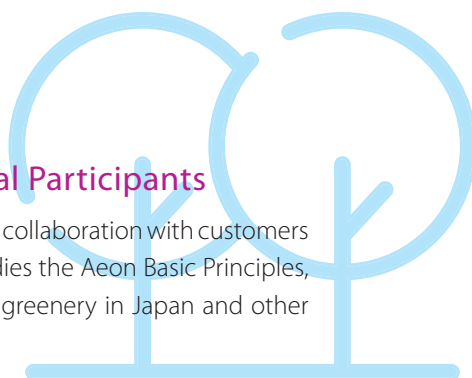
In 1969, Aeon became an early developer of shopping centers in Japan, using its accrued expertise to give customers more plentiful lifestyles in many regions.

11.4 million trees

1.1 million people

Trees Planted and Total Participants

Aeon has been planting trees in collaboration with customers since 1991. This activity embodies the Aeon Basic Principles, and Aeon energetically plants greenery in Japan and other regions worldwide.



VALUE CREATION MODEL

Toward 2025

Grounded in the Aeon Basic Principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core,” we at Aeon practice sustainable management that achieves both the growth of the Aeon Group and its businesses and the development of local communities, to realize each of our customers’ dreams for the future. Toward this end, we have established Aeon’s unique corporate governance system, and have formulated and implemented a Group Medium-term Management Plan that anticipates our adaptation to the changes in Aeon’s operating environment.

In addition, each of our businesses formulates and implements its own business strategy that conforms to the common Group strategy, so that it can be number one in its respective business field.

Aeon will continue to create new value as a constantly innovative corporate group to provide happiness beyond its customers’ expectations.

Further growth for the Group and its businesses

Adaptation to environmental change
Macro environment/regulatory environment

Aeon

Gro

Environment iss

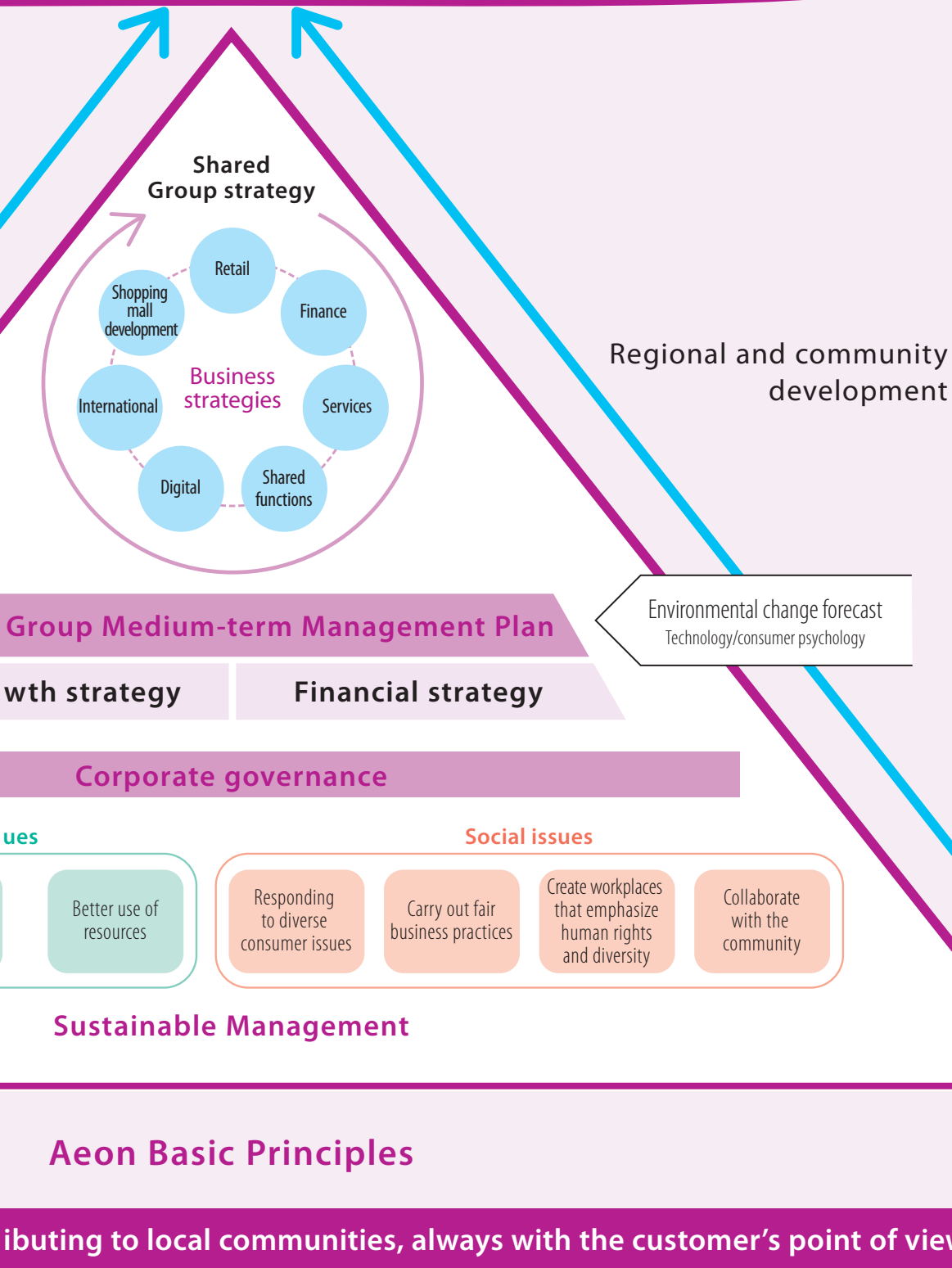
Realization of a low-carbon society

Conservation of biodiversity

Pursuing peace, respecting humanity, and contr

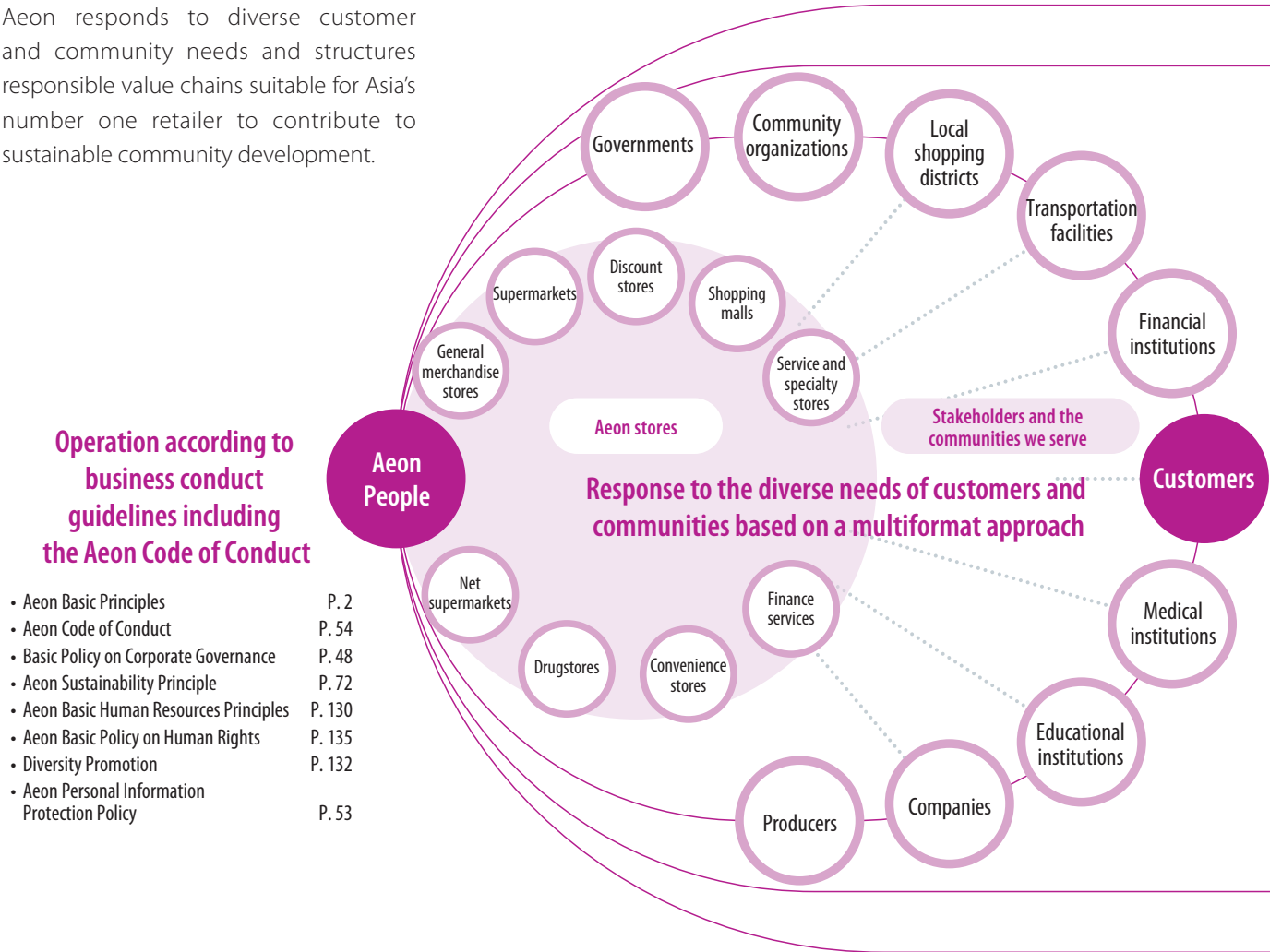


and a future of limitless promise



VALUE CREATION OVERVIEW

Aeon responds to diverse customer and community needs and structures responsible value chains suitable for Asia's number one retailer to contribute to sustainable community development.

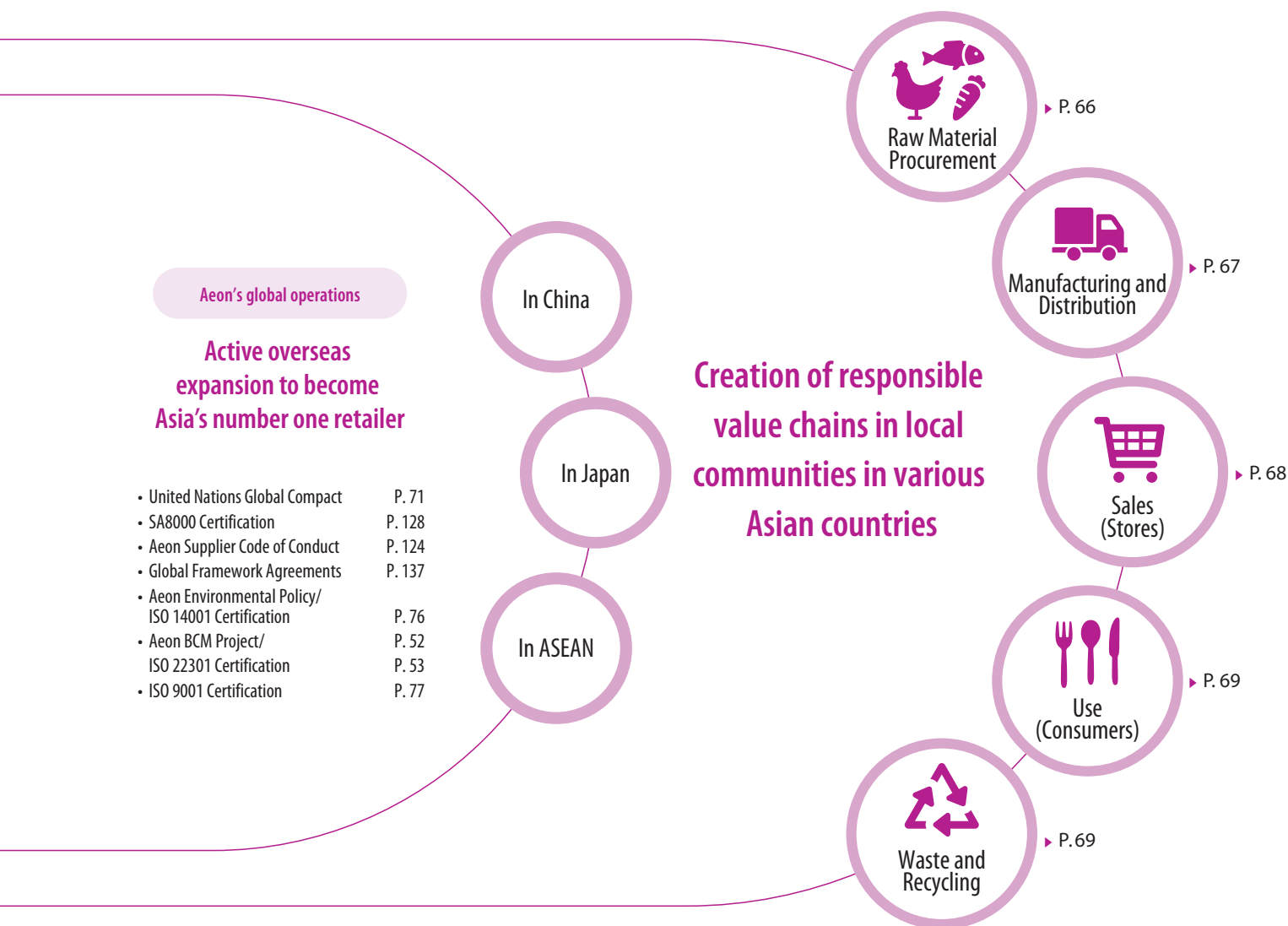


Creating a sustainable society with community residents

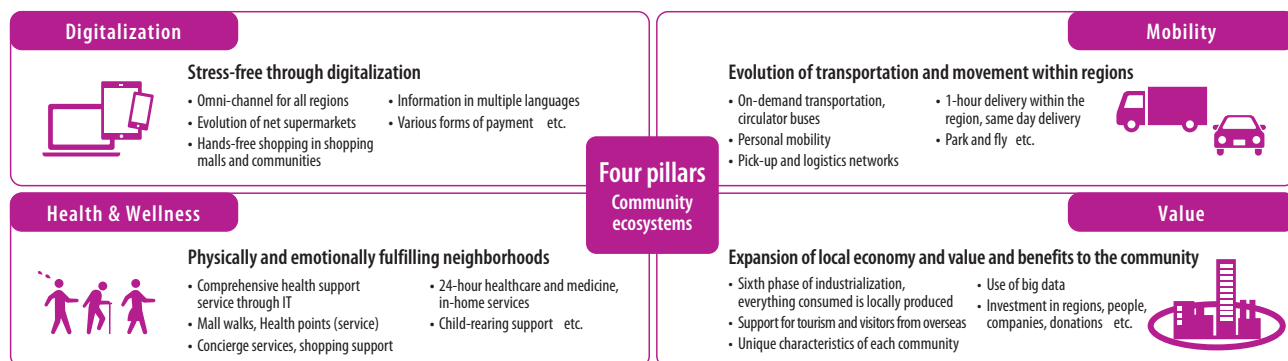
• Aeon Forest Circulation Program	P. 98	• Aeon 1% Club Foundation	P. 154
• Bustling Tohoku/Project Aeon Joining Hands	P. 150	• Aeon Environmental Foundation	P. 158
• Aeon Welfare Fund	P. 144		

We are addressing the new values of community residents in the digital age by starting to build Community Ecosystems for new regional development.

In April 2016, Aeon launched programs to construct Community Ecosystems as an initiative to actually implement the concept that the retail business is a community industry, based on the Aeon Basic Principles. Community Ecosystem initiatives involve collaboration among community residents, governments, companies and other stakeholders to resolve issues facing the community while increasing community appeal and competitiveness. We aim to structure lifestyle and industry platforms that enable continuous community development. The keywords are digitalization, health and wellness, mobility, and value. We launched this initiative in Chiba Prefecture, home to the headquarters of Aeon Co., Ltd., and are taking on the challenges of various new initiatives in collaboration with communities and governments in designated zones in Chiba to test future urban concepts.



Aeon will expand the reach of regional ecosystems to contribute to the development and future of communities.



OUR STRENGTHS

Group Management of Our Multifaceted, Retail-Focused Businesses

Approximately 300 companies in Japan and overseas collaborate beyond business boundaries to capture economies of scale and generate Group synergies. The Aeon Group deploys best practices laterally at each of its companies, which supports even more significant outcomes. In addition, back office functions such as information system development and accounting are consolidated at the Group level to further reduce costs.



Business Fields Where Aeon Is the Leader (Fiscal 2016)

GMS operating revenues	Food supermarket operating revenues	Domestic shopping mall operating revenues	Retail-related credit card and hire purchase transaction volume
¥3,000 billion	¥2,900 billion	¥270 billion	¥4,500 billion
Drugstore operating revenues	Property management fee revenues	Amusement facilities operating revenues	
¥623 billion	¥267 billion	¥65 billion	



Changes in New Business Creation to Serve the Next Generation

Social Conditions in Japan	Aeon Innovations
<p>1970s</p> <p>Structural change in consumption in Japan, rising status of the retailing industry</p>	<p>Establishment of chain stores, development of shopping centers</p> <p>Aeon reviews its approach to the retail business and continues to innovate consistently. Leading the transition from an age when stores were run by individuals to the establishment of chain stores, Aeon actively expanded the scale of stores and operations, and modernized distribution. Backed by rapid motorization, Aeon quickly began developing shopping centers to offer one-stop shopping.</p>
<p>1980s</p> <p>Increased consumption, better living standards</p>	<p>Development of new businesses and formats, expansion in Southeast Asia</p> <p>Japan's bubble economy of the 1980s changed lifestyles, and the consumer market expanded rapidly. In step with these trends, Aeon developed convenience store and specialty store businesses and diversified operations with a focus on the retail industry in ways such as conducting financial service businesses to provide settlement methods, and deployed the modern retailing technology we had developed in Japan in Asian countries.</p>
<p>1990s</p> <p>Advent of the deflationary economy, acceleration of the aging society and birthrate decline</p>	<p>Development of large food supermarkets, rollout of drugstores</p> <p>Sudden changes occurred in the operating environment of the retail industry during the 1990s, such as the collapse of the bubble economy and deregulation of the Large-Scale Retail Stores Location Law. Aeon therefore restructured its businesses from scratch by accelerating its scrap-and-build strategy for existing stores and developed large Maxvalu supermarkets. Furthermore, Aeon rolled out its drugstore business in light of changes in the operating environment such as the arrival of the aging society and revisions to the national health insurance system.</p>
<p>2000s</p> <p>Accelerating globalization and lifestyle diversification</p>	<p>Accelerated store expansion and mergers, development of new business formats and electronic money</p> <p>The growth of overseas business accelerated in the 2000s along with the globalization of Japanese companies. Aeon focused on store expansion and mergers with influential retailers in each region to create a retail group that will gain acceptance worldwide. To address the increasing urban population in Japan, Aeon developed small urban supermarkets. In addition, Aeon continued to take on the challenges of anticipating customer changes, such as by introducing WAON cards.</p>
<p>2010s</p> <p>Global expansion and diversifying consumption environments</p>	<p>Accelerated global expansion, development of formats that meet diverse needs</p> <p>In 2011, Aeon established an ASEAN headquarters and a China headquarters, and promoted Group-wide multiformat development throughout Asia. In Japan, Aeon developed Aeon Style, its unique general merchandise store model to deal with diverse lifestyles resulting from increases in the senior population, single-person households and the number of working women. To deal with the diversification of the consumption environment, Aeon was the first in Japan to introduce the Picard frozen food supermarket and Bio c'Bon organic food supermarket formats from France.</p>



Sustainable Management Rooted in Local Communities

Contributing to local communities is a pillar of the Aeon Basic Principles. Aeon believes its mission is to contribute to the development of local communities through its businesses.



Management to Make the Most of Diverse People

Aeon believes that its people are its most important asset, and consistently emphasizes personnel development. Aeon also believes management that fully leverages the capabilities and values of individuals supports growth.





Achieving Both Group Business Development and Contribution to Communities

Aeon emphasizes a spirit of corporate citizenship that constantly considers the environment and supports the development of local communities so that it can continue to offer the value of making customers happy.

Operations That Contribute to Community Development

Based on its commitment to putting customers first, Aeon responds quickly to consumer needs that differ by region and conducts activities and businesses rooted in the communities it serves.

Building Community Ecosystems, a New Framework for Coexistence with Communities

With the digitalization of modern society, Aeon is building a new form of harmonious coexistence in cooperation with government organizations, hospitals, universities and other companies and institutions involved in regional development.

Number of Groups Supported by the Happy Yellow Receipt Campaign

25,300

(As of February 28, 2017)

Number of Comprehensive Partnerships with Governments

(Total of prefectures, government-designated cities, municipalities, districts, and wards)

102

(As of February 28, 2017)

Total Gotochi WAON Contributions

¥984 million

(As of February 28, 2017)

A Corporate History of Mergers

Since the creation of JUSCO in 1969, the Company has merged hearts and minds with other companies that have a similar intention to serve communities through commerce to grow while respecting each company's corporate culture.

An Educational System to Nurture Ownership

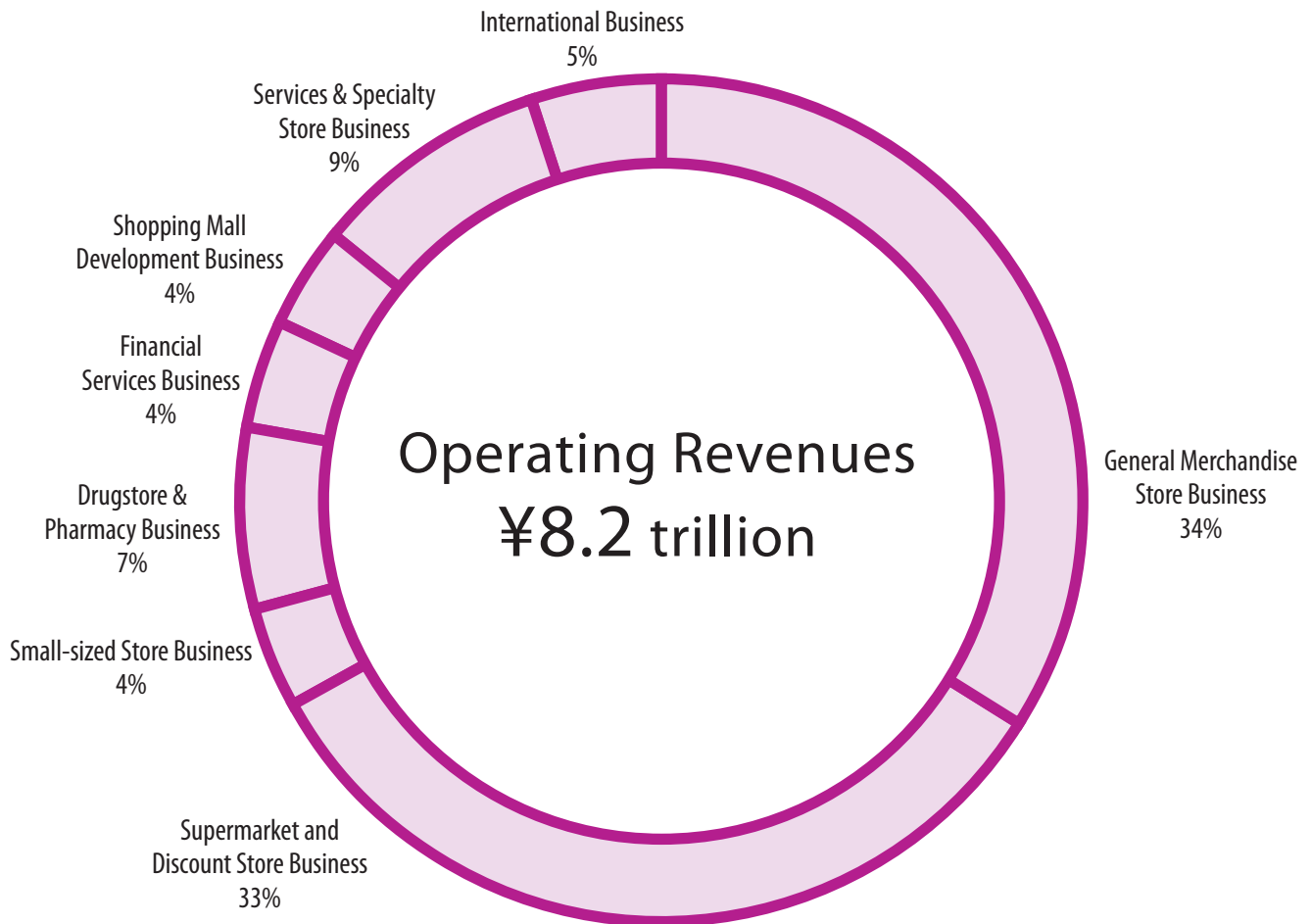
The greatest benefit Aeon can provide employees is education. Aeon therefore educates employees at every stage of their careers through means including Aeon DNA University, which develops the next generation of directors.

Human Resource Deployment That Leverages Diversity

Committed to equal opportunity and the principle of fairness, Aeon's personnel systems emphasize skill and performance regardless of nationality, gender, educational background, or age.



BUSINESS OVERVIEW



Note: Fiscal 2016 business results and segments



General Merchandise Store Business*

This segment operates general merchandise stores to enrich the everyday lives of customers with specialized product lineups and services.



Supermarket and Discount Store Business*

This segment operates community-rooted supermarkets and discount stores while enhancing its lineup of everyday necessities focused on foodstuffs.



Drugstore & Pharmacy Business

This segment operates drugstores and dispensing pharmacies to help local residents maintain their own health. In addition to broadening the product lineup from medical products and daily necessities to health food products, it is expanding its services to include dispensing for home care patients.



Financial Services Business

This segment offers integrated financial services that combine credit, banking, insurance services, and e-money WAON cards. In Asian countries, it mainly operates the credit card business.



Shopping Mall Development Business

This segment develops and operates community-friendly shopping malls in Japan and Asian countries. In cooperation with other segments, it is working to enhance its services and facilities in accordance with changing trends in society.



Services & Specialty Store Business

This segment provides services that make everyday life more convenient and comfortable, and also operates an array of specialty stores tailored to diversifying customer needs.



International Business

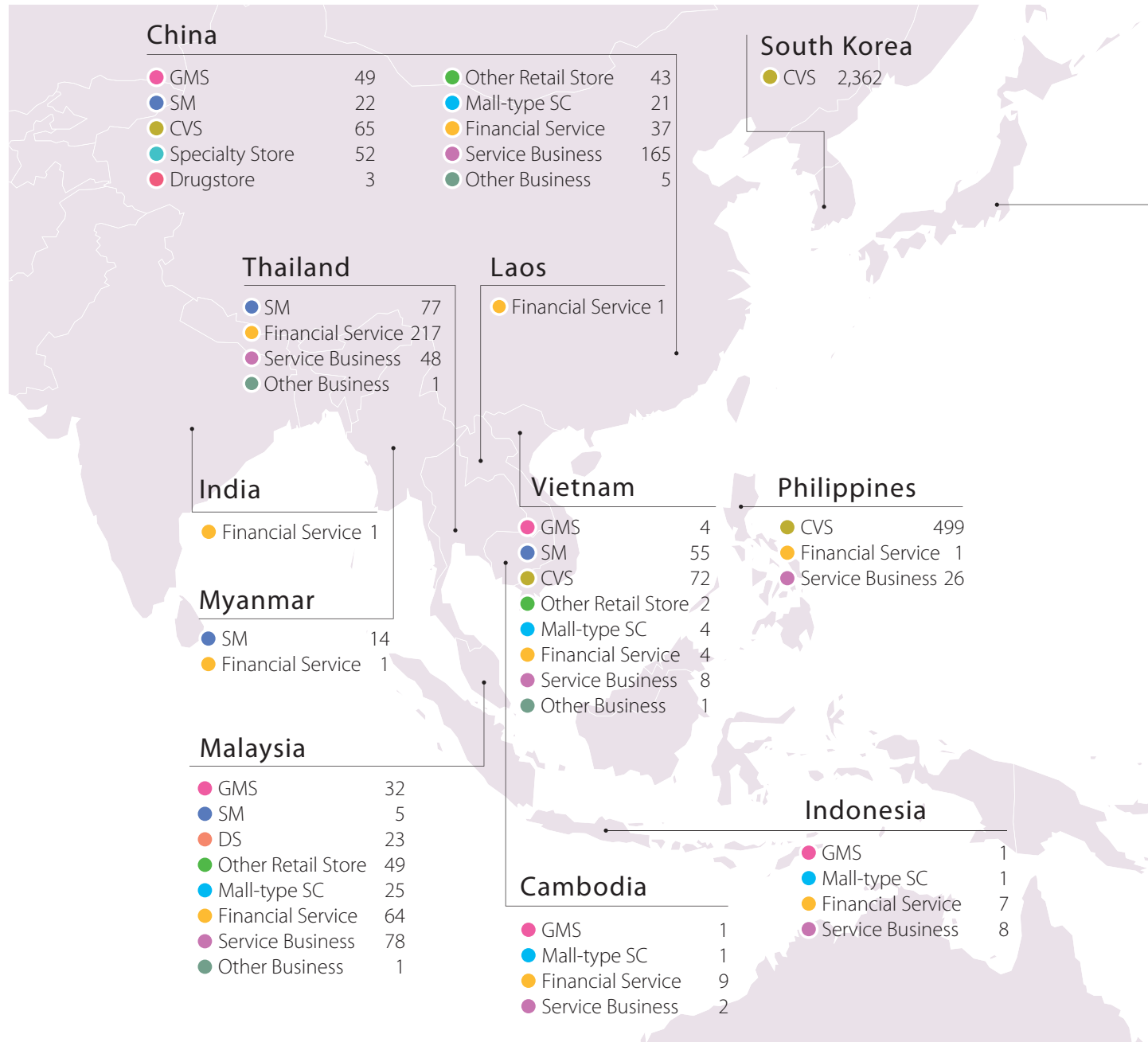
This segment operates general merchandise stores, supermarkets, discount stores and other businesses in China and ASEAN countries. The stores, products and services are tailored to the lifestyles of the respective countries.

* Changes in Reportable Segments

As of the first quarter of fiscal 2017, Aeon has reclassified its business segments. The Supermarket and Discount Store Business and Small-sized Store Business have been unified as the Supermarket Business, and the Digital Business, which had been included in Other, has been integrated into the General Merchandise Store Business. With respect to changes in primary Group companies, Origin Toshu Co., Ltd., which was included in the former Small-sized Store Business, has been reclassified into the General Merchandise Store Business given its close ties with such business.

GLOBAL EXPANSION

Number of Stores Operated by Consolidated Subsidiaries and Equity-method Affiliates, and



GMS (General Merchandise Store)	626	SM (Supermarket)	2,129	DS (Discount Store)	566
HC (Home Center)	119	CVS (Convenience Store)	5,261	Specialty Store	4,352
Drugstore	3,980 ¹	Other Retail Store	883	Mall-type SC (Shopping Center)	303 ²
NSC (Neighborhood-type Shopping Center)	175 ³	Financial Service	705	Service Business	2,005
Other Business	9				

1. Including affiliated companies

2. Including SCs operated under the name of AEON Mall as well as those with total leased area of over 20,000m²

3. NSCs operated under the name of AEON TOWN

Total 21,113 stores/locations
(As of February 28, 2017)

Overseas Offices

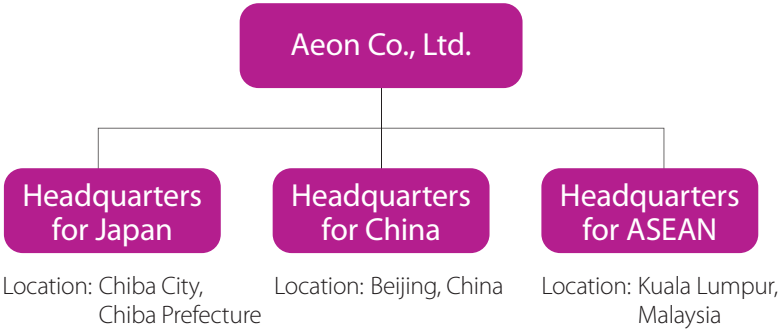
Japan

● GMS	539
● SM	1,956
● DS	543
● HC	119
● CVS	2,263
● Specialty Store	4,300
● Drugstore	3,977
● Other Retail Store	789
● Mall-type SC	251
● NSC	175
● Financial Service	363
● Service Business	1,670

Australia

● Other Business	1
------------------	---

Three Headquarters Structure



Aeon’s Major Advances in China and the ASEAN Region

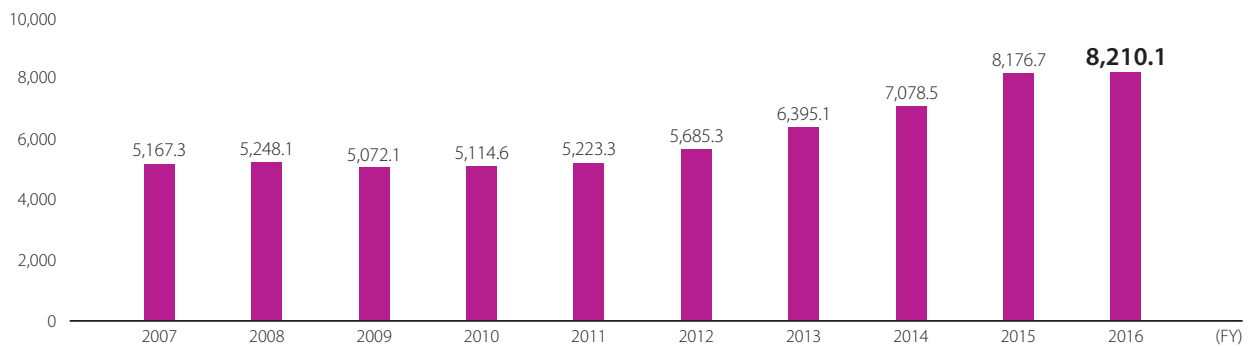
1985	Jusco Stores (Hong Kong) established (currently Aeon Stores Hong Kong)
1985	Stores in Malaysia and Thailand opened
1987	First store in China (Hong Kong) opened
1991	Aeon Hometown Forests Program started First store: Malaysia Jusco Malacca (currently Aeon Melaka Shopping Centre)
1996	First store in mainland China opened
1998	Tree planting project to revitalize the forests at the Great Wall of China initiated (currently Aeon Environmental Foundation)
2001	School Construction Support Project for the Asian region started in Cambodia (currently Aeon 1% Club Foundation)
2002~	Tree planting activities in ASEAN countries started, beginning with Cambodia (currently Aeon Environmental Foundation)
2011	Headquarters for ASEAN established
2011	Headquarters for China established
2012	“Aeon Cheers Club” activities started in Malaysia
2012	“Aeon Happy Yellow Receipt Campaign” started in China
2014	The first store in Vietnam and Cambodia opened
2014	“Aeon Cheers Club” activities started in China
2015	First store in Indonesia opened
2015	“Aeon Happy Yellow Receipt Campaign” started in Thailand and Cambodia
2016	Supermarket Business started in Myanmar

HIGHLIGHTS

Financial Highlights

Operating Revenues

(Billions of yen)



Operating Income/Ratio of Operating Income to Operating Revenues

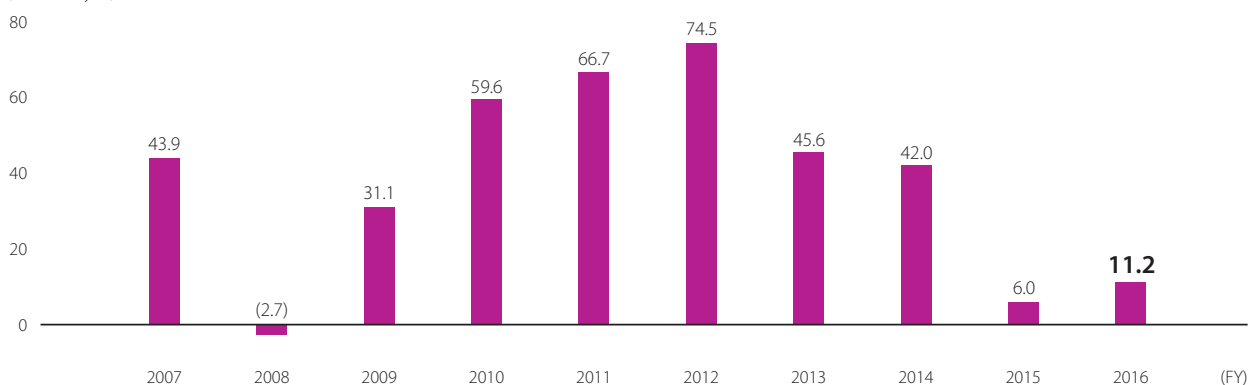
(Billions of yen)

(%)



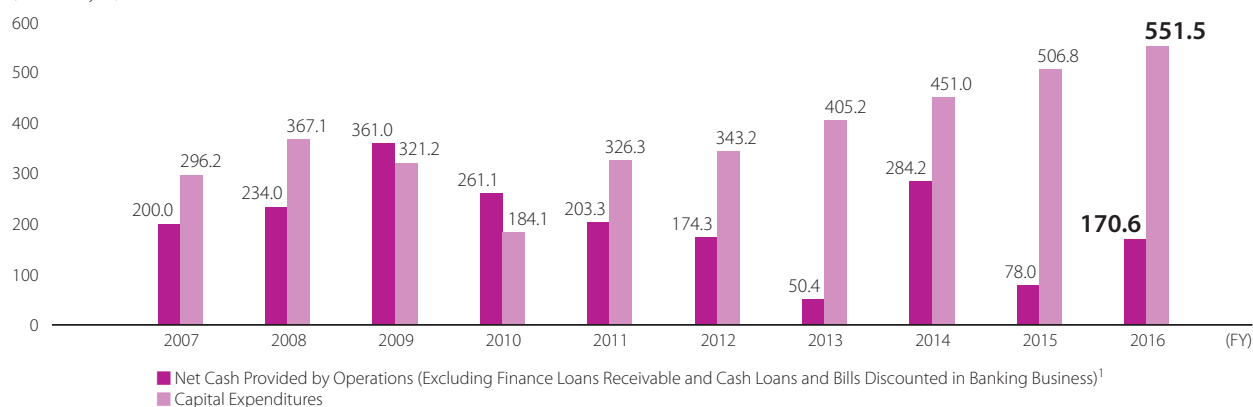
Net Income Attributable to Owners of Parent

(Billions of yen)



Net Cash Provided by Operations (Excluding Finance Loans Receivable and Cash Loans and Bills Discounted in Banking Business)¹/Capital Expenditures

(Billions of yen)



1. Aeon Bank, Ltd. was included in Aeon's scope of consolidation as a consolidated subsidiary in the fiscal year ended February 28, 2013. Net cash provided by operations for subsequent fiscal years therefore excludes Aeon Bank's finance loans receivable and cash loans and bills discounted in banking business.

Total Assets/Interest-Bearing Debt

(Billions of yen)



Return on Equity (ROE)/Return on Invested Capital (ROIC)²

(%)



2. ROIC = NOPAT ÷ Invested capital

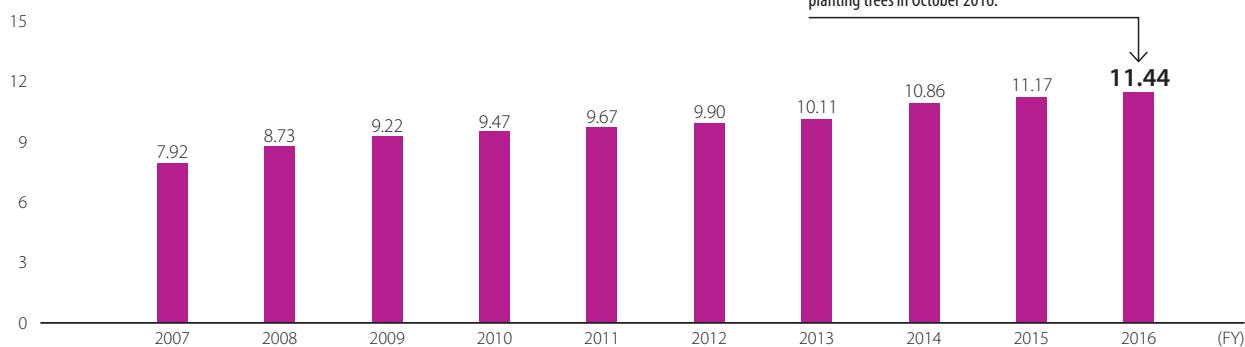
NOPAT = Operating Income × (1 – tax rate)

Invested capital = Average of shareholders' equity during the period + Average of interest-bearing debt during the period

Non-Financial Highlights

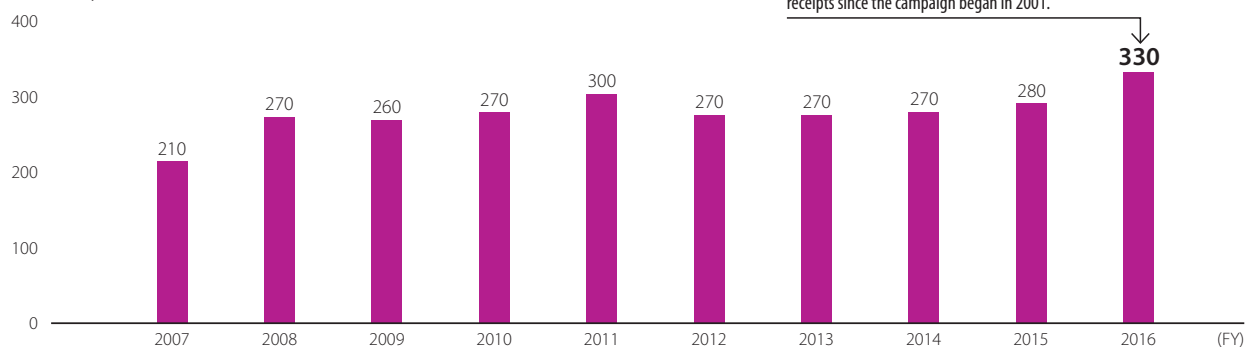
Cumulative Trees Planted (See page 58)

(Millions of trees)



Value of Aeon Happy Yellow Receipt Campaign Donations (See page 142)

(Millions of yen)

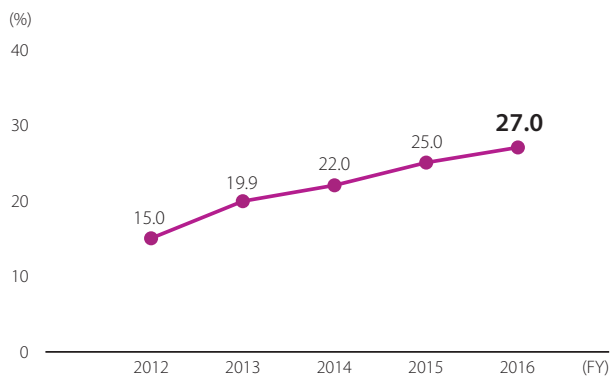


Reduction of Plastic Bags Used/Percentage of Customers Who Decline Shopping Bags (See page 107)

(Millions of bags)



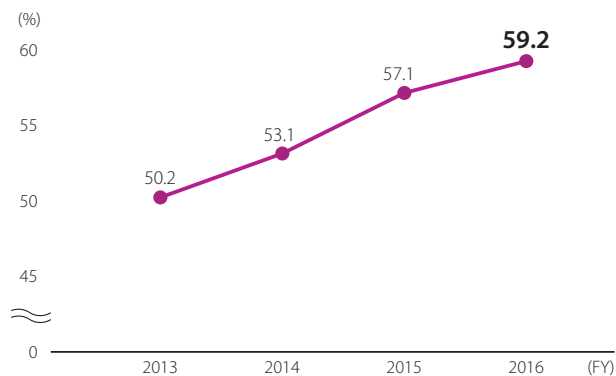
Energy Use Reduction Rate (Basic Unit)^{1, 2} (See page 86)



1. Heat ÷ Total floor area

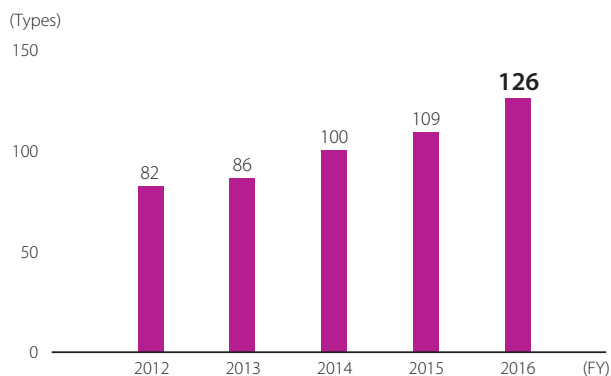
2. Our goal is to reduce energy use in fiscal 2020 by 50% compared to 2.783GJ/m³ in fiscal 2010.

Food Waste Recycling Rate³ (See page 105)

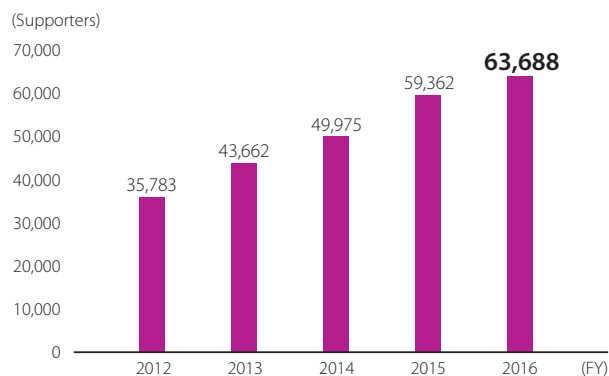


3. Calculated using a trial formula for actual food recycling rate pursuant to the Law for Promotion to Recover and Utilize Recyclable Food Resources

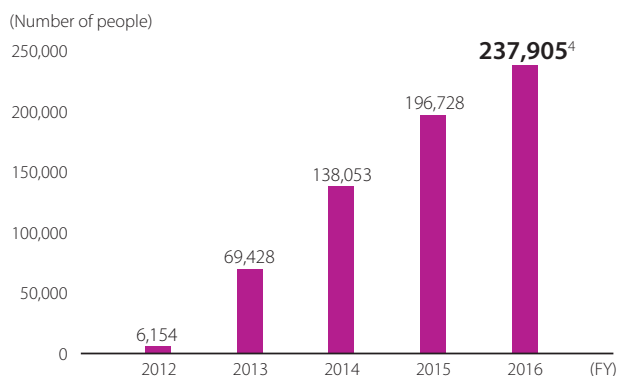
Cumulative Total of Gotochi WAON Types (See page 142)



Cumulative Number of Supporters for People with Dementia (See page 120)

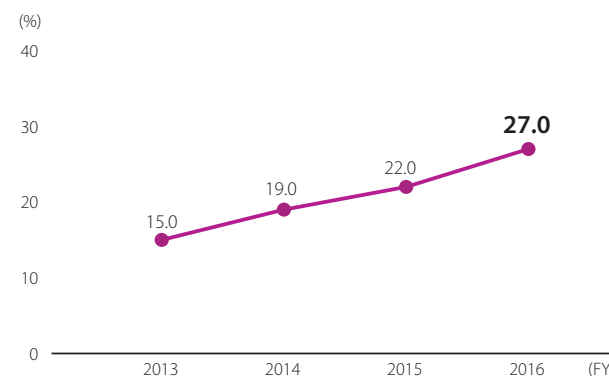


Cumulative Total of Volunteers for the Great East Japan Earthquake Disaster Area (See page 150)



4. Includes 3,100 "Aeon Future Co-creation Program" volunteers

Ratio of Female Managers (See page 133)



OUR STRATEGIES





Our Strategies

Comments from the Group CEO	24
Comments from the CFO	26
Aeon Group Medium-term Management Plan (FY2017-FY2019)	28
Medium-term Management Plan: Year One Completion of Earnings Structure Reforms at Aeon Retail and Daiei	32
Aeon's Product Mindset	38
Corporate Governance	40

Becoming a True Global Retailer by Pursuing Customer Delight

Motoya Okada

Director, President and
Representative Executive Officer,
Group CEO

Aeon is preparing to celebrate the 260th anniversary of its predecessor Okadaya and the 50th anniversary of its predecessor JUSCO, which was established to modernize Japan's retail industry. As we do so, we are pleased to present Aeon's first integrated report.

Customers First: The Starting Point of Our Basic Principles

We have always been committed to putting customers first in keeping with the Aeon Basic Principles of "Pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view as its core." We have had a corporate culture of taking on the challenge of change undaunted by risk since day one, in step with contemporary needs and our changing environment.

Strong Growth through Constant Innovation

Major changes are taking place in our operating environment at an unprecedented pace, from geopolitical risks and demographic shifts to technological innovation in IT and other areas. These changes have dramatically altered the operating environment of the retail industry, as customers have come to seek not merely material fulfillment, but also emotional satisfaction. Given these

turbulent times, we need to not only look a few years ahead, but also have a long-term perspective on ideal Group management. We need to transform the Aeon Group so that we can transcend past experience and anticipate various changes in the future to truly delight our customers. Our goal is to become a global top-ten retailer both in name and reality by 2025. We intend to do so by innovating to become a group of companies that lead in their respective regions and businesses.

Sustainable Management to Balance Group Growth and Social Development

People increasingly want to be physically and emotionally healthy and live in harmony with their community. At the same time, companies are focusing more on communities while grappling with – and taking on greater responsibility to resolve – issues including environmental degradation, labor shortages, and regional economic disparities. The Aeon Group has been collaborating to solve global problems in order to meet the expectations of customers and communities. Looking toward the 21st century, we established the Aeon Group 1% Club¹ in 1989 and the Aeon Group Environment Foundation² in 1990. We maintain a long-term



perspective as a corporate citizen that protects the environment and contributes to communities.

We also recognize that we cannot do business without the living things that provide agricultural, fishery and other products, and have therefore taken the lead in our industry with programs to protect ecosystems. In 2010, we formulated the Aeon Biodiversity Policy and announced a variety of initiatives to protect ecosystems and preserve and sustain nature's bounty and resources. In 2011, we formulated the Aeon Basic Policy on Sustainability and in April 2017 we announced the Aeon Sustainable Procurement Policy and targets to align procurement with sustainable international standards and harmonize it with nature, ecosystems and society.

At the same time, health is a prerequisite for the happiness of our employees, who are our most important asset, as well as of our business partners and all other stakeholders. Aeon Co., Ltd. therefore became the first retailer in Japan to announce its participation in the United Nations Global Compact in 2004. We have expanded relevant activities by establishing the Aeon Supplier Code of Conduct and acquiring the SA8000 international certification standard for human rights and working conditions.

Health and Wellness Initiatives for Mind and Body

The future of the Earth depends on the intentions and actions of each of us. Moreover, physical and emotional health and wellness are essential to people because health is crucial to happiness. Aeon is a leader in health and wellness because we are committed to our responsibility to protect the lives and lifestyles of our customers. We intend to create new value that includes proposals for everyday life.

We will do all we can to create a prosperous future with a long-term, sustainable perspective as we both generate corporate growth and support social development.

1. Currently the Aeon 1% Club Foundation
2. Currently the Aeon Environmental Foundation

Comments from the CFO

We will execute innovative financial strategies to generate additional growth for the Group.

Akinori Yamashita

Executive Vice President and Executive Officer
Chief Financial Officer



The DNA of Innovation That Has Driven Aeon to Constantly Take on New and Unprecedented Challenges Will Support Coming Generations

Aeon has a medium-to-long-term perspective on improving corporate value, and balancing assets and liabilities to generate earnings is the foundation of our financial strategy. The saying “Give the central pillar wheels” from Okadaya, one of Aeon’s predecessors, has remained part of our DNA and is a key feature of our financial strategy, which is unlike that of other companies. “Give the central pillar wheels” is the linchpin that supports our stores, and thus we continue to innovate to address changing times and customers. This mindset led us to pioneer many financial initiatives that were unprecedented either in Japan or in our industry, ranging from our strategy for funding growth to our real estate strategy and approach to fund settlement.

Our approach to fund settlement is representative. We have consistently led our industry in introducing new models, including credit transactions and firm banking. The latter, in which businesses and banks process various types of data via electronic links, is standard today, but we were the first to introduce it in Japan’s retail industry and were also the first in this industry to introduce automatic transfers for public utility payments. Aeon significantly increased the efficiency of fund settlement operations through these

approaches. Moreover, we developed our own financially disciplined approach to funding after we listed our shares in 1974. We issued 20-year bonds in 2005, and in 2006 we were the first operating company in Japan to issue hybrid bonds with an exceptionally long 50-year term to redemption. Since issuing these bonds, collaboration with securities companies has enabled us to use funding methods unique to Aeon, and I am proud that we have pioneered the hybrid market. In 2000, we were the first in Japan to use a special purpose company to securitize the development of new stores.

Creating these kinds of new value is in our corporate DNA, leading us to constantly tackle challenges and innovations. I consider it my responsibility to pass on this DNA so that it leads to growth for the next generation.

Generating Growth with Unified Store Development and Financial Strategies

Aeon’s fundamental financial strategy is to structure its finances to generate earnings while balancing assets and liabilities. Aeon focuses on retail, so we must execute a financial strategy that contributes to our growth strategy by balancing fixed assets such as real estate with fixed liabilities, with a focus on return on capital from inventory turns and the cash-to-cash cycle. Our real estate and investment strategies are

important for maintaining financial discipline and legal compliance while continuing to open stores to generate growth. Store development is inextricably linked with our financial strategy, so the Development Department and the Finance Department maintain constant and close communication.

We have three main approaches to opening stores. We may fund land and buildings ourselves, fund our own buildings on leased land, or lease both land and buildings. We have traditionally scrutinized and studied development projects with a balance among these three approaches driven by the features of the community and market in which the store will be located while implementing overall cash management. Aeon Mall Co., Ltd. currently handles most of our store development operations, but the fundamental mindset is the same. We listed Aeon REIT Investment Corporation in 2013 to diversify the Aeon Group's funding methods, and to build a framework for increasing the competitiveness of stores over the long term by executing an energetic investment plan to raise the value of our properties.

Stronger Group Governance for Further Growth

Aeon has grown through mergers with leading businesses in each area. Dialogue and the fusion of values are essential for mergers, because a merger is a union of the heart and mind of two corporations. I worked at the forefront of the rehabilitation of Yaohan Co., Ltd. and Mycal Corporation. Mergers are not a one-way street for Aeon. They will not be truly successful unless we respect and integrate the values of the employees who actually make the company go. I still consider the employees of Yaohan and Mycal as comrades in arms.

Through such measures, Aeon has come to encompass a diverse array of businesses. While cash flow varies by business, we are expanding the regions where we operate globally. Overall Group governance and monitoring will therefore become even more important. Holding company finances require that we fully understand each business from a management perspective. We will fine tune the Group's structure by becoming more involved with companies undergoing rehabilitation and newly established companies that need support from the holding company.

Above all, human resource development is the key to maintaining our approach to governance and

implementing financial strategies at each company that contribute to growth. We do our utmost to focus on human resources who stay abreast of funding demand and regulations in the regions and countries we serve, in addition to enhancing the skills of the CFO of each company.

Strengthening Group Governance to Enhance Our Earnings Fundamentals and Generate Synergies

The Group structural reforms we have been implementing have created the framework for generating earnings in a broad array of businesses. We will further strengthen governance as a holding company to ensure that the earnings structure reforms now under way in the GMS and Supermarket Businesses will be successful. We will then increase the level of consolidated net income attributable to owners of parent and improve capital efficiency to optimize our capital structure and thus increase ROE.

We will invest to fire up the GMS Business and increase investment in growing businesses such as the Supermarket Business to further enhance the earnings fundamentals of the Group. At the same time, we will invest in IT and our logistics infrastructure to steadily create Group synergies that increase earnings.

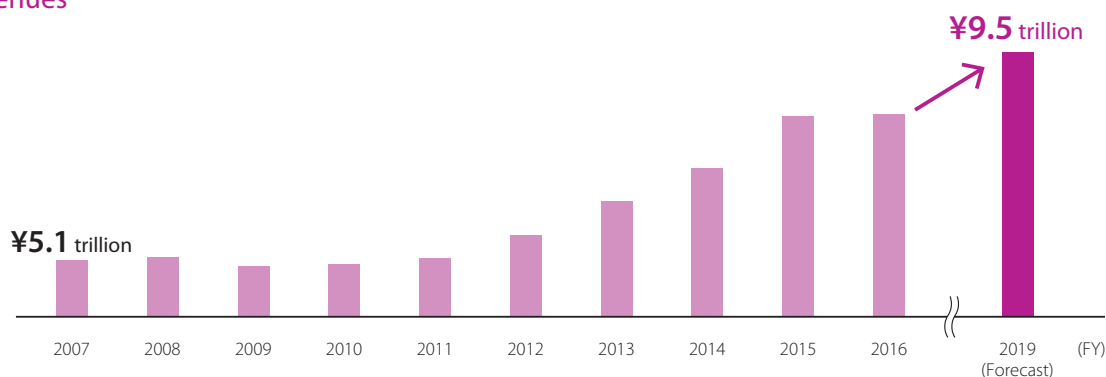
We are acting on our commitment to optimal resource allocation by making growth businesses an investment priority and improving investment efficiency. Another priority is controlling interest-bearing debt through improved cash flow from managing the Group's capital more efficiently and streamlining inventory. Inventory efficiency is particularly important for generating cash flow, so we will improve our cash-to-cash cycle by enhancing management of average inventory and days inventory outstanding at the Group companies.

Our shareholder return policy prioritizes an optimal balance between increasing corporate value through medium-to-long-term growth and shareholder returns. Our dividend policy is to reward shareholders for providing capital by increasing dividends annually with a consolidated payout ratio of 30% or more. We will also continue to provide shareholders with special shopping benefits and other perquisites as a component of shareholder returns. Our objective is to generate more growth for the Group by executing innovative financial strategies.

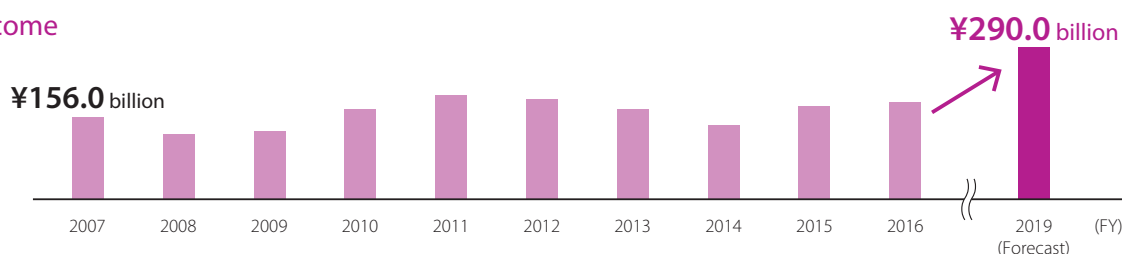
Aeon Group Medium-term Management Plan (FY2017-FY2019)

Overview of 10 Years and Final-year Target of the Medium-term Management Plan

Operating Revenues



Operating Income



We will restructure our management plan according to the company we want to be in 2025 with the objective of restoring earnings growth.

Operating Environment Analysis and Context of the Medium-term Management Plan

Anticipating changes in the operating environment from 2020 onward, Aeon formulated the Aeon Group Medium-term Management Plan (FY2017-FY2019) to achieve sustainable growth into the future.

Backing the formulation of this plan was the steady expansion of our business operations in the past. We generated operating revenues of over ¥8 trillion yen for the first time in Japan's retailing industry in fiscal 2015 during the previous Medium-term Management Plan (FY2014-FY2016). The operating environment of Aeon's businesses, indeed the entire world, is now undergoing a paradigm shift. We therefore need to respond appropriately and identify additional growth opportunities. During the new Medium-term Management Plan, we will restructure our businesses and implement other fundamental reforms. The key is to evolve as a corporation so that we can answer customer demands that have been changing due to

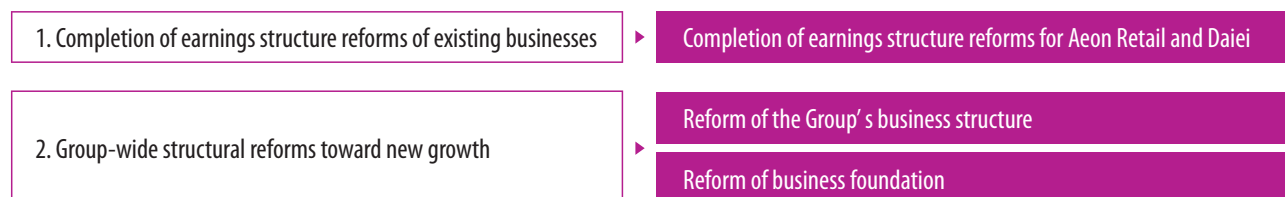
technological progress and the diversification of values.

Major changes are certainly sweeping the retail industry, exemplified by changes at discount stores in the United States and Europe. Previously, discount stores bought large volumes of surplus and other items to offer low prices. Now, however, they are keeping prices low while maintaining quality by eliminating redundant functions and decor and limiting product lines. Furthermore, people of all levels of income are making wider use of discount stores.

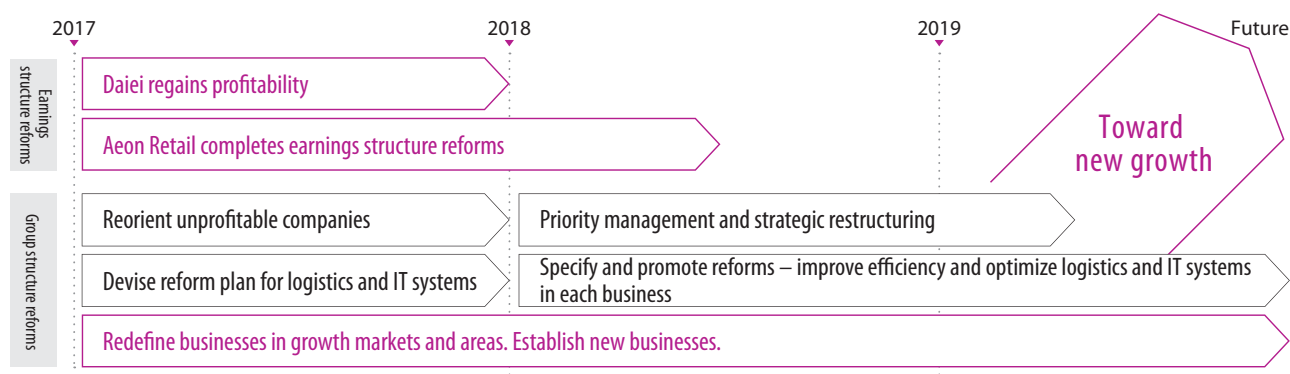
Consumption is now polarized between discernment and thrift, which creates growth potential. In addition, the dramatic evolution of technology is eliminating the boundaries between virtual and actual stores.

Given these significant social and economic changes, we have realized we have to consider our ideals for Aeon as a corporate group. We need to look beyond the changes now taking place into the social environment of 2025 and the consumers who will populate it. In other words, we have realized that we will not be able to grow with a Medium-term

Key Reforms of the Medium-term Management Plan



Medium-term Management Plan Road Map



Management Plan that is simply an extension of the one we were completing.

Therefore, we have announced our plan for the next three years and simultaneously continued the discussion to clarify once again our ideal for 2025 and how we will differentiate Aeon.

Initiatives for the Three Years from Fiscal 2017 through Fiscal 2019

Our Medium-term Management Plan is the first stage toward our ideal for 2025. Our two vectors will be completing the reform of the earnings structure of existing businesses and reforming the structure of the Group to generate new growth. We will significantly evolve the Group's operating structure to transform Aeon into a company that can generate strong earnings.

We will focus on improving earnings at Aeon Retail Co., Ltd. (hereafter, "Aeon Retail") and The Daiei, Inc. (hereafter, "Daiei") in reforming existing businesses. We have achieved

remarkable results by restructuring redundant businesses and sharing the use of common infrastructure, but we need to make dramatic improvements in investment efficiency and profitability. Restoring earnings at Aeon Retail and Daiei is a top priority we must resolve so that the Group can grow; therefore we will steadily reform their earnings structure (see pages 32-37 for details).

Moreover, reforms of the Group's structure for new growth will serve as the foundation for evolving into a truly global retailer with world-class scale and profitability over the three-year period. Major initiatives will be reorganizing the Group's business structure and reforming its business foundation.

In reorganizing the Group's business structure, we recognize that we need to target leadership in each region and business. We will redefine our existing businesses, review our business areas, and further accelerate the merger, splitting off or reorganization of the Group companies to achieve an appropriate scale for prevailing in intense competition and reinvent Aeon as a highly

Reform Group Business Foundation

Emergence as top conglomerate in each region and business

1. Redefine existing businesses and review business areas

2. Merge, split off or reorganize the Group companies

3. Combine community-centered economies of scale and community-rooted management

4. Evolve and transform Shopping Mall Development, Financial Services and Drugstore & Pharmacy Businesses

5. Strengthen initiatives for entertainment, wellness, healthcare and other service areas and markets

6. Establish the Discount Store Business as a new pillar of Group earnings

7. Strategic streamlining, consolidation or decommissioning of unprofitable companies

profitable company. We will raise the ratio of e-commerce significantly and differentiate Aeon by developing unique private brand products not found at other companies. We also need to establish businesses in growth markets. We will therefore develop the Discount Store Business as a new pillar of earnings, and enhance initiatives in service businesses and markets to capture growing consumer expenditures on services. Given increasing consumer interest in health and wellness, we will expand the products and services we offer in the pre-disease and disease prevention market.

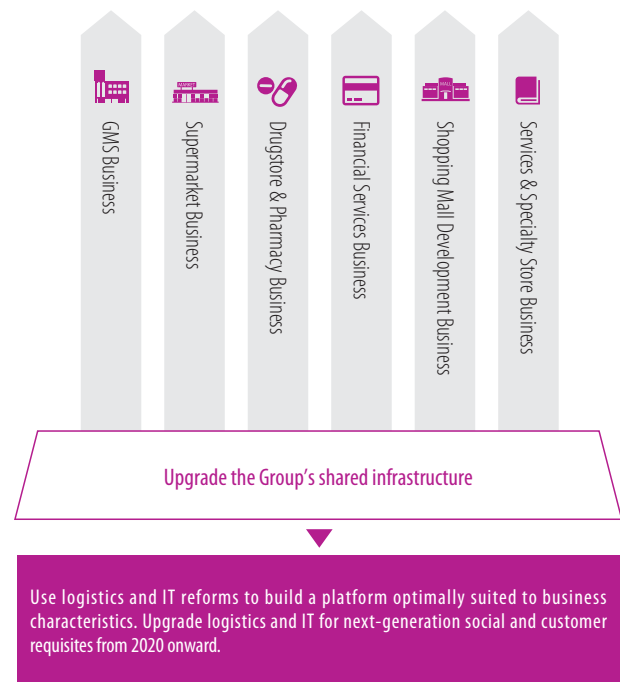
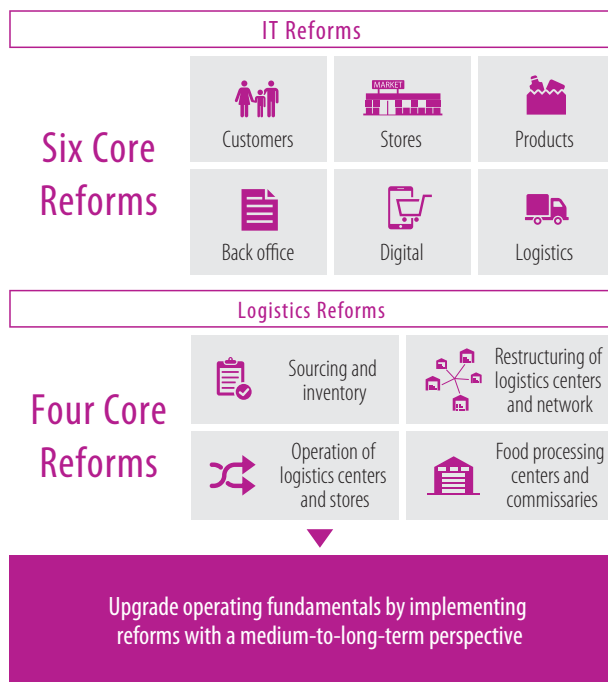
Reforming our business foundation will involve the use of platforms that encompass IT, logistics and supply chain management to enable each business to maximize earnings. We also plan to build systems that can supply the products customers in Asia want without constraints. IT, logistics, and supply chains are more important than ever as a source of competitiveness as they improve customer convenience and help manage costs. We therefore intend to build an infrastructure that completely transcends conventional frameworks and anticipates future changes in our operating environment. We have identified the six

core IT reform areas of customers, stores, products, back office operations, digital and logistics. IT platform reforms to support the growth of the Group over the coming three years also include upgrading systems to use AI. Our four core logistics reform areas cover sourcing and inventory, restructuring of our logistics centers and network, operation of logistics centers and stores, and food processing centers and commissaries. We have established respective project teams and will reform our overall supply chain from production and logistics to store operations. In doing so, we intend to pursue group synergies by maintaining a common Group base for shared services.

Toward 2025

Aeon's goal for 2025 is to be in the global top 10 in the retail industry. We expect change in the structure of our industry to accelerate as competitors in the retail industry and in markets including the internet and services become borderless. In this environment, Aeon will delineate its ideal for 2025 more concretely and

Upgrade Operating Fundamentals



redefine its businesses over the three years of the current Medium-term Management Plan. Our goal is to have numbers for operating revenue and profit margins that place us among the global top 10 retailers.

At the same time, achieving our ideals requires both three-year plans and major reforms of our organizational culture. We failed to achieve many of the goals of the previous Medium-term Management Plan, primarily because of weaknesses in our corporate culture. We will therefore work toward our goals by using the assets of the Group, uniting all our strengths and building our corporate culture anew.

How we contribute to society and the environment is extremely relevant to our consideration of the form we should take, indeed to our very reason for existence as a corporation. In retrospect, our response to social issues has been as important to management as our primary business initiatives. Our TOPVALU brand is representative. We have been working to develop environmentally friendly products for this brand ahead of other companies, and will accelerate such initiatives.

In addition, addressing diversification among customers

must be the starting point for Aeon to be a corporate group that responds to new community and lifestyle paradigms and contributes even more to society. The experiment we launched in 2016 to demonstrate the feasibility of our Community Ecosystem concept is part of this initiative. A Community Ecosystem is designed to bring together Aeon's facilities, products and services with healthcare and government organizations, civil society organizations, companies and other entities to address the new values of community residents in the digital age, and serve as a new framework for community development that increases the value of living in the ecosystem. We initiated the experiment in the Maku-hari-Inage area, and have received positive feedback from the residents of Chiba City and neighboring areas. We will examine a future horizontal rollout to other areas with core features including collaboration with healthcare institutions and a regional currency concept.

Thus we will define our goals for 2025 and work together to reform the Group. We are committed to accomplishing these reforms as a corporate Group that constantly innovates.

Completion of Earnings Structure Reforms at Aeon Retail and Daiei

Reforms to Date



Aeon



Daiei



Reorganization and consolidation of overlapping businesses

Use of common infrastructure

Consolidation and decommissioning of private brands and member cards

Implementation of joint sales promotion campaigns

Key Themes for the Future

Expand sales

Open new stores and refurbish existing stores

Improve gross profit margin

Review product lineups

Nationwide promotion of Home Coordy, a large-scale home furnishing unit (Aeon Retail)

Increase gross operating income

Raise rent revenue by improving floor usage rate

Reduce selling, general and administrative expenses

Anticipate sales promotion expenses/reduce personnel expenses through workstyle reform

Systems integration (Daiei)

Business structure able to generate stable profits following successful implementation over the three years of the Medium-term Management Plan



The Daiei, Inc. (hereafter, “Daiei”) became a consolidated subsidiary in August 2013. We have subsequently made full use of the Group’s expertise and reformed Daiei’s operating structure to meet the expectations of the customers who shop at Daiei stores every day. First, we launched initiatives to improve profitability that included reorganizing and consolidating redundant specialty businesses, initiating shared use of common infrastructure, and introducing Aeon’s TOPVALU brand at Daiei stores. We also integrated Daiei cardholders into the Aeon and WAON Point cards, and increased Daiei’s competitiveness by capturing economies of scale in product sourcing and improving supply chain efficiency with logistics bases in the regions Daiei serves. Furthermore, we strategically created mechanisms and systems that enable the Group companies to benefit as well.

Daiei’s standout feature is that it is an urban supermarket chain with many stores in major metropolitan areas. Reforms since Daiei became a consolidated subsidiary have concentrated Daiei’s resources in the metropolitan Tokyo and Keihanshin areas to focus on Daiei’s traditional strength in supermarkets that specialize in foods. These reforms have included transferring store operations in Hokkaido, Nagoya and Kyushu to other Aeon Group companies. The new Medium-term Management Plan targets Daiei’s return to profitability during fiscal 2017 through reforms in the three areas of

business format, products and structure. For business format reforms, we are already moving forward with renewals into the new Aeon Food Style format, along with new services and sales floor layouts that address customer needs. We intend to maximize Daiei’s appeal while energizing stores and improving earnings.

Aeon Retail Co., Ltd. (hereafter, “Aeon Retail”) has been reforming the GMS Business in earnest since fiscal 2015. Initiatives have included the introduction of Aeon Style stores that address diverse customer lifestyles and requirements, and the development of G.G. stores that address the rapidly growing senior market. Fiscal 2017 is the third year of Aeon Retail’s reforms, and it will keep its product lineup focused on customers while staying close to communities to further deepen the reforms conducted so far. Customer lifestyles and everyday lives will be the core of a transformational model that enables discrete businesses to succeed in markets such as clothing, home leisure, food, and health and beauty. Aeon Retail will also further delegate authority so that its organization is able to quickly address the diverse needs of regional customers.

Aeon Retail and Daiei generate a substantial share of the Group’s earnings. We will therefore complete earnings structure reform for these two companies during the Medium-term Management Plan we launched in fiscal 2017 to improve the consolidated results of the Group.

Aeon Retail Reforms

Taking On New Challenges Only Aeon Can Handle to Generate Sustainable Growth

A Medium-term Management Plan for a New Phase of Growth

Aeon Retail Co., Ltd. (hereafter, "Aeon Retail"), a core Aeon company, operates in the General Merchandise Store (GMS) Business, offering customers a pleasant, convenient shopping environment and a complete lineup covering food, clothing and household items. Yet along with changes in contemporary conditions, the lifestyles and values of its customers are changing dramatically. Aeon Retail is therefore reviewing its conventional approaches in light of these changes and taking on the challenge of new businesses to generate sustainable growth.

1 Promote Aeon Style

Aeon Retail is implementing store and organizational changes to move from a standardized store format nationwide to formats that enable it to more effectively deliver optimal products and services to regional customers. Aeon Retail transformed 37 outlets to new Aeon Style stores as of February 2017, and plans to complete reforms at 90 stores by 2019.

2 Take on the Challenge of New Businesses

Aeon Retail will take on the challenge of highly specialized new business fields to address changing customer preferences and stay focused on technological evolution.

3 Reform Our Earnings Structure

Aeon Retail is reviewing investment allocation as a result of various internal and external changes.

Take on Challenges in the Prepared Meal Business

The way people eat at home has changed dramatically because of increases in the number of single-person households and working women. Aeon Retail has addressed these changes in ways such as developing delicatessen and other prepared meal* offerings. Kokode Deli is a key growth strategy. This name is a play on the Japanese words for "here" and "delicatessen" that expresses the ability to sit and have a bite to eat while shopping. It is a new approach to eating out that maximizes Aeon's store, product and functional assets. Aeon Style Kobe Minami, Aeon Style Umie, and Aeon Style Shinurayasu MONA have created spacious in-store areas for sit-down meals where customers can enjoy a menu that includes salads, deli items and pasta dishes developed in-house, as well as alcoholic beverages such as wine. Designed for contemporary lifestyles, these outlets offer a fresh, safe, fast and smart instore dining option. An Aeon research center is evolving this concept by investigating more food

Promoting Aeon Style

Aeon Style is a format unique to Aeon. It combines focused product lineups and floor space into a single unit that tailors aspects ranging from product offerings and customer service to sales floor design and store lay out to the region being served. Aeon Style differentiates itself from competing stores by eschewing standardized floor layouts to optimize sales space for the regional customer base and handling product procurement and other decisions at each of its stores.





distribution centers, greater in-store efficiency and menu development.

* An eating style in which customers purchase delicatessen items, commercially prepared boxed foods, or other prepared foods to take home and eat

Senior Shift

Aeon's Senior Shift strategy involves developing G.G. stores, which offer goods and services that make daily life delightful for customers. G.G. stands for Grand Generation, in reference to the best time of life.

The first G.G. store opened in Aeon Kasai with the concept of fun, active mornings of exercise, table tennis and the game of "go" that get started early. It offers a lineup that responds to the trends toward single-serving and health-conscious dining, and has earned praise from seniors and a broad range of other demographics for successes that include the creation of places for community gatherings and communication. Aeon Retail will continue to open G.G. stores and plans to have more than 100 nationwide by 2025.

Operations Close to Communities

Aeon Retail has introduced a regional company system and delegates authority to respond promptly to customer needs in the regions it serves. Companies in six areas throughout Japan align their operations closely with their region by autonomously handling product lineup, price setting, hiring, and remodeling in step with the characteristics of their region.

It streamlined headquarters functions in fiscal 2015 to create a fast, flexible management organization, and reinforced organization, store personnel, authority and functions in each area. In fiscal 2017, the company eliminated the barriers that separated its traditional clothing, food and home lines and defined 18 product categories based on customer lives and lifestyles. Aeon Retail is therefore able to respond quickly and precisely to customer demand, which enhances its regional competitiveness and improves profitability.

Sales Floors with Specialized Units Drive Growth

○ Home Coordy

A home goods specialty store that serves all genders and ages with simple, timeless designs for lasting use. It offers affordable, high-quality products that customers can easily mix and match.



○ Glam Beautique

These stores are bases that support customer health and beauty. They offer a range of products that includes organic products, traditional Chinese medicine, and wellness foods along with salespeople who draw on specialized skills to provide counseling.



○ Kids Republic

A specialized store for babies and children that is based on the concept of shaping the people who will shape the future. A cooperative effort of communities, governments and companies that help communities raise children, these stores offer a full line of products and services as a place for confidently nurturing children.



Daiei Reforms

Decisive Earnings Structure Reforms and a Transition to Aeon Food Style Stores for a Return to Growth

Key Points of the New Medium-term Management Plan

The Daiei, Inc. (hereafter, “Daiei”) has implemented dramatic reforms to rebuild its management since becoming a wholly owned subsidiary of Aeon Co., Ltd. in January 2015. It made a first step toward becoming the best store in each community it serves by transferring store operations in Hokkaido, Nagoya and Kyushu to Aeon Group companies in September 2015, followed by some stores in the Kanto and Kinki regions in March 2016.

Completing the reform of Daiei’s earnings structure is a key issue of the Aeon Group Medium-term Management Plan (FY2017-FY2019). Our fundamental strategy is selection and concentration to ensure Daiei’s further growth. We are focusing resources on store development in the Tokyo metropolitan and Keihanshin (Kyoto, Osaka and Kobe) areas, where Daiei enjoys popularity, while restructuring Daiei’s food business, which is one of the company’s strengths. Daiei is also targeting leadership in the food supermarket business in Japan. At some former general merchandise stores, Daiei will retain responsibility for food products while turning over responsibility for clothing, household and leisure products to other Group companies or finding tenants to handle them, thus generating real estate income while focusing its resources on food retailing.

Three Reforms

We have identified three specific types of reforms – “business format,” “product” and “structural” – and are implementing these reforms to push forward the transformation of Daiei’s earnings structure.

Regarding business format reforms, Daiei promotes rebranding outlets as Aeon Food Style Stores, a new category with the catchphrase of “delicious food for a healthy spirit and body,” where it will actively develop products and create sales floors to offer food and peripheral products tailored to the lifestyles of urban residents. Japan’s food market is contracting due to rapid demographic changes. Therefore, in addition to products for cooking at home, Daiei is enhancing its prepared-food department. It is also building a full-scale eat-in and takeout grilled-dish business using its subsidiary Orange Food Court to branch out into the home meal replacement (HMR) and restaurant markets.

Product reforms cover every process from ingredients to processing, delivery and sales so Daiei can deliver fresh, high-value-added products. Focused on livestock products since its founding, Daiei began producing Japanese black beef at directly owned farms in 1970. The company integrated this operation from feedlot to store shelf, and began selling its Satsuma

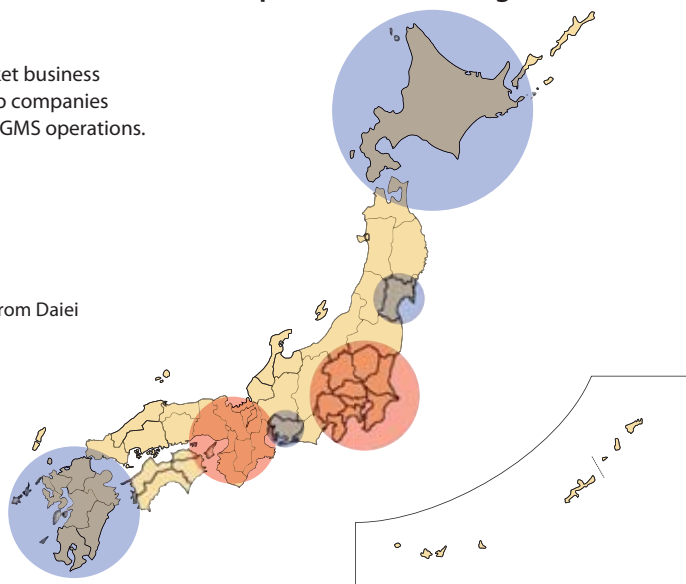
Area Reorganization to Become the Number-one Food Supermarket Retailing Business in Japan

Daiei focused resources on the food supermarket business in the Tokyo and Keihanshin areas. Other Group companies took over Daiei’s operations in other areas and GMS operations.

* Completed restructuring in March 2016

● ... Daiei operating areas

● ... Operating areas transferred from Daiei



Himegyu brand of Japanese beef in 2006. Daiei's directly owned farms are SQF* certified, and it is the only company in Japan to ensure world-class food safety in Japanese beef production. In 2017, it also acquired cattle breeding farms in Kagoshima Prefecture and became the first in the industry to commercially breed Japanese cattle. These initiatives will provide new value to customers by ensuring a stable supply of Japanese beef and reducing its cost.

The structural reforms are designed to create a management system suited to the food supermarket business and a company where all employees can excel, as exemplified by investment in education. In addition to reviewing all educational systems, from officers to community employees, Daiei will create additional synergies through personnel exchanges, including the dispatch of personnel to Aeon Group companies. Daiei will also improve productivity by integrating all new IT and logistics systems of Aeon.

* Safe Quality Food: An international standard for ensuring food safety and quality

Growth Strategy

The expected outcomes of these reforms for Daiei are an additional ¥5 billion in earnings in fiscal 2016 compared with the previous fiscal year and a rapid return to profitability. Daiei will proactively incorporate health and wellness, and will also further evolve Aeon Food Style Stores while restarting new store openings to further strengthen its competitive advantage in the Tokyo metropolitan and Keihanshin areas.

In addition, Daiei will steadily implement a balanced localization strategy that also has a global perspective. Specifically, Daiei supermarkets are closely connected to the communities they serve, so they will gather the opinions of customers within a 500-meter to 1-kilometer radius on a weekly basis to bring to light and sell timely priority items that are unique to each area.

Daiei celebrated its 60th anniversary in 2017. Committed to putting customers first, Daiei will continue to integrate its DNA since its founding with Aeon's DNA of innovation to evolve into the number-one food supermarket retailing business in Japan.

The Value Aeon Food Style Delivers



Aeon's Product Mindset

Innovative Measures to Meet Diverse Customer Needs

A Thorough “Customers First” Policy

Since day one, Aeon's approach to product development has consistently put customers first. Hoping to make customers happy, we offer an extensive lineup of value-priced products and constantly implement innovative initiatives so that customers find it convenient and valuable to shop at Aeon. Moreover, our commitment to consumer rights and freedom of choice in purchasing has led us to launch initiatives that break with preconceived notions and industry norms. Events related to beer transactions are representative. Misleading news was reported in July 2012, suggesting that Aeon was demanding that wholesalers supply beer at prices below their cost. The fact was that beer manufacturers had abolished a system of rebates on sales of beer to wholesalers they had introduced in 2005. Then, wholesalers asked retailers to raise their prices.

First of all, this price increase request resulted from a change in the way manufacturers and wholesalers did business with each other, so Aeon did not see a valid reason, such as a sharp increase in the cost of raw materials, to pass on higher prices to consumers. Committed to putting customers first since day one, Aeon created a system for shipping products from manufacturers directly to its logistics centers. This unique system was a first among Japan's retailers and added to Aeon's capabilities to rationally reduce costs. As a result, we were able to offer our customers reasonable prices without raising the price of beer.

As a matter of course, in November 2011 the Fair Trade Commission found no evidence of violations by Aeon after a six-month audit. We then ran an advertisement in August 2012 stating that Aeon has a consistent philosophy of low prices based on legitimate business practices, and reminding customers of our corporate stance and our mechanisms to keep prices low.

Moreover, in June 2017, amendments to the Liquor Tax Act and other laws resulted in a series of beer price increases. However, Aeon held the prices of major beer brands steady through its own capabilities to offer customers value pricing.



Newspaper advertisement communicating our refusal to accept a beer price increase for the convenience of wholesalers.



TOPVALU: Developed Using Customer Feedback

Corporate efforts such as these allow Aeon to source products at reasonable prices, and we are emphasizing product development within our TOPVALU private brand.

TOPVALU embodies in product form the total customer commitment of the Aeon Basic Principles, and we believe that all our stakeholders share that view when using the products. We have made good use of customer opinions in developing products. We gather customer opinions via multiple channels at the stores we operate, employ the results of large-scale monitor surveys in product development, and take responsibility for directly handling customer inquiries. The result is one of TOPVALU's greatest strengths: our framework for immediately reflecting customer opinions in product development.

The aging of society is expected to drive a social transition toward an emphasis on both physical and mental health. Given these changes, a key role for Aeon will therefore be to offer customers protection in their daily lives.

The development of TOPVALU Gurinai products for customers concerned about health and wellness is a specific initiative. Tasmanian beef sold under this brand is raised without antibiotics or growth hormones, and the

cotton in Gurinai products is organically grown. Customer support for these and other products is strong.

Moreover, we launched TOPVALU Yasashi Gohan (Rice) in November 2016. Planned and developed to be safe and easy for all family members to eat, this product does not contain seven designated ingredients we identified through customer feedback from families with members who have allergies. This product series now offers 17 items, and its popularity is evidenced by the extensive feedback from customers stating that these products have expanded their culinary and menu options. We will continue to develop products while responding to the diverse needs of our customers.



TOPVALU Yasashi Gohan

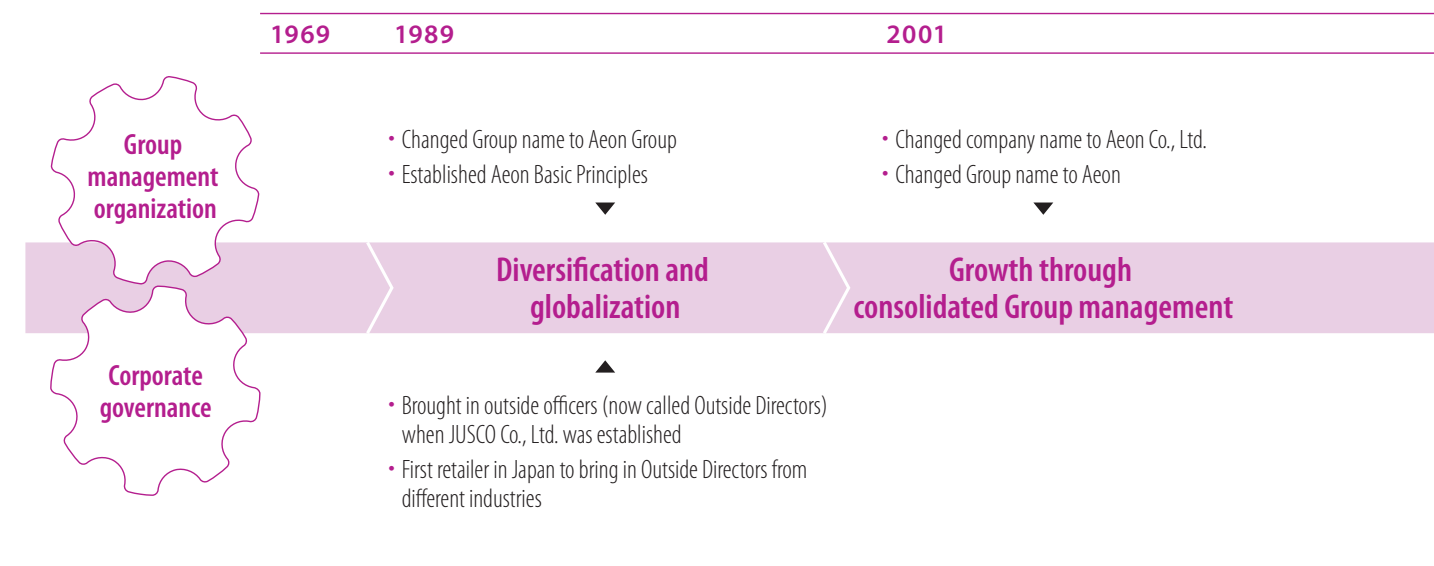
J-Cup Instant Ramen Launched in 1974

The oil crisis of 1973 seriously affected the retail industry as manufacturers took advantage of soaring raw material prices to raise their own product prices. JUSCO, an Aeon predecessor, lodged protests with manufacturers of instant ramen that unilaterally increased prices because it did not see a convincing rationale for the price increase. JUSCO terminated sales of those ramen products and launched its own J-Cup instant ramen product in 1974. Aeon has always believed that the social mission of the retail industry is to act on behalf of customers in purchasing products and services they need and offering them at reasonable prices, and these actions fulfilled that function.



Corporate Governance

Features of Aeon's Corporate Governance



Our management priorities are to establish both our Group management organization and corporate governance, while passing on our DNA of continuous innovation in response to changes in customer needs and the competitive environment.

Group Management Organization Reforms

Aeon has a history of alliances and mergers with leading regional companies that began with the formation of JUSCO, while transforming Group management to increase the Group's scale with a nationwide chain of stores.

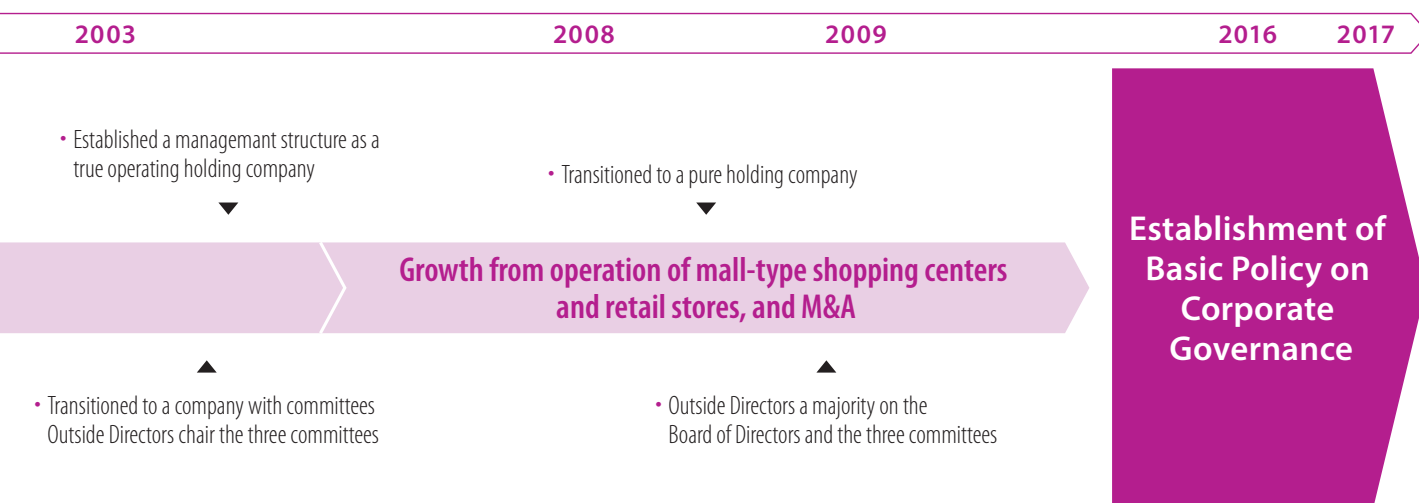
We used a federated approach to management based on an alliance and merger strategy after establishing JUSCO. Under this approach, we created streamlined management units at the head office to raise efficiency and address issues common to the Group companies through Group management. We also largely delegated authority to enable the Group companies to operate independently with close community relationships. We subsequently diversified and internationalized operations, leading us to revolutionize Group strategy in 1989 and change our name to Aeon Group from JUSCO Group. In this period of innovation, we formed a loose confederation that brought the Group closer together while respecting the autonomy of the Group companies and sharing expertise to support Group growth.

In 2001, we changed the company name from JUSCO to Aeon Co., Ltd. and the Group name to Aeon with a determination to prevail in full-scale competition with global retailers and to accelerate growth through

consolidated Group management. Aeon declared its commitment to thinking globally, acting locally, and putting customers first as a group of companies that innovates constantly to achieve further growth.

The scale of our business was expanding, so we changed our existing management system by enhancing management by business when we transitioned to a company with committees in 2003. We also transitioned to an operating holding company management structure with the objectives of using the Group's resources effectively and increasing corporate value. We changed again in 2008, moving to a pure holding company to clarify the holding company and operating company organization framework as we developed mall-type shopping centers, operated retail stores, implemented an M&A strategy, increased the Group's scale, and diversified with a focus on the retail business.

We have subsequently evolved our management organization in line with changes in the external operating and competitive environment and the scale of Group businesses while maintaining our commitment to putting customers first, close community relationships and a frontline focus. Following these reforms, the Financial Services Business, the GMS Business, the Supermarket and Discount Store Business, the Shopping Mall Development Business, and the Drugstore & Pharmacy Business have reached a nationwide business scale, as Aeon has grown into a corporate group with fiscal 2016 consolidated operating revenues of more than ¥8.2 trillion.



Comments from the Chairman of the Board



We will conduct management unique to Aeon and increase corporate value by employing a PDCA cycle that revolves around the Aeon Basic Principles and constantly enhancing corporate governance.

Hiroshi Yokoo

Chairman of the Board

Continuously and Proactively Enhancing Corporate Governance Is a Top Priority

Since day one, a core mission of Aeon has been consistent, long-term contribution to communities as a caring corporate citizen with an approach to management grounded in the Aeon Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." Management is essentially corporate governance. Continuously enhancing corporate governance is therefore a top priority as we focus on being an organization that earns the trust of society.

Acting on this mindset, in May 2003 Aeon was a pioneer among Japanese companies in transitioning to a company with committees in accordance with amendments to the Companies Act. A majority of our Board members

are Outside Directors, who are also the main committee members. Notably, the Audit Committee consists entirely of Outside Directors. This framework enables sound supervision of and constraints on officers. Our execution is also under intense external scrutiny, so our system of governance is aligned with our Group philosophy of continuous innovation because it allows us to boldly go about our work. The institutions we designed have been the platform for continuously strengthening governance using the rigorous and sincere guidance and advice of our Outside Directors.

The PDCA Cycle Improves Board Effectiveness

We are proud of our proactive initiatives to enhance corporate governance, yet we intend to continue enhancing it rather than complacently believing we have

done enough. Corporate governance is not simply a matter of institutional design. Our approach to implementing the system of corporate governance we have constructed and what we do to improve its effectiveness are also important. This involves a PDCA cycle.*

The key issue in this context is improving the effectiveness of the Board of Directors itself and the validity of its discussions. We currently assess the effectiveness of the Board of Directors with regular, systematic analysis of meeting proceedings and opinions. We had been assessing the effectiveness of the Board through individual interviews and meetings conducted exclusively with Outside Directors. However, in fiscal 2016 we began conducting individual surveys of issues not covered in meetings and the perceptions of Outside Directors to further enhance effectiveness.

We have already formulated a fiscal 2017 agenda for the Board of Directors that incorporates the priority items pointed out through these efforts. Specifically, Group company management oversight now encompasses detailed discussion of companies designated for close attention for reasons including large deviation between budget and actual results or recent establishment. The agenda also clarifies the organizational structures for developing the next generation of managers and infrastructure management issues in areas such as IT and logistics.

In addition, Outside Directors have been involved from the start in formulating our recently announced Medium-term Management Plan (FY2017-FY2019), which made our strategic planning process more effective. Aeon's management is sure to play a key role in executing the Plan. Our key task now is putting our plan into action, so the Board of Directors will confirm progress and discuss future directions.

* Plan-do-check-act cycle

Focus on Maintaining an Environment That Allows Outside Directors to Exercise Their Capabilities

We must allow Outside Directors to fully express their insights to ensure the effective functioning of our governance system. Outside Directors energetically provide Aeon with guidance and advice. Our relationship with our Outside Directors is a welcome mix of shared purpose and tension. However, understanding Aeon's diverse business portfolio is not easy for Outside Directors. Another priority is therefore constantly providing the

information needed for discussion, large though its volume may be.

I consider this one of my most important roles as Chairman of the Board of Directors. I conduct individual interviews in connection with the agenda of the Board of Directors, and energetically provide agenda background and supplementary materials prior to Board meetings.

We have also begun helping the two new Directors who took office in fiscal 2017 understand each of Aeon's businesses and companies, including management particulars to date and the course of discussions. Specific activities have included exchanging opinions with frontline employees at stores and participating in tree-planting activities overseas.

Strengthening Group Governance That Revolves around the Aeon Basic Principles and Continuing to Innovate

Group company governance is an important future issue for Aeon's governance. Aeon comprises approximately 300 companies, so we need to strengthen governance at each of them to strengthen Group governance. The Group companies are entrepreneurial and emphasize their own contribution to customers and communities in their day-to-day operations. The key here is that managers at each Group company embrace the Aeon mindset and all employees always act according to the Aeon Basic Principles.

I have taken the initiative to join meetings of the corporate auditors of main Group companies and visit Group companies as the opportunity arises to share and discuss best practices and case studies as well as Aeon's management approach and concerns. These discussions are also highly effective forums for discussing the Basic Policy on Corporate Governance we formulated in 2016, which defined the kind of company we want to be and our management ideals. We will draw on the Basic Policy on Corporate Governance as we proactively enhance corporate governance.

Our approach to management is unique to Aeon and consistently innovative precisely because it draws on the Aeon Basic Principles. Holding true to these principles, Aeon will continue initiatives to innovate in order to address constantly changing customer needs and community concerns while increasing the contributions we make through greater employment of a PDCA cycle.

Comments from the Chairperson of the Audit Committee



Ken Sato

Outside Director
Chairperson of Audit Committee
Compensation Committee
Member

We will solicit the valuable opinions of Outside Directors to help Aeon grow with an independent, transparent committee system.

I have served as an Outside Director since 2011 and hold Aeon's governance in high regard because the company's committee system is purposeful and functions effectively. Committee discussions including Outside Directors are consequential because of the meticulous, straightforward information and support provided prior to meetings.

The Audit Committee, as a completely independent organization composed of Outside Directors, draws on information and analysis collected by the Group Audit Office to discuss and ensure that Aeon's business activities are in accordance with the Aeon Basic Principles. Companies must be committed to their basic principles to grow, and Aeon's Audit Committee considers them an essential component for monitoring and supervising management. The Aeon Group encompasses some 300 companies, so compliance is particularly important for sustaining growth. Cooperation with the Group Audit Office, which coordinates compliance issues, and the accounting auditor to rigorously identify and review risks is essential. To accomplish this, we ask the accounting auditor to provide useful opinions from its independent, expert perspective, accompanied by accounting audits of quarterly reports. These reports give us a multifaceted understanding of Aeon's situation.

The Aeon Group had operating revenues of more than ¥8 trillion in fiscal 2016 and continues to expand. With the significant changes in the current business environment, now is the time for Aeon to embark on a new phase. This means Aeon needs to have a long-term, multifaceted perspective and fundamentally address structural change specifically. Executive Officers are responsible for day-to-day business operations and are fully committed to improving performance. The significance of Outside Directors is that we have varying backgrounds and can make long-term proposals developed from a different perspective. To do so, Outside Directors need more opportunities for dialogue with Executive Officers to further enhance the effectiveness of Aeon's governance. It is essential that Outside Directors share their views on Aeon's present status, awareness of problem areas, including initiatives for the future such as globalization, and personnel development, by actively discussing Aeon from a long-term perspective.

As chairperson of the Audit Committee, I will strive to create an environment that allows Outside Directors to candidly express diverse opinions and do all I can to enable meaningful discussions in a timely manner. I intend to take the initiative in contributing to the growth of Aeon.

Comments from the Chairperson of the Nomination Committee



Yukako Uchinaga

Outside Director
Chairperson of Nomination
Committee
Audit Committee Member

I will help Aeon change and grow by using management mechanisms and addressing our critical objectives.

The Nomination Committee has two responsibilities: One is to appoint new Directors; the other, to discuss selection of new Executives. Information technology will be integral to improving the visibility of the standards and mechanisms we employ when selecting new Executives and Senior Officers and addressing future challenges. We also need to seriously confront transparency issues so we can consider how to enhance the framework to nurture new candidates.

Aeon's Board of Directors welcomes frank opinions, and functions effectively as a forum for exploring optimal solutions. All members of the Board are committed to Aeon and to the dynamic discussions that are required to assure it continues to improve. Encompassing some 300 companies, the Aeon Group faces a diverse array of inherent risks, making Group governance a pivotal focus. Understanding that overpowering governance strips businesses of the freedom to operate, reaching a balance is necessary, but never simple. Consistent management is paramount, so I will make information visible and available throughout the Group to enable sustainable growth and maximize the use of Aeon's resources. I am dedicated to confronting the issues Aeon faces and applying my knowledge and experience to contribute to its sustainable growth.

Comments from the Chairperson of the Compensation Committee



Toru Nagashima

Outside Director
Chairperson of Compensation
Committee
Audit Committee Member

I will ensure the best management for Aeon to help increase corporate value, including non-financial aspects.

The key to corporate governance is creating the most suitable system to enhance its effectiveness. In Aeon's corporate culture, Outside Directors freely and eagerly advise Directors, who take that input seriously and reflect it in management. Current priorities include strengthening Group governance and creating a shared information infrastructure. Doing so entails intensive discussions that draw on Aeon's Basic Principles and leveraging Aeon's unique strengths from the close relationships its companies and stores have with their communities.

The Compensation Committee decides compensation for the CEO and other Senior Executives. However, its essential role is structuring management's approach by designing evaluation mechanisms and standards unique to Aeon. We need to add non-financial criteria to its performance-linked criteria. Aeon's substantial ESG initiatives represent significant non-financial value. Objectively evaluating intangibles as a component of corporate value, for example, is in keeping with Aeon's management ideals.

There is still much that Aeon alone can accomplish. As an Outside Director, I will work harder to promote discussion and help increase corporate value.

Board of Directors and Executive Officers (As of May 24, 2017)

Directors



Director
Chairman of the Board
Hiroshi Yokoo Date of birth: December 27, 1950

Apr. 1974 Joins Aeon
Apr. 1989 Appointed Director of Ministop Co., Ltd.
May 2000 Appointed Representative Director and President of Ministop Co., Ltd.
May 2008 Appointed Chairman of Ministop Co., Ltd.
Aug. 2008 Appointed Executive Officer of Aeon and CEO of Aeon's Strategic Small-sized Store Business

Number of company shares held: 13,000

Mar. 2010 Appointed Executive Officer of Aeon and CEO of Strategic Small-sized Store Business and Group Chief Officer for Merchandising and Merchandising Reform
May 2014 Appointed Aeon Director and Chairman of the Board (current position)



Director
President and Representative Executive Officer
Group CEO, Member of Nomination and Compensation Committees
Motoya Okada Date of birth: June 17, 1951

Mar. 1979 Joins Aeon
May 1990 Appointed Director of Aeon
Jun. 1997 Appointed Representative Director and President of Aeon
May 2003 Appointed Director and President and Representative Executive Officer of Aeon (current position)
Mar. 2012 Appointed Group CEO of Aeon (current position)

Number of company shares held: 2,477,000



Director
Executive Vice President and Representative Executive Officer
Group COO
Yoshiki Mori Date of birth: September 16, 1950

Mar. 1973 Joins Aeon
May 1984 Appointed Director of Japan Credit Service Co., Ltd. (now Aeon Financial Service Co., Ltd.)
May 1995 Appointed President and Representative Director of Aeon Financial Service Co., Ltd.
May 2003 Appointed Director of Aeon (current position)
Apr. 2007 Appointed Chairman of Aeon's Executive Committee for Financial Services Business

Number of company shares held: 28,000

Aug. 2008 Appointed Executive Officer of Aeon and CEO of Financial Services Business
Mar. 2010 Appointed Vice President of Aeon and Representative Executive Officer (current position)
Appointed Joint CEO of Aeon's Financial Services Business
Mar. 2012 Appointed Group COO of Aeon (current position) and Joint CEO of Aeon Financial Services Business
Mar. 2013 Appointed Group CFO of Aeon



Director
Executive Vice President and Executive Officer
CFO, Business Management
Akinori Yamashita Date of birth: January 1, 1954

Apr. 1977 Joins Aeon
May 2004 Appointed Executive Officer of Aeon
May 2007 Appointed Managing Director of The Daij, Inc.
Sep. 2013 Appointed Group CFO of Aeon
Mar. 2014 Appointed Senior Executive Officer of Aeon
Appointed CEO of Aeon's Financial Services Business and Group E-Money Business Officer

Number of company shares held: 10,000

Jun. 2014 Appointed Representative Director and President of Aeon Financial Service Co., Ltd.
Appointed Director of Aeon Bank, Ltd. (current position)
Mar. 2016 Appointed Executive Officer and Vice President of Aeon (current position)
Appointed CEO of Financial Services Business
May 2016 Appointed Director of the Company (current position)
Mar. 2017 Appointed Executive Vice President and Executive Officer, CFO, Business Management of the Company (current position)



Director
Chairperson of Audit Committee
Compensation Committee Member
Ken Sato Date of birth: November 17, 1943

Apr. 1966 Joins Ministry of Finance
Jun. 1985 Appointed Budget Examiner, Budget Bureau, Ministry of Finance
Jun. 1992 Appointed Deputy Director of Local Finance Bureau, Ministry of Finance
Jul. 1997 Appointed Director-General, Bureau of Defense, Japan Defense Agency
Jan. 2000 Appointed Administrative Vice Minister of Japan Defense Agency
Jul. 2002 Appointed Vice President of Urban Development Corporation (now Urban Renaissance Agency)
Jul. 2004 Appointed Vice President of Institute for International Policy Studies

Number of company shares held: —

Dec. 2009 Appointed President of Institute for International Policy Studies (current position)
May 2011 Appointed Director of Aeon (current position)
Jun. 2011 Appointed Director of Nippon Television Network Corporation (now Nippon Television Holdings Inc.) (current position)
Oct. 2012 Appointed Director of Nippon Television Network Corporation (current position)

Total number of shares held by Directors: 2,530,000

Notes: 1. Directors Ken Sato, Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto, and Kotaro Ohno are Outside Directors.

Aeon is a company with committees operating three committees: the Audit Committee, Nomination Committee, and Compensation Committee.

2. The term of office of directors is from the conclusion of the regular General Meeting of Shareholders for the fiscal year ended February 2017 until the conclusion of the regular General Meeting of Shareholders for the fiscal year ending February 2018.



Director
Chairperson of Nomination Committee
Audit Committee Member
Yukako Uchinaga Date of birth: July 5, 1946

Jul. 1971 Joins IBM Japan
 Apr. 1995 Appointed Director of IBM Japan
 Apr. 2000 Appointed Managing Director of IBM Japan
 Apr. 2004 Appointed Director and Senior Executive Officer of IBM Japan
 Apr. 2007 Appointed Technical Advisor of IBM Japan
 Apr. 2007 Appointed President of Japan Women's Innovative Network (current position)
 Jun. 2007 Appointed Director of Benesse Corporation
 Apr. 2008 Appointed Director and Executive Vice Chair of Benesse Corporation
 Apr. 2008 Appointed Chair of the Board of Directors, President, and CEO of Berlitz Corporation

Number of company
 shares held: —

Jun. 2008 Appointed Outside Director of Sony Corporation
 Oct. 2009 Appointed Director and Executive Vice President of Benesse Holdings
 Apr. 2013 Appointed Honorary President of Berlitz Corporation
 May 2013 Appointed Outside Director of Aeon (current position)
 Jun. 2013 Appointed Outside Director of Hoya Corporation (current position)
 Sep. 2013 Appointed Representative Director and President of Globalization Research Institute (current position)
 Mar. 2014 Appointed Outside Director of DIC Corporation (current position)
 Apr. 2014 Appointed Chair of Japan Diversity Network (current position)



Director
Chairperson of Compensation Committee
Audit Committee Member
Toru Nagashima Date of birth: January 2, 1943

Apr. 1965 Joins Teijin Limited
 Jun. 2000 Appointed Director of Teijin Limited
 Jun. 2001 Appointed Managing Director of Teijin Limited
 Nov. 2001 Appointed COO of Teijin Limited
 Jun. 2002 Appointed CEO of Teijin Limited
 Jun. 2008 Appointed Chairman of Teijin Limited
 Jun. 2011 Appointed Outside Director of Sekisui Chemical Co., Ltd. (current position)
 Mar. 2013 Appointed Outside Director of Kao Corporation
 Appointed Director and Advisor of Teijin Limited

Number of company
 shares held: —

Aug. 2015 Appointed Director of Japan Corporate Governance Network (NPO) (current position)
 May 2016 Appointed Director of Aeon (current position)
 Jun. 2016 Appointed Audit & Supervisory Board Member (external) of Daikin Industries, Ltd. (current position)



Director
Nomination Committee Member
Compensation Committee Member
Takashi Tsukamoto Date of birth: August 2, 1950

Apr. 1974 Joined The Dai-Ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)
 Apr. 2002 Appointed Executive Officer of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
 Mar. 2003 Appointed Managing Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2004 Appointed Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Mar. 2006 Appointed Executive Managing Director of Mizuho Corporate Bank, Ltd.
 Apr. 2007 Appointed Deputy President of Mizuho Corporate Bank, Ltd.
 Apr. 2008 Appointed Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Jun. 2008 Appointed Deputy President of Mizuho Financial Group, Inc.

Number of company
 shares held: —

Apr. 2009 Appointed President of Mizuho Financial Group, Inc.
 Jun. 2011 Appointed Chairman of Mizuho Financial Group, Inc.; President & CEO of Mizuho Bank, Ltd.
 Jul. 2013 Appointed Chairman of Mizuho Bank, Ltd.
 Apr. 2014 Appointed Senior Advisor of Mizuho Financial Group
 Jun. 2016 Appointed Chairman of The Japan-British Society (current position)
 Jul. 2016 Appointed Outside Director of Asahi Mutual Life Insurance Company (current position)
 Apr. 2017 Appointed Honorary Advisor of Mizuho Financial Group (current position)
 May 2017 Appointed Outside Director of the Company (current position)



Director
Audit Committee Member
Nomination Committee Member
Kotaro Ohno Date of birth: April 1, 1952

Apr. 1976 Appointed Public Prosecutor of Tokyo District Public Prosecutors Office
 Dec. 2001 Appointed Deputy Secretary-General of Cabinet's Task Force on Judicial Reform
 Aug. 2005 Appointed Director-General of the General Affairs Department of Supreme Public Prosecutors Office
 Jul. 2007 Appointed Director-General of the Criminal Affairs Bureau of Ministry of Justice
 Jul. 2009 Appointed Vice-Minister of Justice
 Aug. 2011 Appointed Superintending Prosecutor of Sendai High Public Prosecutors Office

Number of company
 shares held: —

Jul. 2012 Appointed Superintending Prosecutor of Tokyo High Public Prosecutors Office
 Jul. 2014 Appointed Prosecutor-General
 Nov. 2016 Registered as Attorney at Law
 May 2017 Appointed Outside Director of the Company (current position)

Executive Officers

Motoya Okada
 President and Representative
 Executive Officer
 Chairman of the Board

Yoshiki Mori
 Vice-President and Representative
 Executive Officer
 Group COO

Akinori Yamashita
 Vice-President and Representative
 Executive Officer
 CFO, Business Management

Shinya Wako
 Vice-President and Executive Officer
 Business Planning Officer

Soichi Okazaki
 Executive Officer
 GMS Business Senior Chief Officer

Eiji Shibata
 Executive Officer
 Merchandising Senior Chief Officer

Akio Yoshida
 Executive Officer
 Development Business Senior Chief Officer

Hiddenori Osano
 Executive Officer
 IT Senior Chief Officer

Motohiro Fujita
 Executive Officer
 Supermarket Business Senior Chief Officer

Hideharu Mizuno
 Executive Officer
 Drugstore & Pharmacy Business
 Senior Chief Officer

Ippei Nakayama
 Executive Officer
 Services & Specialty Store Business
 Senior Chief Officer

Masaki Suzuki
 Executive Officer
 Financial Services Business Senior Chief Officer

Yuki Habu
 Executive Officer
 China Business Senior Chief Officer,
 Chairman & CEO of Aeon (China) Co., Ltd.

Kaori Miyake
 Executive Officer
 CSR & Communication Chief Officer

Takeharu Takahashi
 Executive Officer
 Human Resources and
 Administration Chief Officer, Risk
 Management Supervisor

Status of Corporate Governance

Basic Approach

The Aeon Basic Principles of “Pursuing peace, respecting humanity and contributing to local communities, always with the customer’s point of view as its core” guide all of Aeon’s corporate activities. The basic stance on corporate governance outlined below incorporates the values, management stance and fundamental approach to corporate governance we value as a means to sustain Aeon from generation to generation, with a long-term management perspective founded on the Aeon Basic Principles and our DNA of innovation. Our basic stance on corporate governance is the nucleus of our Basic Policy on Corporate Governance, which we announced in April 2016.

Basic Stance on Corporate Governance

Creating Value by Focusing on Customers and the Front Line

Customer delight is our most important mission. We create optimal value aligned with changing customer needs by focusing on the front line of our business, which is our point of contact with customers, and by consistently putting customers first.

Respect for People, Our Most Important Asset

We believe people are our greatest asset. We therefore respect our employees, emphasize diversity and provide educational opportunities to help employees develop themselves. Our goal is to be a company that has strong ties with employees who take delight in helping customers.

Committed to Developing with Communities

We are a caring corporate citizen and a member of communities. We strive to develop each community we serve in cooperation with other members of the community including customers, employees, shareholders and business partners to contribute to community prosperity, environmental sustainability and peace.

A Long-Term Perspective and Incessant Innovation for Sustainable Growth

Aeon Group management is committed to constantly increasing Group value. We strive to take on the challenge of successive innovation to sustain growth as we create value with a long-term perspective, which enables us to adapt to the changing operating environment and continue to meet the expectations of customers and communities.

Transparent and Disciplined Management

We endeavor to achieve transparent and disciplined management by maintaining a proactive dialogue with stakeholders, taking their evaluation seriously, and exercising self-discipline at all times.

Corporate Governance Framework

Aeon management draws on the Aeon Basic Principles and is group oriented. We value transparency, sustainability, stability and ceaseless innovation based on the customer’s point of view. We put these concepts into practice with an optimal corporate framework structured around the Nomination Committee and other Committees.

We have separated management supervision and business execution to largely transfer authority to Executive Officers and construct a framework that enables rapid management decisions. To ensure transparent, objective management, we have three Committees – the Nomination Committee, the Audit Committee, and the Compensation Committee – composed of a majority of Outside Directors. In addition, we continuously scrutinize and upgrade this framework with the goal of outstanding corporate governance.

■ Role and Structure of the Board of Directors

The Board of Directors makes management decisions for Aeon. It resolves legal issues and determines and approves basic management policies and key business execution issues. The Board of Directors also supervises the performance of Directors and Executive Officers. Aeon’s Board of Directors consists of executives with diverse experience, abilities and specialized knowledge, which heightens the Board’s

effectiveness. Outside Directors are in the majority to enhance the supervisory functions of the Board of Directors.

■ Outside Directors

Aeon is a company that has institutionalized the separation of management supervision and business execution with a Nomination Committee and other Committees. Aeon’s Board of Directors has nine Directors, five of whom are Outside Directors. Management supervision involves outside perspectives to make management highly transparent. For its Outside Directors, Aeon calls on individuals who represent Japan and share the Aeon Basic Principles and values to fully exercise their respective experience and knowledge from an objective standpoint. Aeon and its Outside Directors share no special interests, allowing Aeon to notify the Tokyo Stock Exchange that it has designated all five of its Outside Directors as independent Directors.

■ The Board of Directors in Action

The Chairperson of the Board of Directors ensures a framework at the Board meetings that facilitates lively discussion, appropriate decision-making, and fair supervision. Outside Directors receive necessary explanation, meeting materials and information crucial to general management prior to the Board meetings so that their thoughts, ideas, knowledge and objectivity will be relevant. The Directors also have sufficient

opportunities and time apart from the Board meetings to discuss important issues such as the Medium-term Management Plan and key policies that the Board will take up. At the end of each fiscal year, the Board of Directors discusses the activities and results of the most recent fiscal year, shares the results with managers, and presents a summary of outcomes.

Reasons for Appointment of Outside Directors (As of May 24, 2017)

Name	Responsibilities	Reason for Appointment
Ken Sato	Director; Chairperson of Audit Committee, Compensation Committee member	Designated independent director who draws on his extensive career and expert knowledge to provide guidance that improves crisis management, management transparency and objectivity.
Yukako Uchinaga	Director; Chairperson of Nomination Committee, Audit Committee member	Designated independent director who draws on her broad experience and expertise in information technology and extensive knowledge of diversity to provide guidance for sound, efficient management.
Toru Nagashima	Director; Chairperson of Compensation Committee, Audit Committee member	Designated independent director who draws on his extensive experience in global corporate management and his wide-ranging knowledge to provide guidance that supports global management and enhanced corporate governance.
Takashi Tsukamoto (Newly Elected)	Director; Nomination Committee member; Compensation Committee member	Designated independent director who has served as a senior manager at a major financial institution and has excelled internationally in economics and finance. He draws on his acute insights and extensive experience to provide guidance that supports continued sound, transparent management and enhanced corporate governance.
Kotaro Ohno (Newly Elected)	Director; Audit Committee member; Nomination Committee member	Designated independent director who is an attorney, and has served as Vice Minister of Justice, Superintending Public Prosecutor and Prosecutor-General. He draws on his extensive experience with and insights into the law and compliance to provide guidance for compliance management.

Board of Directors' Meetings and Committee Meetings (Fiscal 2016)

Times Convened		Main Functions
Board of Directors	7	<ul style="list-style-type: none"> • Oversaw the execution of responsibilities by Directors and Executive Officers. • Handled 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 delegated to Executive Officers.
Audit Committee	9	<ul style="list-style-type: none"> • Audited the execution of responsibilities by Directors and Executive Officers. • Handled resolutions pertinent to the appointment, dismissal or reappointment of the Company's accounting auditor for submission to the General Meeting of Shareholders.
Nomination Committee	3	<ul style="list-style-type: none"> • Handled resolutions pertinent to the appointment and dismissal of Directors for submission to the General Meeting of Shareholders.
Compensation Committee	3	<ul style="list-style-type: none"> • Determined the compensation of individual Directors and Executive Officers.

Three Committees

Outside Directors serve as the chairpersons of the Nomination Committee, Audit Committee, and Compensation Committee to further enhance the objectivity and transparency of these Committees.

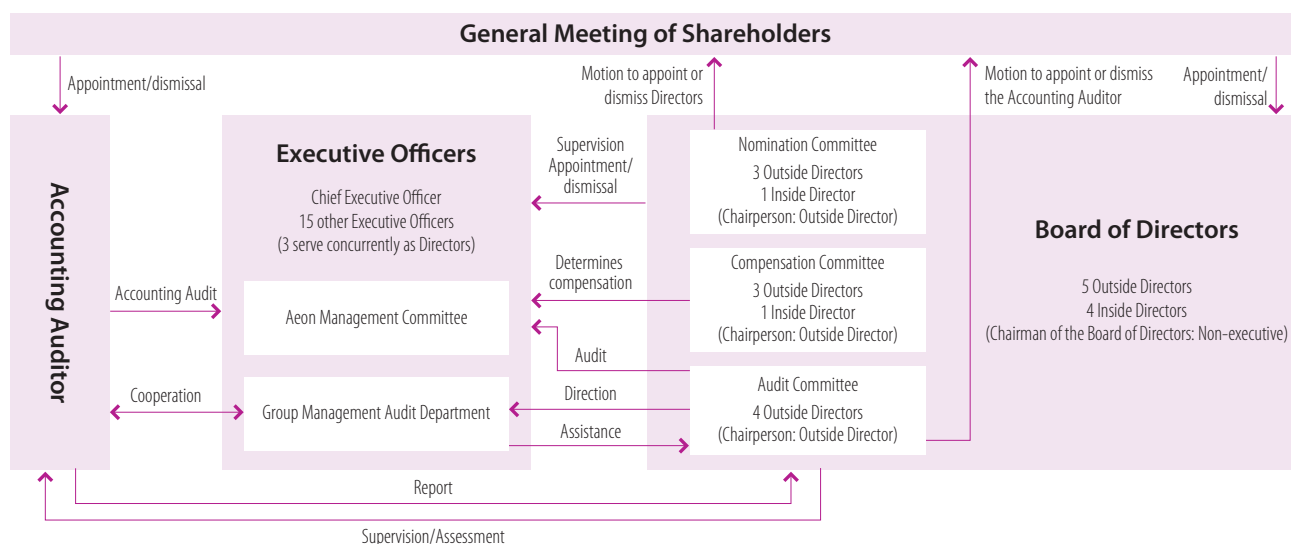
Three of the four members of both the Nomination Committee and the Compensation Committee are Outside Directors.

These Outside Directors hold all positions in the Audit Committee so that the Committee is completely separate from business execution as it monitors the legality and validity of the execution of responsibilities by Directors and Executive Officers. Assistance from the Internal Audit Department, which is independent of business units, and cooperation with the external accounting auditor enhance the functions of the Audit Committee.

Executive Officers

Representative Executive Officers make decisions on matters delegated by the Board of Directors and are wholly responsible for business execution on behalf of the Company. Executive Officers report to the Representative Executive Officers, make decisions on matters delegated by resolution of the Board of Directors, and execute business.

Corporate Governance System (As of May 24, 2017)



■ Business Execution Decisions

The Board of Directors delegates authority to Representative Executive Officers to enable quick decision-making, except for matters the Companies Act and the Articles of Incorporation require the Board of Directors to resolve. The Chief Executive Officer leads the Aeon Management Committee,* which consists of Senior Executives and discusses important policies and matters relevant to business execution. The Chief Executive Officer makes decisions pursuant to these discussions, and delineates responsibilities and expedites management decision-making by clarifying the role and authority of each Executive Officer.

*The Aeon Management Committee is a deliberative body chaired by the President and Group CEO, composed of Executive Officers, the Chief Corporate Planning Officer, and other members appointed 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

The Board of Directors and the Audit Committee are central to management supervision because Aeon is a company with a Nomination Committee and other Committees. The Group Management Audit Office is as an organization that is independent of business units and provides the Audit Committee with operational and administrative support. It also coordinates among the full-time corporate auditors of the Group companies, the Internal Audit Department, and the accounting auditor to conduct internal audits.

■ Policies for Director and Executive Officer Compensation

The Compensation Committee consists of an Outside Director as Chairperson and a majority of Outside Directors as members to ensure highly transparent, objectively determined policies for compensation of Directors and Executive Officers.

1: Basic Compensation Policies

- 1.1: Compensation shall be linked to Aeon's management strategy and operating performance, and shall motivate the committed execution of management strategy.
- 1.2: The compensation system shall be transparent, equitable and easy for customers, shareholders, employees and other stakeholders to understand and support.

2. Director Compensation

- 2.1: Directors shall receive base compensation.
- 2.2: Directors concurrently involved in business execution shall not receive Director compensation.

3. Executive Officer Compensation

- 3.1: Base compensation
Base compensation shall reflect individual evaluation within standard compensation for each position.

3.2: Performance-linked compensation

Performance-linked compensation shall account for 30% to 50% of total Executive Officer compensation (base compensation + performance-linked compensation), and the percentage of performance-linked compensation shall increase as a function of rank. The percentage of performance-linked compensation paid is based on achievement of goals set at the beginning of the fiscal year. Performance-linked compensation paid may range from zero to twice the standard amount depending on results for the recently completed fiscal year and the evaluation of the individual Executive Officer. Performance-linked executive compensation consists of compensation linked to overall corporate performance and compensation linked to individual performance. However, representative Executive Officers only receive compensation linked to overall corporate performance.

3.2.1: Compensation linked to overall corporate performance

Standard rank-based compensation is adjusted using a coefficient for the achievement of consolidated performance goals in consideration of overall performance.

3.2.2: Compensation linked to individual performance

Standard rank-based compensation is adjusted using a coefficient for individual achievement of divisional performance goals and management objectives.

3.3: Equity-linked compensation in the form of stock options

This form of compensation allocates stock acquisition rights as equity-linked compensation that reflects performance in the form of stock options. It intensifies the linkage among share price, performance and compensation because recipients share the benefits of share price increases and the risk of share price decreases. It is therefore designed to increase the will and the motivation to consistently improve performance and increase corporate value. The standard number of stock acquisition rights allocable by rank is adjusted according to performance for the recently completed fiscal year.

Total Director and Executive Officer Compensation

Director Compensation for Fiscal 2016

	Recipients	Amount Paid (Millions of yen)
Base Director compensation determined through Compensation Committee deliberation	7	121
Base Outside Director compensation determined through Compensation Committee deliberation	6	75

Executive Officer Compensation as of February 28, 2017

Executive Officer compensation for fiscal 2016 was based on the policy for determining the compensation of individual Directors and Executive Officers in 3.2 above. Compensation linked to consolidated performance was 60% of the prescribed amount. Moreover, equity-linked compensation in the form of stock options was also based on the policy in 3.3 above, and was 56% of the prescribed number of stock options.

Position	Chief Executive Officer	Other Executive Officers	Total
Number of officers	1	9	10
Base compensation determined through Compensation Committee deliberation (Millions of yen)	36	223	259
Performance-linked compensation determined through Compensation Committee deliberation (Millions of yen)	26	92	118
Equity-linked compensation in the form of stock options (Millions of yen)	6	34	40
Total (Millions of yen)	68	350	418

Notes:

1. The Compensation Committee determined Executive Officer performance-linked compensation on April 12, 2017 based on performance during fiscal 2016. Executive Officers received this compensation in May 2017.
2. The Compensation Committee and the Board of Directors determined equity-linked compensation in the form of stock options on May 24, 2017 based on performance during fiscal 2016. The stock options were allocated on June 21, 2017. Stock acquisition rights totaled 241 and represented 24,100 shares. Compensation paid is calculated based on the closing price on the Tokyo Stock Exchange on February 28, 2017.
3. In addition to the above, three Executive Officers who retired during fiscal 2016 received base compensation of ¥45 million.
4. Directors concurrently involved in business execution do not receive Director compensation.

Dialogue between Senior Managers and Stakeholders

Aeon considers stakeholders, including customers, communities, shareholders and investors, as its partners in management, and maintains an active dialogue with them. We engage in constructive dialogue with a long-term perspective based on appropriate, timely disclosure of information. We help stakeholders understand our management strategies and financial information as well as non-financial information including our environmental and social contributions and our approach to corporate governance.

We have established a department responsible for investor relations (IR) under the Executive Officer in charge of IR as a point of contact to support our constructive dialogue with shareholders and investors. We enhance this dialogue by organically linking the department responsible for IR to relevant components of our organization including public relations, general affairs, environmental/social contribution, finance, and accounting, as well as the Group companies. The department responsible for IR leads this dialogue, and Directors, Executive Officers, and Senior Managers communicate directly with stakeholders for critical issues.

We also proactively disclose, explain, and carefully answer questions related to our management policies at the General Meeting of Shareholders. We have enhanced this dialogue and its relevant information disclosure to deepen understanding among shareholders and investors through information meetings for institutional investors, tours of business facilities in Japan and overseas, and localized social gatherings and information meetings for individual shareholders.

The Board of Directors and the Aeon Management Committee appropriately discuss the feedback we receive through these channels in a timely manner to reflect it in the dialogue we have with our shareholders and investors.

Response to the Corporate Governance Code

We addressed the Corporate Governance Code in May 2017 and have responded to all of the Tokyo Stock Exchange's rules and regulations as required of listed companies under the Code. Please refer to our Corporate Governance Report at <https://www.aeon.info/en/investors/policy/governance.html> for more details.

Risk Management

Basic Approach

Aeon regards risk management as a management priority that is the responsibility of each department. Accordingly, the Group companies and departments handle day-to-day risk management, while General Affairs and other departments throughout the Group monitor the status of risk management at each department. The Risk Management Committee, which reports to the Aeon Management Committee, reviews 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 embedded in products, facilities and services throughout the entire Aeon Group. We anticipate, predict, and preclude risks with the potential for particularly grave impact by assembling interdivisional task forces. Moreover, Aeon's organizational response to eliminate the influence of antisocial forces includes in-house regulations and close cooperation with law enforcement agencies.

Response to Natural Disasters and Major Incidents and Accidents

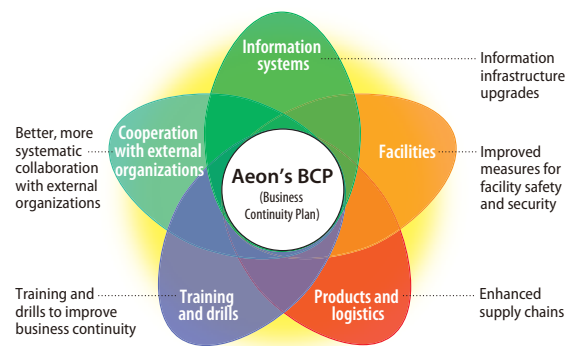
Aeon has created rules and procedural manuals to respond to large-scale natural disasters and major incidents and accidents, as well as providing education and training to ensure swift and accurate responses. Since the Great East Japan Earthquake, we have also introduced disaster prevention measures in each region in Japan, including areas affected by the disaster, based on a Business Continuity Plan (BCP).¹ Hypothetical risks have become more diverse in recent years, ranging from an increasing number of natural disasters such as earthquakes and torrential rain due to abnormal weather to terrorist attacks and bombings.

In light of these environmental changes, Aeon has formulated its Aeon Group Five-Year Business Continuity Management (BCM)² Plan to build a management framework that can enhance the performance of the BCP. We launched the Aeon BCM Project to execute this Plan in March 2016. Aeon aims to establish an operational framework by promoting BCM in five areas: 1) information systems; 2) facilities; 3) products and logistics; 4) training and drills; and 5) cooperation with external organizations.

1. BCP: A strategic business plan to prevent business interruptions or allow key operations to resume within a targeted time frame in the event of disruptions caused by risks including natural disasters.

2. BCM: A comprehensive management process that involves a set of policies for addressing issues relevant to steadily implementing the BCP. BCM compares progress versus plan to manage initiatives such as the switch to new systems or efficient transportation of supplies to afflicted areas.

Five Focus Areas of the Aeon BCM Project



1. Information Systems (Information Infrastructure Upgrades)

We will prepare the information infrastructure that links our 315 Group companies for disasters. We will further strengthen collaboration among the Group companies by switching to a new Total BCM Aggregation System that centralizes disaster-related information such as disaster information, safety confirmation results, and the status of stores afflicted by disasters.

2. Facilities (Improved Measures for Facility Safety and Security)

We will build disaster prevention facilities at 100 locations by fiscal 2020 to enhance safety and security measures at our facilities. We have completed installations at 27 locations since the launch of the program in 2012. We built new disaster-prevention facilities at nine stores in fiscal 2016.

3. Products and Logistics (Enhanced Supply Chains)

In March 2016, we launched a new system to use during disasters that links approximately 50 companies such as manufacturers of food and daily necessities. 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 Improve Business Continuity)

Aeon periodically conducts Group-wide disaster prevention and safety drills. We will conduct information gathering drills and training at stores and business offices, and improve our present business continuity capabilities to protect our customers and employees from risk.

5. Cooperation with External Organizations (Better, More Systematic Collaboration with External Organizations)

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

Information Security

Acquisition of ISO 22301

In February 2017, Aeon Co., Ltd. became the first company in Japan's general merchandise retail industry to acquire certification of its business continuity management system (BCMS) under the international ISO 22301 standard. This initiative encompassed the head office and stores.

ISO 22301 is a certification system published in 2012. It covers natural disasters such as earthquakes, floods, and typhoons, along with system problems and various risks including infectious disease epidemics, blackouts, and fires. It serves as an international standard for BCMS for minimizing the influence of these risks on businesses and responding efficiently and effectively to them. The Aeon Group's goal is to create and operate mechanisms to ensure that activities related to business continuity management (BCM) are closely linked to management, and that these activities are effective and efficient. The scope of registered activities under ISO 22301 encompasses the Group's crisis management operations, operation and management of the shopping mall in Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services.

Overview of Certification

Registrant	Aeon Co., Ltd.
Registration number	JQA-BC0031
Certification standard	ISO 22301: 2012/JIS Q 22301: 2013
Certifying institution	Japan Quality Assurance Organization
Accrediting institution	Japan Institute for Promotion of Digital Economy and Community
Date of registration	February 20, 2017
Scope of registered activities	Group crisis management operations, operation and management of the shopping mall in Aeon Mall Makuhari New City, the GMS Business, and integrated facilities management services Related business facilities • Group General Affairs Department, Aeon Co., Ltd. • Aeon Komaki Crisis Management Center • Aeon Mall Makuhari New City operated by Aeon Mall Co., Ltd. • Aeon Style Makuhari New City operated by Aeon Retail Co., Ltd. • Center Number One, Aeon Mall Makuhari New City operated by Aeon Delight Co., Ltd.



Personal Information Protection Policy

Aeon has established a personal information protection policy and a privacy policy to protect personal information properly and safely. We conscientiously handle personal information so that customers can purchase and use our products and services with confidence. Our company, officers, and employees recognize the importance of personal information protection, and work to maintain and improve legal compliance and safe handling of information.

Basic Policy

We recognize the importance of protecting personal information in line with Aeon Basic Principles of "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view at its core." We handle personal information with great care to support affluent, confident lifestyles. In addition, personal information forms each person's identity and values, so we respect it the same as we respect each person. We will manage the information entrusted to us by communities to build solid, trusting relationships.

1: Initiatives to protect personal information

We undertake the following activities to conscientiously implement our Basic Policy for personal information protection.

- 1-1: Officers and all employees shall comply with laws and internal regulations pertaining to personal information.
- 1-2: We shall appoint people responsible for the protection of personal information, assign responsibility and authority concerning the implementation and management of personal information protection, provide education and training, and rigorously manage personal information.
- 1-3: We shall appoint people responsible for the protection of personal information and audit the protection of personal information.
- 1-4: We shall improve internal regulations and operations based on the results of audits.
- 1-5: We shall ask suppliers and related parties for cooperation to protect personal information.
- 1-6: We shall make this policy available for viewing at any time by publishing it in media including our website and our corporate brochure.

2: Handling of personal information

- 2-1: We shall delineate the purpose of use when collecting, using or providing personal information, and shall use personal information within this defined scope.
- 2-2: We shall respond to requests to disclose, correct, or delete personal information promptly within a reasonable period and an appropriate scope.
- 2-3: We shall implement safety measures appropriately to preclude problems such as unauthorized access, loss, tampering, or leakage.

September 21, 2004

Motoya Okada

President and Representative Director, Aeon Co., Ltd.

Our personal information protection and privacy policies are available at <https://www.aeon.info/privacy/> (Japanese only)

Compliance (Corporate Ethics)

Basic Approach Aeon Code of Conduct

We established the Aeon Code of Conduct in 2003 to express the Aeon Basic Principles through a specific set of guidelines. We also began providing education and training relevant to the Code, created an Aeon Code of Conduct Hotline as an internal reporting system, and initiated monitoring activities (the Aeon Code of Conduct Survey) in 2003 in conjunction with establishment of the Code. The Aeon Code of Conduct explicitly provides Group employees with criteria for action, consideration, and judgment in line with the Aeon Basic Principles to serve customers. It is a shared set of values for the Aeon Group. Full-fledged training pertinent to the Code for the Group companies in Japan began in 2004 to ensure all employees share and understand the Aeon Code of Conduct. The Group companies overseas have been providing the same training since 2006. Since fiscal 2011, we have been systematically disseminating and inculcating the Aeon Code of Conduct at the Group companies outside Japan in line with our shift to Asian markets, which is one of the strategies of 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 humility.
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 is responsible for promoting the Aeon Code of Conduct throughout the Aeon Group, and is under the jurisdiction of the executives responsible for human resource management and risk 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 Group. The Aeon Management Committee, an Aeon Co., Ltd. executive body, and the Audit Committee (Outside Directors) receive reports on the status of compliance issues, initiatives to resolve them and Group-wide promotion of the Code of Conduct. The presidents and branch managers of each company in the Group serve as Aeon Code of Conduct Promotion Officers. They assign managers to the Aeon Code of Conduct Promotion Offices to implement the Aeon Code of Conduct training, conduct fact-finding investigations for consultations reported through the Hotline, address 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 Aeon Code of Conduct. They work on initiatives to disseminate and inculcate the Aeon Code of Conduct at their worksites.

Aeon Code of Conduct Hotline

The Aeon Code of Conduct Hotline has existed as an internal reporting system for employees since 2004. The Hotline is a channel for reporting non-compliance and improprieties, and also for discussing various workplace issues that employees find troubling or difficult to discuss with their immediate managers. The Hotline handles a wide variety of reports and consultations and is available to all Aeon Group employees. There are two lines: one for internal consultations, and one for reaching out to and consulting with external parties. The Corporate Ethics Team provides reports and consultations to the Group companies concerned as feedback. We rigorously enforce the rule that an investigation shall then take place within two weeks to ascertain the facts associated with each report or consultation. The Corporate Ethics Team receives a report of the results, including corrective measures. In addition, the executive management team of Aeon Co., Ltd. and the presidents of all the Group companies receive weekly and monthly reports on all consultation matters.

Education and Training

Aeon conducts training to disseminate and inculcate the Aeon Code of Conduct as the central component of corporate ethics, primarily through four programs: compliance training for Aeon Executives, Aeon Code of Conduct training for senior management, Aeon Code of Conduct training for general employees, and training for new employees. Hiring examinations and promotion training also incorporate the content and curricula of the Aeon Code of Conduct.

● Compliance Training for Aeon Executives (since 2014)

All Group executives use case studies and other tools to reconfirm written laws, Aeon's voluntary standards, and judgement and behavior that are illuminated by the Aeon Basic Principles. The objective of this training is even more customer-oriented management by highly resolute, ethical and responsible officers who protect Aeon's reputation.

● Aeon Code of Conduct Training for Senior Management (since 2003)

Senior and mid-level executives from the Group companies learn about and share internal and external conditions for corporate ethics, risk management and compliance. The curriculum is designed to empower participants to make their own decisions based on ethical standards.

● Aeon Code of Conduct Training for General Employees (since 2003)

Employees and hourly workers of the Group companies receive general training to confirm the basic precepts of the Aeon Code of Conduct, designed to support actual conduct from the perspective of customers.

● Training for New Employees (since 2004)

This training is designed to give new employees of each Group company a fundamental understanding of the Aeon Basic Principles and the Aeon Code of Conduct and a shared identity as "Aeon People."

Sharing and Encouragement at Overseas Companies

Aeon has been conducting the Aeon Code of Conduct training, establishing hotlines, and instituting monitoring systems (the Aeon Code of Conduct Survey) at the Group companies overseas since 2006. In fiscal 2016, we provided the training at 63 Group companies overseas. A total of 56,000 employees took part in grade-specific training for management, promotion leaders, general employees, and new employees. In fiscal 2017, we plan to provide training to about 60,000 "Aeon People" at 67 companies, including the Group companies where we plan to introduce the Aeon Code of Conduct for the first time.

Implementing the Aeon Code of Conduct Survey

Since 2003, we have conducted an annual anonymous Aeon Code of Conduct Survey of employee awareness to ascertain the extent to which the Aeon Code of Conduct has penetrated the organization and to gather information on workplace issues, employee work styles, motivation levels and the like. This survey is 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 workplace conditions. We also compile, analyze and share survey findings with the Group companies, and use them to help resolve specific social issues. In fiscal 2016, we conducted the survey at 67 Group companies overseas and received 40,000 responses. In fiscal 2017, we plan to survey 45,000 employees at 69 companies overseas, while conducting a survey of employee morale that will cover 74 Group companies and 130,000 employees in Japan. We will continue to strengthen our response to compliance risk by identifying current conditions at each company based on an analysis of the responses and building systems to draw up and implement measures to improve our corporate culture.

Creating Support and Awareness-Raising Tools

Aeon complements training programs by creating a variety of awareness-raising tools to disseminate and inculcate the Aeon Code of Conduct. For example, the Aeon Code of Conduct Newsletter, published every other month since 2004, presents excerpts from the writings of our founder, issues reported or consulted on via the Aeon Code of Conduct Hotline, reports on the results of training programs, and initiatives of each Group company. Every month, we print and distribute approximately 300,000 copies to employees of Aeon Group companies. Employees have responded well to the newsletter, prompting some to revisit the Aeon Code of Conduct and take advantage of the Hotline.

Highlight

Using an Illustrated Book to Share the Aeon Basic Principles

Aeon uses an illustrated book titled *Arigatou no Yakusoku* (The Promise of Thank You; text by Masato Ochi with illustrations by Soya Nagashima) as a tool to share and encourage mutual understanding of the Aeon Basic Principles among the employees of new Group companies. The illustrated book covers the importance of being grateful and saying thank you in any situation and is designed to enhance understanding of the essence of the Aeon Basic Principles in an intuitive manner.

OUR SUSTAINABILITY





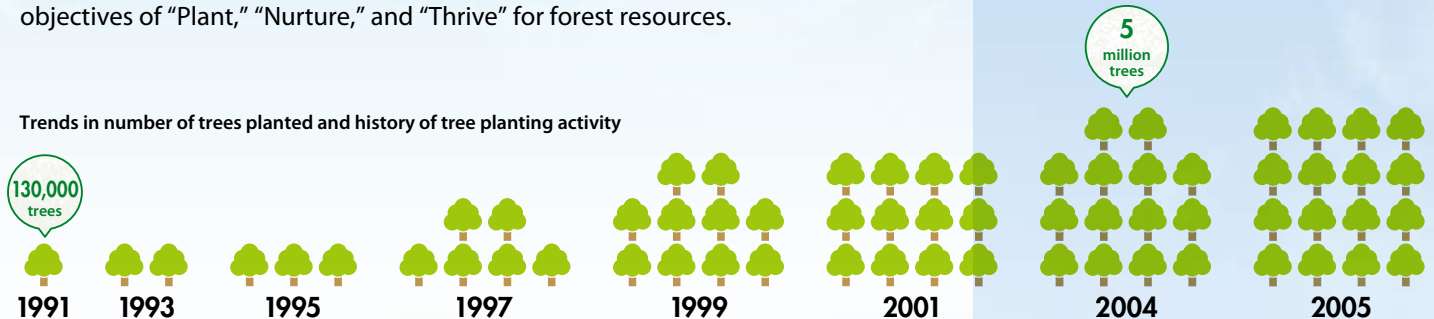
Our Sustainability

Celebrated 25th Anniversary of Aeon's Tree Planting Activity	58
Feature 1: Dialogue with Stakeholders	60
Feature 2: Promotion of CSR in the Value Chain	66
Aeon Group CSR	70
Environmental Management	76

Celebrated 25th Anniversary of Aeon's Tree Planting Activity

Aeon's tree planting activity, which has been promoted along with our customers around the world since FY1991, celebrated its 25th anniversary in October 2016. From now on, as a Group, Aeon will focus even greater efforts on activities with the objectives of "Plant," "Nurture," and "Thrive" for forest resources.

Trends in number of trees planted and history of tree planting activity



*The number of trees is the sum on the right, Through "Aeon Hometown Forests Program," Aeon Environmental Foundation tree planting, and "Aeon Tohoku Reconstruction Hometown Forests Program"



An Activity that Embodies the Aeon Basic Principles

Aeon has positioned the tree planting activity as one that embodies its Basic Principles, which state, "Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core."



Humanity communicating vibrantly

Tree planting brings many people from young to old together. Greetings and conversations start, and smiles spread. Aeon hopes to further expand such forms for vibrant communication through tree planting.

Building foundations for peace

The environmental problem is a common challenge for humanity, which poses a threat to our healthy and peaceful lives. Aeon, which operates a business that is closely linked to people's lives, is striving to solve the environmental problem by planting trees based on the awareness that business only grows when there is a peaceful society.

Growing together with people from the community

Aeon aims to nurture forests that are rooted in the community by mainly planting native tree varieties. Further, we hope to share the wide-ranging awareness obtained through the tree nurturing process with many people and continue to grow constantly.

Promoting Activities Around the World Together with Globalization of Business

When we open a new store, the Aeon Hometown Forests Program joins with local customers to plant trees on the site. The activity, which began in Malaysia in 1991, has now expanded into 11 countries around the world.



10
million
trees

Total number of trees planted
11,441,925 trees
(as of February 28, 2017)



2012

Started Aeon Tohoku Reconstruction Hometown Forests Program aimed at reconstruction of areas affected by the Great East Japan Earthquake. Plant 300,000 trees in Tohoku over the 10 years up to 2021. Photo shows Aeon Town Shiogama.



2013

Held unveiling ceremony for commemorative monument at Aeon Mall Makuhari New City marking ten million trees planted

Aeon Forest Circulation Program – To Communicate Our Thoughts to the Future

We launched the Aeon Forest Circulation Program with the themes of “Plant,” “Nurture,” and “Thrive” on passing the ten million tree mark in 2013.



Aeon Hometown Forests Program at Aeon Mall Nagakute

Planting the Next 10 Million Trees – for the regions and for the future

There are tree planting activities through the AEON Environmental Foundation that aim for the regeneration of forests around the world along with carrying out “Aeon Hometown Forests Program,” and tree planting activities in areas affected by the Great East Japan Earthquake are also implemented.



Expansion of stores utilizing domestically-produced FSC® certified timber

Plant

Construction Materials and Products Made from the Timber of properly-managed Forests

Aeon has been operating Ministop stores that use 100% domestically-produced FSC® certified materials. The number of stores has increased to 206 (as of February 28, 2017). We aim to enrich people's lives through the blessings that nurturing forests and forest circulation brings.



Nurture

Growth with Forests Enriches Lives

We are nurturing and managing the trees that we have planted to date. In addition, we are working with Mie Prefecture and NPO Miyagawa Shinsengumi to raise the successors to the forestry industry. We are also aiming for cooperation with business.



Forest Transcend Project in forestry succession planning launched in 2014

Thrive

What role should Aeon play as a retail business aiming for “sustainable consumption behavior”?

The Dialogue with Stakeholders for 2017 was an exchange of views on how we can spread environmentally- and socially-aware consumption behavior or “sustainable consumption,” to even more ordinary consumers, which is something we are actively addressing under the slogan “Change the future by shopping at Aeon.”



Yukiko Furuya
Captain,
Consumer Affairs Specialist
Consumer Conference for Sustainability

Ten years since handling of MSC-certified fish began

Kanamaru:

At Aeon, some 300 Group companies operate business in 13 countries. In carrying out business, we strive to practice sustainable management with the aim of “realizing a sustainable society” while solving environment and social challenges under the Aeon Basic Principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” As part of this, Aeon emphasizes above all the pursuit of sustainability in the global community in cooperation and partnership with local customers, taking advantage of the retail industry’s distinctive feature of making contact with several million customers a day.

Miyake:

One of our actions to realize this is the “Aeon Sustainable Procurement Principle,” which we formulated in 2014. The Principle aims for the more certain achievement of “social responsibility in the supply chain,” which has become increasingly important in the international community in

recent years. In April 2017, we announced the “Aeon Sustainable Procurement Policy” with regard to agricultural, particularly fishery, and livestock products as well as paper, pulp, timber and palm oil, and the Sustainable Procurement Goals for 2020 as concrete action guidelines.

Kanamaru:

Among these products, we led the industry commencing sales in 2006 of MSC-certified products that show natural seafood was obtained through sustainable fishing. In 2014, we were the first retailer in Asia to sell ASC-certified products, which covers aquaculture fish. Moreover, in 2016, we started deploying regular sales counters called “Fish Baton” which sell only these certified fish. Incidentally, we have two goals in seafood. We aim for all Aeon’s general merchandise stores and supermarkets to acquire MSC and ASC certification for distribution and processing. We will also offer a private brand with sustainable endorsement for all the main fish species. It can be said that the Fish Baton store deployment is an initiative that will lead the way to these goals.

Kuroda:

I currently belong to an organization called CSO Network, which is mainly active in social responsibility, community building, and social evaluation with a focus on sustainability. About 10 years ago, I was a fellow at SAI, the U.S. NGO that formulated SA8000. SAI, like MSC and FSC, is a constituent member of the ISEAL Alliance in the U.K. In an era when impact evaluations of social responsibility standards and labels were becoming more important, I was in charge of the impact study for SA8000 at SAI. This was an era when most people in Japan were unaware of MSC certification, but I was overcome with a strong feeling that Japan was finally getting in with the times on seeing the news that Aeon, which had already obtained SA8000, was starting to handle MSC products. I’d like to pay tribute to the persistent activities the company has developed in the 10 years since then.





Kaori Kuroda

Executive Director,
CSO Network Japan



Kaori Miyake

Executive Officer,
CSR & Communication,
Aeon Co., Ltd.



Haruko Kanamaru

General CSR Division Manager,
Corporate Citizenship Department,
Aeon Co., Ltd.

Furuya:

I currently serve as a consumer affairs advisor at the Consumer Conference for Sustainability, which aims to resolve consumer problems primarily with consumer problems experts. As such, I believe that it is important for companies to work in partnership with consumers on initiatives for a sustainable society. I think that I can give a high rating to the activities promoted by Aeon that enable many customers to raise their awareness about sustainability through their daily shopping, or initiatives that popularize so-called “ethical consumption” among consumers.

Kanamaru:

Your high rating is appreciated. However, although we have been working on MSC and ASC as well as developing Fish Baton, which communicates the significance of them in a way that is easy to understand, over the past 10 years, I really feel that the interest of our customers in sustainability and “ethical” consumption behavior has not spread as we hoped compared with Europe and the U.S., which are leading the way. I hope to get your opinions on the reasons around these issues and the solutions.

Solving social issues alongside “safety and security”

Furuya:

There seem to be several reasons why sustainable consumption is not quite taking off. One reason is that the issues of safety and security, which are important for consumers, are not regarded as issues of the sustainable society. Secondly, the information for social and global sustainable behavior is not adequately communicated to consumers. In other words, the communication of information

on what future life will be like, what the challenges are and how we should solve them seems to be a weakness.

Kuroda:

You mean that there is an emphasis on the form of production and little awareness about changing the form of consumption.

Furuya:

Consumer groups should actively communicate information in order to make consumers’ consumption sustainable in addition to consumer protection.

Miyake:

Although the safety and security of products is a strong consumer need, it is important to be aware that social sustainability, including safety and security, will be strengthened through the behavior of consumers themselves.

Furuya:

In fact, there is no end of misconduct that threatens the safety and security of life. Consequently, while issues such as safety remain important for consumers, there also is a need to strive for the solution of long-term, social issues going forward. On this point, while it may be said that European and U.S. consumers are more advanced, there are also many survey results indicating that the awareness of Japanese consumers is not low. In Japan, as I mentioned previously, I think that the fact that adequate information for consumers to act is not provided is an issue. In Europe and the U.S., civic organizations, such as consumer groups, actively communicate information for consumers to select products from the perspective of sustainability. As a result, boycott campaigns as well as the “boycott” movement to actively purchase products and services from the perspective of sustainability have taken off among consumers.

Kuroda:

Undoubtedly, civic organizations in Europe and the U.S do not only make demands to government for stricter safety standards but also actively communicate the environmental and social issues that arise in the supply chain to corporations and

consumers. As a result, they have had a big impact on the formulation of corporate codes of conduct in addition to significantly changing the awareness of consumers at the same time. There is a process through which interest spilled over into many fields such as the safety of raw materials, the human rights of employees and the conservation of the local environment at the time of production, and the handling of waste and then sustainable consumption behavior with an impact throughout the supply chain came about from consumers' ideas about what they should do.

Furuya:

In Japan, the Consumer Affairs Agency is at the center of efforts to develop a "Consumer Citizen Society" based on the Act on Promotion of Consumer Education established in 2012, but it cannot be said to have been developed sufficiently yet. The Act defines a Consumer Citizen Society as one in which "consumers actively commit themselves to the creation of a just and sustainable society with an awareness of how their own consumption behavior could influence social and economic trends both at home and abroad, and the global environment at present as well as over future generations," which refers to a truly sustainable society.

Kanamaru:

Although I don't have any disagreement with that, to be frank, the wording "Consumer Citizen Society" gives the impression of being rather difficult to understand and of something that is remote from sustainability.

Furuya:

I certainly think that there is a significant issue with the wording. However, I do think that it is important that while following Japanese law, we practice initiatives to build a sustainable society from a global perspective.



Kanamaru:

Definitely, in Japan and overseas, the Japanese government is currently stressing its stance on working to achieve a sustainable society in a partnership between the public and private sectors, which includes the establishment of the SDGs Promotion Headquarters.

And though it is not necessarily for that reason, we are also trying to make the connection between the activities we have been working on

to date and the SDGs clearer.

Furuya:

I think that there is also questioning of how consumer groups will promote SDGs throughout society together with efforts aimed at a Consumer Citizen Society.

Supporting consumer behavior throughout society

Miyake:

What do you think we can do specifically to promote "consumer awareness" throughout society? I'd like to hear your opinions.

Kuroda:

Firstly, speaking of government, as Ms. Kanamaru has said, I think it is extremely positive that the Japanese government has brought achievement of the SDGs to the fore. Going forward, I am also expecting that "sustainable procurement" will increase between the companies involved ahead of the 2020 Tokyo Olympic and Paralympic Games. In addition, as I touched on in the example of Europe and the U.S. earlier, I think that it is important that NPOs and NGOs not only ensure product safety and security but also take a good look at corporate supply chains and speak out. Recently, many companies have made some kind of statement about sustainability, but I believe that it is also vital to fulfill the checking function that has become customary in Europe and the U.S., including properly checking such statements in addition to monitoring and reporting. How do we respond to risks? Climate change is a major risk, but initiatives aimed at mitigation and adaptation will also be business opportunities.

Kanamaru:

What about corporations? As I said at the beginning of our discussion, we are focusing on "Changing the future by shopping at Aeon" while constantly increasing our handling of MSC and ASC certification as well as full-cycle aquaculture tuna, organic products and Fairtrade products, but I also feel frustrated that we have only been able to communicate its significance to some customers.

Furuya:

This is an initiative that takes advantage of "solving issues in partnership with customers," which is a unique characteristic of the retail industry, and I would like you to strengthen it. However, the problem is with how much it communicates, and the "Please buy this product because it is good for the environment and society" approach often seen at Japanese companies does not pave the way to communicating the issue to customers and getting them to take action.

Kanamaru:

Because people certainly aren't suddenly motivated to buy even if certified products are lined up in front of them.

Miyake:

To stop that happening, we explained what kind of environmental and social issues there are at point-of-purchase and other places in ways that are easy to understand, but we might need to check again whether it really is easy to understand.

Furuya:

To make sure that it does not end up as a discussion of the faraway world, the company communicating the information needs the kind of narratives and strategies that make people really feel that society will change through their own

consumption behavior. Also, if the information provided includes how much of a result the behavior produces, it can bring about quite a lot of change.

Kuroda:

The fact that everyday shopping and global sustainability are not connected is a matter of course for ordinary consumers, so it is a chance to show off how you can get them to use their imaginations. Incidentally, I saw in Aeon Sustainability Report that more than 200 Ministop stores use 100% FSC® Japan certified lumber. I think that it would be effective if you informed people about this more actively through easy-to-understand communication in stores and other places, including why FSC certification is an issue that involves the global forest problem and Japan's forestry industry.

Kanamaru:

As you point out, we are currently promoting instore displays that try to appeal in a way that is easier-to-understand.

Promoting awareness of "process (supply chain)" rather than place of origin

Kanamaru:

This might be changing our discussion a bit, but there was just talk of domestically produced lumber so I will bring it up. I feel there are Japanese consumers who are particular about domestically produced products due to an excessive focus on safety and security. Domestically produced lumber is good because it leads to the sustained growth of the domestic forestry industry, but, for example, as organic food which has obtained JAS organic certification is not always domestically produced, there has been some surprise about Aeon's organic food being produced overseas. There is not only the aspect that organic is safe food that is good for health in the first place, but it also includes the perspective of sustainability in terms of maintaining the ecosystem, particularly in fields. However, we have not been able to get that much interest so far.

Kuroda:

Only the values of safety and security have been emphasized. Therefore, the impression that such products are probably domestically produced tends to occur. I think that if you are aware of the reality that the food self-sufficiency rate is about 40% on a calorie base, you can imagine to some extent that there are more overseas produced foods, but this "awareness" has not been well established.

Kanamaru:

There are also people who only see the safety and security aspect of domestically produced products with the expression "local production for local consumption," and I feel that they are losing sight of the environmental and social sustainability aspects in terms of increasing the food self-sufficiency rate through the revitalization of the regional economy and local agriculture, forestry and fisheries industries.

Furuya: The safety and security orientation of Japanese people is strongly entrenched, and it is a fact that there are many

people who are particular about the place of origin. However, rather than repudiating such consumers, I think it is important to expand from there toward the perspective of sustainable consumption. For example, I think that it would be a positive thing if there was a campaign that draws on the interest of consumers who have a strong focus on place of origin to point out that it is also important to look at what the problems are in the present process. What do you think about sending the message that it is important to check whether consumption is sustainable, including human rights, the working environment, environmental impact, and the problem of the food self-sufficiency rate in the case of Japan, at the same time as quality such as safety and security while looking over the process as a whole, or, in other words, the supply chain?

Miyake:

Focusing on the supply chain to emphasize the diverse perspectives of sustainability seems like a very effective method. That's really helpful.

Importance of collaboration between information providers

Furuya:

In terms of focusing on the supply chain, I talked about the communication of information by NPOs and NGOs in Europe and the U.S. a little earlier, but the same applies to scientists, the media, and educators.

Kuroda:

The media also takes up supply chain issues quite a bit and actively reports ratings of corporate CSR activities. In addition, consumer groups collaborate actively with NPOs and NGOs to develop consumer citizen education, which is quite different from my impression in Japan.

Miyake:

What are the differences in terms of education? Do you know, Ms. Furuya?

Furuya:

In consumer education, I have the impression that knowledge and countermeasures on important issues are emphasized in Japan. However, overseas, there is an effort to cultivate a perspective of solving long-term global problems through a sequential narrative that starts with the world food situation, and, within that, asks where the food you eat comes from, what kind of problems there are with it, what kind of life you want in the future, and what kind of consumption style is suitable to achieve it. In addition, there is active research to promote sustainable consumption by consumers not only by universities, but also by civic organizations, including consumer groups, and corporations among others particularly in Europe



and the U.S. What about Aeon conducting research on sustainable consumption as well?

Kanamaru:

There are some points in common with our previous discussion about focusing on the supply chain overall to raise the awareness of consumers.

Kuroda:

As with consumer education, I think that a comprehensive perspective for the topic of communicating information that we discussed before is important. In Europe and the U.S., the various sectors like government, NPOs, NGOs, corporations, research institutions, and educational institutions each work on the problem of sustainability in a well-balanced way. In that sense, Aeon has provided opportunities for environmental education for elementary and junior high school students with the Cheers Club, and I thought it was a very positive initiative to see the company promoting activities in collaboration with external organizations.

Kanamaru:

At the moment, there are approximately 450 clubs around Japan, and about 7,800 children have taken part, and in discussing the current topic, I was thinking that since they are at elementary and junior high school for nine years, it is important for them to learn about the overall picture of environmental and social issues as a continuum rather than individual points.



Kuroda:

What I would also like to emphasize is "collaboration." Overseas, people with different backgrounds such as managers, researchers, labor unions, NPOs, and NGOs, started having discussions around the same table and coming up with new things in the 1990s. GRI and SAI were these kinds of groups, which at the time were called multi-stakeholder initiatives. It has been said that Japan is not good at forming horizontal relationships between people from different groups, but I think that

multi-stakeholder frameworks have been increasing over the past few years.

Declaration of intent by senior management and dialogue stimulate CSR activities

Miyake:

I think that the lack of collaboration between organizations in Japanese initiatives is very much a problem because Japanese companies and NPOs are vertically separated from each other and, each of the organizations in and of themselves are vertically organized. Because of this, they cannot draw on diverse opinions that include outsiders. However, if that's all we

say about it, the criticism ends up being a generalization, so if you have any hints for solving this, I'd like to hear your opinion.

Furuya:

Aeon participates actively in the efforts of relevant government agencies and ministries and business organizations. The company also collaborates with local governments and interacts with elementary and junior high schools. I don't think that such things can be done by a single department alone. I think that there is a hint in the question of why you can do it. In other words, it is because senior management sends a strong message. Therefore, I think that there is an organizational atmosphere in which there is repeated dialogue aimed at a single goal even between departments and organizations with conflicting interests. What I sensed when taking part in a certain corporate event in London this February is that senior management of companies anywhere which focus on sustainability send out strong messages, and each department collaborates internally and externally in accordance with its respective role. I wonder whether Aeon is like that.

Miyake:

We certainly might be. Our President Motoya Okada is pretty clear about sustainability. "Going global" as he says. The concept is that it is natural to promote our business based on global standards as Aeon's customers are global. While many Japanese companies are hesitant about whether they can be assertive in the face of a lack of evidence or troublesome coordination of interests with stakeholders, Aeon has a reputation for implementing sustainability-related activities due to the clear stance of senior management, and such clarity is much appreciated on the ground. Of course, it is difficult to send messages about every challenge in management, but our approach to sustainability is consistent.

Kuroda:

An extremely interesting point is what motivated Aeon to initiate these kinds of activities. For example, Marks and Spencer, a British retail business, is one of the leading companies in sustainability. But I heard that in the past it faced various problems, and it was improved in some sense through the process of responding individually to much criticism from NGOs and others, and the awareness of senior management also changed.

Miyake:

The occurrence of problems as a trigger for the process of deepening awareness is pretty much the same at Aeon. In fact, around 2000, the consumption of whales in Japan was considered a problem, and Group companies in the U.S. faced boycotts. There was a typical protest movement involving pickets and so on. At the time, we thought that it would blow over after a while, but President Okada understood the situation and visited himself to start direct talks with NGOs. It was unprecedented in terms of corporate risk management, but I heard that he himself had strong intentions. For a full two years after that, I also happened to be in the action team and often took the time to visit NGOs and talk with them. To be honest, my feeling at the time was that it should be left alone because it is Japanese culture. But Mr. Okada's policy was to talk together anyway, so through this the other side also listened to us, and it became a constructive discussion in which

we made suggestions about what to do.

Furuya:

So a discussion in which repeated dialogue produced results.

Miyake:

Yes. It was the trigger for the formulation of the Aeon Supplier CoC in 2003, and our endorsement of the Global Compact in 2004, leading to the acquisition of SA8000. In addition, the NGO groups still visit Japan several times a year to exchange opinions while discussing what we can do together. Also, based on the experience of that time, I think that a corporate culture has been fostered in which dealing with stakeholders such as NPOs and NGOs properly promotes growth. Of course, rather than just accepting anything, we divide up what we can and cannot do as a company and make decisions on things we will address straightaway and things we will consider over the medium-to-long term.

Kuroda:

Listening to you speaking, I was thinking that there is a point that ties in with this. This point is what a change there has been in the relationships between corporations and NPOs and NGOs. It is well-known that there was a large-scale boycott campaign around 1997 about child labor and forced labor at manufacturing subcontractors for U.S. firm Nike. NPOs and NGOs had pointed out issues while going on the offensive against companies, launching boycott campaigns and opposition campaigns in the past. At many groups, this incident was an opportunity to reaffirm that our ultimate goal was not to strike at corporations, but to create an environmentally-friendly society without human rights abuses, and we began ongoing dialogues with corporations. This is exactly what our current discussion is, and we will look for solutions while building up dialogue over several years. And if there are things wrong in the supply chain, we will solve them together. Such relationships started happening from 2000 onward, and I was thinking that this fits in with our current discussion.

Fostering the next generation, including a local perspective

Miyake:

So let me bring up our final discussion. Some people say of our initiatives that we can do them because we are a big company. Earlier, I mentioned “global standards” as a statement of Mr. Okada, but global standards are by no means always fulfilled. For example, rather than not partnering with local agricultural producers who have not acquired GLOBAL G.A.P. certification, we promoted food artisan activities to emphasize the distinctive local food culture nationwide. We call this movement “global management” at Aeon, and I would like to hear your opinion on this direction.

Kuroda:

I think that it should be rightly commended as an initiative that is uniquely characteristic of a retail business rooted in the community. On the other hand, it is a fact that the hurdles for

small- and medium-sized enterprises to acquire international certification are high. In public procurement, a gradually increasing number of local governments seem to be adopting and supporting a so-called comprehensive evaluation system in which for example they provide incentives and add points to environmentally-friendly enterprises, so I think it is a positive thing for Aeon to try to revitalize local industry from such a comprehensive perspective.

Furuya:

With regards to sustainable consumption, which is today's theme, environmental issues have been familiar to the young generation born between the 1980s and 2000s, the so-called millennials since they were born, so they are quite interested. Also, these people have an affection for the area where they were born and raised, and are a generation with a strong entrepreneurial spirit. Therefore, I think you should increase the handling of local produce and so-called social products involving these young local managers and actively stress its appeal to implement activities that connect the company's sustainability initiatives with sustainable consumption by consumers.

Miyake:

Thank you for your opinions. Today, we heard a discussion on the theme of sustainable consumption from a variety of perspectives such as what reasons are hindering its spread and what we should do to promote it. As part of this, the points about how we should communicate information as a retail business with customer connections, the points to stress as a narrative for customers, and the points about emphasizing the effects of sustainable consumption are very

useful, and I would like to consider them with sales departments straightaway. Going forward, Aeon will continue to promote initiatives with an awareness of sustainability from a global perspective in each region based on all of your opinions. We would like to continue hearing your opinions in the future. Thank you very much for today.





Expansion of people and environment-friendly TOPVALU Gurinai into three product lines.

A Private Brand Committed to Safety and Security and Consideration for the Natural Environment

Amid mounting interest in health and the environment, in 1993 Aeon began developing and selling the Gurinai private brand (name changed to TOPVALU Gurinai in 2000), which is committed to safety and security and consideration for the natural environment.

We began with agricultural produce that minimized pesticides and chemical fertilizers as much as possible. Starting in 1997, we expanded the products handled to include livestock products and processed food and offered processed foods that included Tasmanian beef and junkikei chicken, raised without the use of antibiotics or growth hormones, organic tofu and organic miso. Further, we began selling MSC certified products in 2006. MSC certification shows that fishing takes care of the marine environment and creatures so as not to cause a decline in the number of natural fish. In 2014, we were the first in the Asian retail industry to start selling ASC certified products. ASC

certification shows that farming takes care of the marine environment and creatures, the community and human rights. Further, we have been expanding the TOPVALU Gurinai Organic series since 2014. Aeon provides customers with a wide range of organic products.

Strengthening Health & Wellness Products in Response to Need for "More Natural Food"

Today, customers increasingly have a "natural orientation." They want more organic products and food that contains as few additives as possible. Therefore, Aeon has positioned the strengthening of health & wellness products as a pillar of the Group's growth strategy. In addition, we expanded the TOPVALU Gurinai series into the three Organic, Natural, and Free From lines in November 2016. We began selling a total of 570 products at the Group's approximately 2,600 stores across Japan, including Aeon, Aeon Style, MaxValu, and Daiei.



The Organic series consists of products cultivated organically without the use of pesticides and chemical fertilizers that have received official organic certification.



TOPVALU Gurinai Organic Cut Tomato



The Natural series consists of products developed and raised minimizing the use of chemically synthesized pharmaceuticals and feed as much as possible. They include Tasmanian beef raised on Aeon's own ranches and MSC certified and ASC certified fish caught using sustainable methods.



TOPVALU Gurinai Natural Junkikei Salad Chicken



The Free From^{*1} series includes processed foods developed taking into consideration 109 types of additives and ingredients^{*2} that customers are concerned about when they shop.



TOPVALU Gurinai Free From Pain de Mie

^{*1} "Free" means "absent" or "non-existent," and "free from" in food indicate that additives and ingredients that customers are concerned about are not used.

^{*2} 29 synthetic colorings, 15 synthetic preservatives, 3 coloring agents, 5 fungicides, 10 artificial sweeteners, 23 flavor enhancers (amino acids), 6 flavor enhancers (nucleic acids), 3 anti-oxidants, 3 bleaching agents, 6 manufacturing agents, and 6 foods that contain a lot of trans-fatty acids

KEY-WORDS

Aeon Sustainable Procurement Principle

Key Issue 2
▶ P. 94

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

14 USE OF WATER
FISH

15 USE OF LAND
TREE

Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020

Key Issue 2
▶ P. 94

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

14 USE OF WATER
FISH

15 USE OF LAND
TREE

Aeon Seafood Procurement Principle/MSC and ASC certified products/full-cycle aquaculture fish

Key Issue 2
▶ P. 95

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

14 USE OF WATER
FISH

Aeon Forest Resources Procurement Principle/FSC® certified products/FSC® certified stores

Key Issue 2
▶ P. 96

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

15 USE OF LAND
TREE

JAS Organic Produce and Processed Foods "Certified Importer" license

Key Issue 2
▶ P. 97

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

TOPVALU Gurinai (Organic, Natural, and Free From)

Key Issue 2, 4
▶ P. 66

3 GOOD HEALTH AND WELL-BEING
HEART

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

Fair Trade certified products/Fair Trade procurement program

Key Issue 5
▶ P. 128

1 NO POVERTY
PEOPLE

8 DECENT WORK AND ECONOMIC GROWTH
BAR CHART

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

Halal certified products

Key Issue 4
▶ P. 116

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

Traceability/Producer information retrieval system

Key Issue 4
▶ P. 115

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

Green procurement (construction materials)

Key Issue 3
▶ P. 106

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
∞

15 USE OF LAND
TREE



Trailer Relay Transportation Initiative by Aeon and Kao Received “Minister of Economy, Trade and Industry Award”

Promoting modal shift in partnership with company from different industry

Aeon Global SCM Co., Ltd., which is responsible for distribution at Aeon, has been studying transportation initiatives together with member companies through the Modal Shift Study Group being run by the company with the aim of reducing CO₂ emissions. In the area of freight transportation, Aeon Global SCM commenced trailer relay transportation in partnership with Kao Corporation in June 2016. Aeon and Kao's trucks transport their own merchandise on trailers from Kanto and Chubu, exchange cargo at the relay point and deliver their cargo to the other company.

Trailer relay transportation began operation with the aim of improving the working environment for truck drivers and reducing CO₂ emissions. The relay transportation has enabled truck drivers to make day trips, which improved operational efficiency and resulted in fewer working hours per driver. It has also reduced CO₂ emissions by 27.5% by reducing the number



Unloading goods after delivery

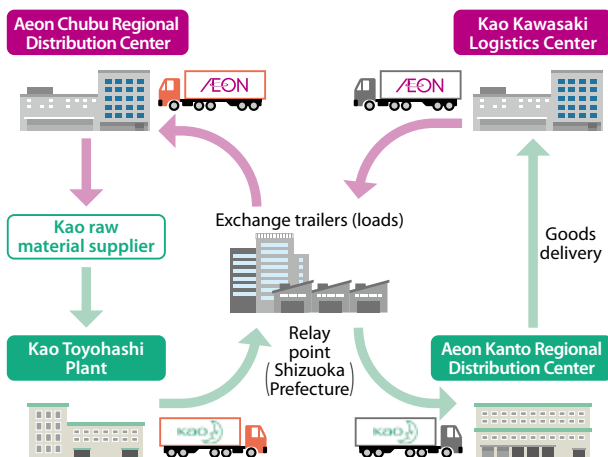
of vehicles operated through enhancement of the ratio of trucks traveling with cargo loaded.

Received the Minister of Economy, Trade and Industry Award under Excellent Green Logistics Partnership Commendation Program

In recognition of this initiative, in December 2016, Aeon and Kao received the Minister of Economy, Trade and Industry's Award under the Excellent Green Logistics Partnership Commendation Program of the Green Partnership organized by the Ministry of Land, Infrastructure and Transport, the Ministry of Economy, Trade and Industry and others.

This award is presented for excellent initiatives with particularly outstanding achievements in the construction of a sustainable distribution system, and this is the second year in a row that Aeon has received the award following last year's award presented for its initiative to reduce environmental impact by running the Aeon Rail Transport Study Group's dedicated train.

Going forward, Aeon will continue to actively promote modal shift across industries as well as through means other than rail transport and strive to reduce CO₂ emissions.



At the awards ceremony (with joint recipients Mukohjima Co., Ltd. and Fukuyama Transporting Co., Ltd.; at center is Takayuki Sumita, Director-General for Commerce, Distribution and Industrial Safety Policy, Ministry of Economy, Trade and Industry)

KEY-WORDS

Aeon Supplier Code of Conduct (CoC)

Key Issue 5
▶ P. 124



SA8000 certification

Key Issue 5
▶ P. 128



TOPVALU quality control/ ISO9001 certification

Key Issue 4
▶ P. 77/P. 112



Reduce Amount of Materials Used in Packaging and Containers

Key Issue 3
▶ P. 104



Food Safety Management Standard JFS-E-C certification

Key Issue 4
▶ P. 113



Modal shift/ Relay transportation of trailers

Key Issue 1
▶ P. 89





Aeon Mall Tamadaira no Mori wins ABINC Special Award for initiatives to preserve biodiversity.

Implementing Store Development with Consideration for Preservation and Creation of Ecosystems

Aeon implements store development with consideration for preservation and creation of ecosystems in order to minimize the impact of stores on the surrounding natural environment and ecosystem as much as possible. These efforts include biodiversity assessments when establishing a store and the planning of measures to reduce environmental impact.

As part of this, Aeon has been acquiring Creature symbiosis office® certification (Urban/SC version) from the Association for Business Innovation in harmony with Nature and Community (ABINC) since fiscal 2013. This is an objectively positive evaluation of the preservation of biodiversity at our stores. So far, we have acquired certification at six stores: Aeon Mall Toin, Aeon Mall Tamadaira no Mori, Aeon Mall Tokoname, Aeon Mall Shijonawate, Aeon Mall Sakai Teppochō, and Aeon Mall Nagakute.

Gaining Accolades as a “Pioneering Presence in Activities to Preserve Biodiversity at Large-Scale Commercial Facilities”

Of these stores, Aeon Mall Tamadaira no Mori, which opened in 2014 with a concept of “a beautiful, lush green garden,” won the first ABINC Special Award in the Urban Shopping Center category in October 2016. On receiving the award, the store was highly commended as being “a pioneering example of addressing the possibilities for preserving biodiversity in large-scale commercial facilities, including installation of a rooftop biotope and a Rain Garden™ within the constraints of business.”

Aeon will continue creating mechanisms to protect Local Ecosystem and contributing to the preservation of local biodiversity through these mechanisms going forward.



Preserving Existing Trees and Creating a Walking Path

Around 50 of the existing trees, including zelkova, ginkgo and others, have been retained as they are. On the north and east sides of the site, we established a green belt where we preserved the existing trees to secure a safe and healthy walking space that retains the look of Tamadaira no Mori.



Rooftop Biotope

We installed a rooftop biotope on the open hillock on the fourth floor. It is useful for environmental studies and environmental protection education.



Rain Garden™

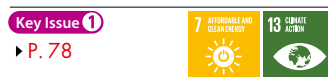
Substances contained in exhaust fumes and so on can be mixed in with rainwater, and there is a risk that these substances may harm the ecosystem if they flow into rivers and oceans. The Rain Garden™ reduces the negative impact on the ecosystem by purifying rainwater as it permeates through the ground.

KEY-WORDS

Aeon Eco Project/Smart Aeon



Eco-tuning business



Fish Baton



Aeon Food Sanitation Certification System



Aeon Declaration on Natural Refrigerants



Creature symbiosis office® certification (Urban/SC version)





TOPVALU fururi, an umbrella that contributes to reducing CO₂ emissions, received Eco-Products Award.



Using Green Polyethylene Derived from Sugar Cane as Raw Material

Aeon strives to develop and sell products that contribute to reducing CO₂ emissions. One such product is a vinyl umbrella called TOPVALU fururi. Green polyethylene derived from sugar cane, which reduces CO₂ emissions, is used as some of the raw material. Further, because each of the vinyl fabric, ferrule, and umbrella frame parts can be disassembled, it is easy to separate the garbage and encourages recycling. As the umbrella frame is also made of glass fiber, it is flexible and not easily broken. As a result, it also leads to a reduction in waste because it can be used for a long time.

To enable customers to use vinyl umbrellas, which are usually considered disposable, for as long as possible, we came up with a device to allow mixing and matching vinyl fabric and umbrella frames. It has been popular as an eco-friendly and fashionable umbrella.

In recognition of these features, the umbrella received the Chairperson's Award, Eco-Products Awards Steering Committee at the 13th Eco-Products Awards organized by the Eco-Products Awards Steering Committee in November 2016.

KEY-WORDS

Reduction of plastic shopping bags/Bring Your Own Shopping Bag Campaign

Key Issue 3 ▶ P. 107



Collecting Recyclable Resources at Stores (containers and packaging)

Key Issue 3 ▶ P. 108



Collecting Recyclable Resources at Stores (products)

Key Issue 3 ▶ P. 108



Reduction of food loss

Key Issue 3 ▶ P. 105



Rolling stock

Key Issue 4 ▶ P. 117



Store awareness raising activities

Key Issue 3 ▶ P. 108



Consideration for reducing waste at use stage

Key Issue 3 ▶ P. 104



Commenced full-scale shipment of farm products grown through food recycling loop using food waste for compost.

Shipping 520 Tons of Vegetables Harvested Through Aeon's Complete Food Recycling Loop

Aeon Agri Create Co., Ltd., an Aeon Group agricultural corporation, began full-scale shipments of cabbages grown through Aeon's complete food recycling loop to Aeon Group stores in the Kansai area in June 2016. The food recycling loop is an initiative to turn food waste including uneaten food from stores into compost which is returned to the soil to cultivate farm products. Aeon's food recycling loop is a "closed recycling loop" in which food waste from Aeon Group stores is recycled into compost with the compost used to grow farm products at Aeon's directly operated farms and the grown farm products

supplied again to Aeon Group stores.

In fiscal 2016, Aeon shipped around 520 tons of these farm products, including daikon radishes, Chinese cabbages, spinach, and cherry tomatoes in addition to cabbages.



KEY-WORDS

Aeon "Waste Zero" Effort Concept

Key Issue 3 ▶ P. 102



Zero emissions malls

Key Issue 3 ▶ P. 104



Food recycling loop

Key Issue 3 ▶ P. 105



Returnable containers

Key Issue 3 ▶ P. 106



Reused hanger

Key Issue 3 ▶ P. 106



Recycling of collected containers and packaging

Key Issue 3 ▶ P. 108



Basing Actions on our Company mission statement of “Supporting the Local Community through Commerce”

The Origin of Aeon’s CSR Activities Engaging in “Responsible Initiatives” while Expanding our Business

Aeon’s predecessor company, JUSCO, Inc., came into being in 1969, as the result of a merger between three companies—Okadaya, Inc., Futagi, Inc., and Shiro, Inc. JUSCO expanded business with the mission statement at the time of ‘Supporting the Local Community through Commerce.’ Since that time, the Aeon Group has grown its business and partnered with companies that share its aspirations for moving retail into more corporate, modern, and industrial forms. In the past 46 years, sales have increased from 500 million JPY to 8 trillion JPY, the number of stores has expanded from 70 to 21,113, and the number of employees has increased from 4,000 to approximately 520,000.

While charting this course, Aeon has generated new strength for responding to changes in the times by bringing together a work force with a diverse array of skills. In order to continue providing safe and reassuring products, we have constantly increased our emphasis on and recognition of “responsible initiatives” along with business expansion. In alliance with our business partners and many stakeholders, we have remained aware of the importance of increasing value, such as the quality of products, and of the growing expectations from society for our role in providing employment and protecting the environment as the scale of our business increases.

The Origin of Tree Planting Activities Carrying the Source of Wealth forward into the Future

In the 1960s, Takuya Okada, then president of Okadaya, Inc. (present day AEON) and currently Aeon Honorary Chairman and Advisor, noticed that the Nandina Heavenly Bamboo flowers in the garden of his home had stopped blooming. He assumed that was a result of the earth’s changing environment. He also felt a sense of crisis, realizing that the pollution accompanying economic growth would create social problems and that the loss of nature’s richness would be connected with a loss of sources of wealth. In response, the Aeon Hometown Forests Program was started in 1991 as a tree planting activity around Aeon businesses and as an initiative that leveraged the advantages of retailers to bring them in close contact with their region. By planting trees with local customers, the Company was able to work side by side with local residents, deepen connections, and share a peaceful sense of joy while recognizing the importance of nature. Mr. Okada’s idea was to incorporate the Aeon Basic Principles by expressing them through tree planting activities.

1989 – 2001

Building a CSR Promotion Framework and Launching New Initiatives Starting with Trees—Embarking on Many Activities Leading to Today’s CSR Initiatives

In order to carry out corporate activities befitting of a retailer representing Japan as well as Asia, and to continue to be a retailer consistently delivering vital value in the form of “richness,” Aeon has proceeded to build a framework since the latter 1980s for engaging in CSR activities as an organization.

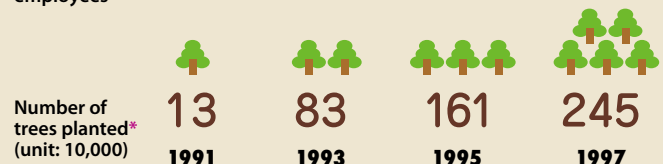
In 1989, the Aeon Group 1% Club (the present AEON 1% Club Foundation) was established (▶ P. 154) and in 1990 the JUSCO Earth-Friendly Committee was formed, along with the Aeon Group Environment Foundation, the present AEON Environment Foundation (▶ P. 158).

Building on this framework, the Aeon Hometown Forests Program was started in 1991, followed by the Bring Your Own Shopping Bag Campaign and the Collecting Recyclable Resources at Stores Campaign. In addition to receiving the international standard ISO 14001 certification for our environmental management system in 2000, we have launched many other activities leading up to today’s CSR initiatives, including starting the Aeon Happy Yellow Receipt Campaign when we used the occasion of changing our company name in 2001 to also designate the 11th of each month as “Aeon Day.”

- 1989** Established the Aeon Group 1% Club Foundation
- 1990** Established the JUSCO Earth-Friendly Committee
Established the Aeon Group Environmental Foundation
- 1991** Initiated the Aeon Hometown Forests Program
Started Clean & Green activities
Commenced the “Bring Your Own Shopping Bag” Campaign on a trial basis as well as launched the experimental “Collecting Recyclable Resources at Stores” Campaign
- 2000** Acquired the international standard ISO14001 certification for environmental management
- 2001** Started the Aeon Happy Yellow Receipt Campaign

Operating
revenue

Group
employees



2002 – 2007

Expanding Activities from a Global Perspective

Launching Initiatives Incorporating the 10 Principles of the United Nations Global Compact

With a view to reinforcing its global perspective on CSR, Aeon in 2004 became Japan's first retailer to sign the United Nations Global Compact. In the same year, we also acquired SA8000 certification (▶ P. 128), an international standard related to human rights and labor conditions. The "Aeon Supplier CoC" (Code of Conduct), formulated the previous year (2003), is based on the 10 principles outlined in the United Nations Global Compact and the requirements of the SA8000 Standard. Building on these activities, Aeon and three labor organizations, including the international labor body UNI Global Union, signed the Global Framework Agreement on labor practices, human rights, and the environment in 2014.



- 2003** Formulated the Aeon Supplier CoC (Code of Conduct)
- 2004** Endorsed the United Nations Global Compact
Acquired the international standard SA8000 certification, an international standard related to human rights and labor conditions

2008 – 2010

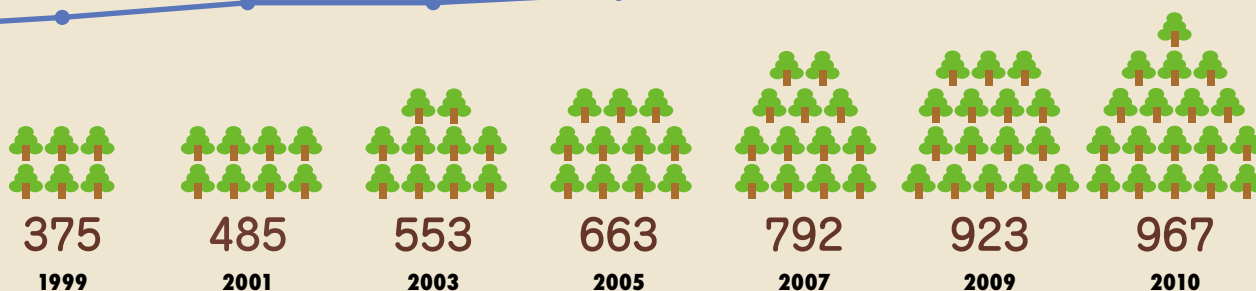
Promoting More Group-wide and Planned Activities

Formulating Aeon Group Principles Concerning Biodiversity and the Prevention of Global Warming

In 2008, we announced the Aeon Manifesto on the Prevention of Global Warming, the first Japanese retailer set specific targets for CO₂ emission reduction. Through initiatives in our stores (developing Eco Stores, etc.), in our products (conserving resources used in packaging materials and changing transportation methods), and with our customers (planting trees at Aeon stores), we were able to surpass the FY 2012 reduction target of a 30% (1.85 million tons-CO₂) cut, in comparison with FY 2006 levels, one year early in FY 2011, by achieving a 2.08 million tons-CO₂ reduction. At present, we are not only reducing CO₂ emissions, but have also added the Aeon Eco Project (▶ P. 84), as part of our effort for stores to be emergency lifeline centers.

Furthermore, we formulated the Aeon Biodiversity Principle in 2010, the year that COP10 (the 10th Meeting of the Conference of the Parties to the Convention on Biological Diversity) was held in Japan. Aeon continues to develop and sell biodiversity-responsive products with MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council), and FSC (Forest Stewardship Council) certifications, and creates stores conscious of protecting ecosystems.

- 2008** Formulated the Aeon Manifesto on the Prevention of Global Warming
- 2010** Formulated the Aeon Biodiversity Principle



* Combined total for the "Aeon Hometown Forests Program," AEON Environmental Foundation tree planting, and "Aeon Tohoku Reconstruction Hometown Forests Program."

Stepping Up Key Issue Initiatives Based on the Aeon Sustainability Principle

2011 – 2013

Striving for Group Growth and Societal Development

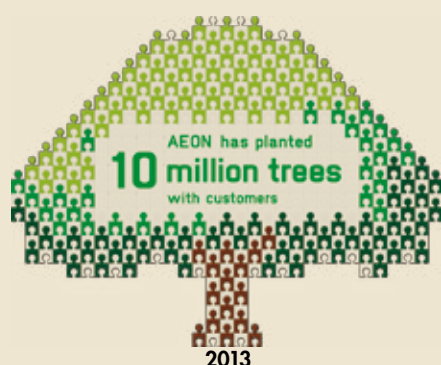
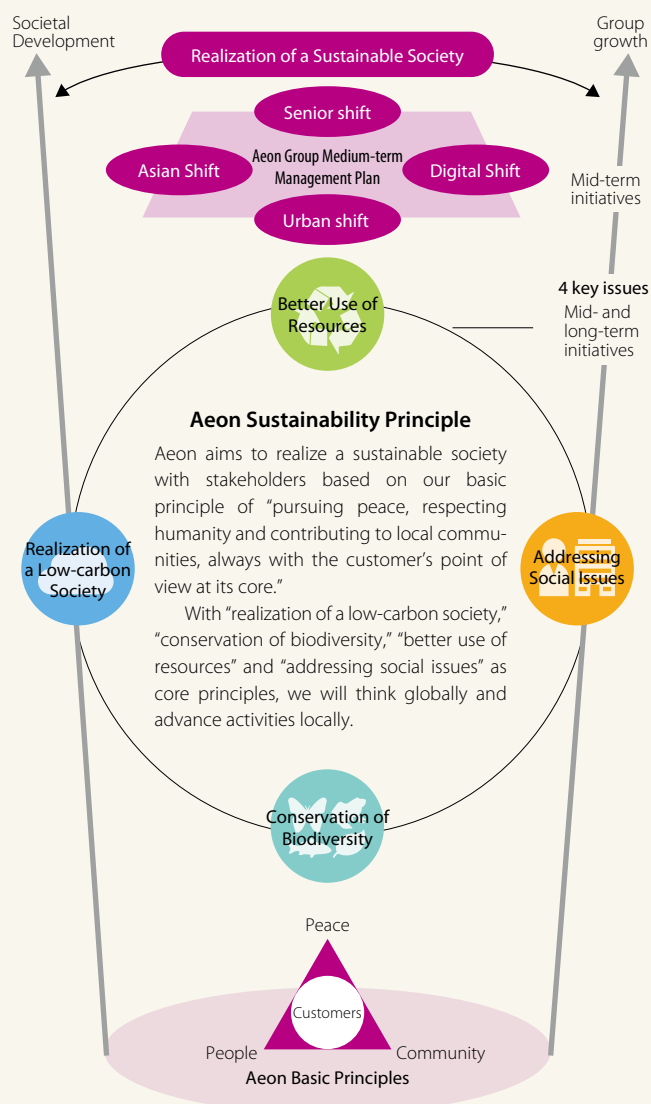
'4 Key Issues' for Sustainable Management

As the globalization of our business continues to make great strides and our impact on the environment and society rise to new levels, we are more actively promoting CSR initiatives Group-wide. In March 2011, we formulated and announced the Aeon Sustainability Principle seeking to achieve sustainable management that satisfies both group growth and societal development. In March 2011, Aeon Co., Ltd. formulated and announced the Aeon Sustainability Principle.

In formulating the Principle, we took into account worldwide megatrends, the changing values of people, social issues addressed in the UN Millennium Development Goals (MDGs), guidelines regarding social responsibility, such as ISO 26000, as well as the basic content of our new Medium-term Management Plan. Deliberations took place by stakeholders inside and outside the company, such as our Environmental Advisory Board, outside Directors, and Aeon people involved with CSR activities. Along with determining the 4 Key Issues for the Aeon Group, we set Medium- and long-term key performance indicators (KPI) for each Key Issue, and publicize our progress every year in our Aeon Sustainability Report.

- 2011 Established Aeon Sustainability Principle
- 2012 Started Aeon Eco Project
- 2014 Formulated the Aeon Sustainable Procurement Principle
Global Framework Agreements

Aeon Basic Principles and Sustainable Business

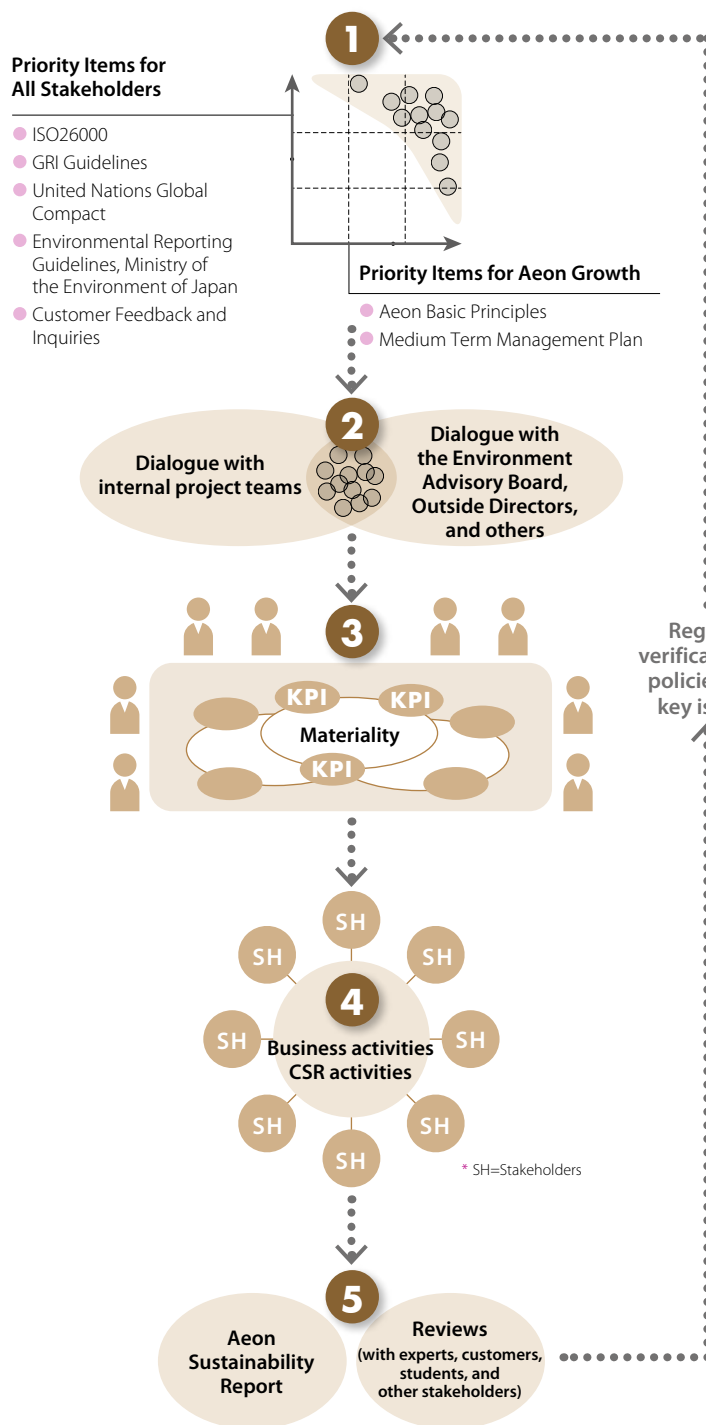


Number of trees planted:
more than **10** million



Materiality Determination Process

Leveraging the materiality assessment cycle to reflect the voices of stakeholders inside and outside the Company



Aeon draws out material issues concerning CSR activities from the two perspectives of “demands and expectations from society” and “degree of importance for Aeon management” and identifies key issues in the Management Committee while taking into account discussions with stakeholders inside and outside the Company. Additionally, in our Aeon Sustainability Report published every year, we continue to widely publicize the progress of various initiatives based on the key issues. Furthermore, we are using stakeholder input gained from these PR activities and our daily operations to identify new materiality. In this way, Aeon is leveraging the materiality assessment cycle to constantly raise the level of activities related to CSR.

- 1** Drawing out material issues concerning CSR from two perspectives
- 2** Determining key issues while deliberating with key persons inside and outside the Company
- 3** Setting key issues and key performance indicators (KPI) in the Aeon Management Committee (Management meeting)
- 4** Implementing projects/CSR activities with stakeholders
- 5** Keeping up with new material issues by publishing the Aeon Sustainability Report and having daily dialogue with stakeholders

Putting sustainability management into practice (1)

Launching “Big Challenge” — Our Targets for 2020

In order to further advance our sustainability management while responding to the changes in the social environment and the business environment, Aeon assessed the results of its current CSR activity level as “Stage II” in 2014. This refers to a three-stage classification system where Stage I denotes business management that controls risk in social, environmental, and economic terms; Stage II denotes CSR activities as functioning to solve social issues and providing the opportunity for growth; and Stage III denotes CSR activities and business activities being managed in a fully integrated fashion. Aeon announced its “Big Challenge” comprising 10 categories that need to be achieved for Stage III by 2020.

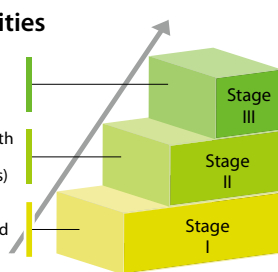
Additionally, we hold regular dialogs with outside experts based on the progress of these activities. With the Corporate Citizenship Department as the administrative office, we have stepped up our framework for reassessing materiality and for ad hoc reviews of “Big Challenge” categories.

The Results of CSR Activities

Fully integrated management of CSR and business \approx CSV (Creating Shared Value)

Risk reinforcement generating strength Initiatives toward addressing social issues (generating growth opportunities)

Risk control (Corporate ethics and compliance) Individual activities based on philosophy



Review Expert opinions offered during 2016 stakeholder dialogues

I have high hopes for Aeon, as Asia's pre-eminent retailer, to show an eager attitude toward creating a new standard for sustainability in Asia. In order for that to be possible, it is necessary to set long-term targets in light of activities to date, while also enhancing activities going forward. Additionally, I hope that Aeon more strongly showcases the appeal of Marine Stewardship Council (MSC) Certification, etc. in stores. Since these are locations where many consumers congregate, I hope that Aeon makes its stores more than simply places for connecting buyers and sellers, but places for thinking together about sustainability.

Hidemi Tomita

Senior Project Principal, Lloyd's Register Quality Assurance Limited

The retail industry is the key to the targets of SDG's Goal 12: Responsible Consumption and Production. I would like Aeon to show how it is making efforts at each level of its value chain by carrying Fairtrade, organic, and other products. In particular, society notices Aeon's use of lumber that is domestically produced, Forest Stewardship Council certified, etc., and fish that is Marine Stewardship Council certified. I hope that promoting ethical consumption through these types of activities will be a driving force for achieving the targets of SDG #12.

Mariko Kawaguchi

Chief Researcher, Research Division, CMA, Daiwa Institute of Research Ltd.

Putting sustainability management into practice (2)

Reassessing basic principles, key issues, and the like while taking into account demands from society and our stakeholders

At the UN General Assembly in September 2015, Sustainable Development Goals (SDGs) were adopted as new global targets to replace MDGs. Furthermore, the Paris Agreement was reached in December 2015 at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21).

In light of these developments, in June 2016, Aeon held dialogues with experts on the topic of “social changes and Aeon's responsibilities.” Based on international circumstances and the opinions received through these dialogues, we also re-implemented materiality assessments from the two perspectives of the environment and society. After internal discussions, in April 2017, we reassessed the Aeon Sustainability Principle and identified four key social issues as part of our response to addressing social issues. At the same time, we also fleshed out the “Big Challenge” categories.

Additionally, in order to fulfill social responsibility in our supply chain, which is receiving more emphasis as globalization affects the world's economy, we formulated Aeon's Sustainable Procurement Policy (▶P. 94) as guidelines for action that are more specific than the content of the Aeon Sustainable Procurement Principle set forth in 2014.

Aeon will continue to promote dialogue with stakeholders inside and outside the Company. While not settling for the status quo, we will endeavor toward responsible corporate conduct befitting Asia's pre-eminent retailer.

Sustainable Development Goals (SDGs)



		Energy management/ prevention of fluorocarbon leakage/safeguarding resources/prevention of forest degradation/management of food waste
	Preventing marine pollution/promoting the 3Rs	
Harmony with the natural environment	Consideration for ecosystems/management of chemical substances	Management of waste disposal
Conservation of water resources	Prevention of soil pollution/wastewater management/prevention of noise pollution/ prevention of odors/ lowering of gas emissions	

Degree of importance for Aeon management

Realization of
a low-carbon
society

Conservation
of biodiversity

Better Use
of Resources

Aeon Sustainability Principle (revised April 2017)

Aeon aims to realize a sustainable society and Group growth based on our basic principle of "pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view at its core."

From the dual perspectives of "environment" and "society," we will think globally and advance projects locally as we actively pursue initiatives alongside stakeholders.

Responding
to Diverse
Consumers
Issues

Carry out Fair
Business
Practices

Create
Workplaces
that Emphasize
Human Rights
and Diversity

Collaborate
with the
Community

Reflecting key issues in our
"Big Challenge"

	Addressing human rights/securing safety and security for stores/ facilitating the function of lifestyle infrastructure in regions during times of disaster/addressing individuals with difficulties shopping/dialogue with customers	Securing safety and security for products/ addressing needs of senior citizens/ delivering health- conscious products and services
Support for disaster- stricken areas/support for people with disabilities/support for childrearing/support for the growth of children	Contributions to local society/creating jobs/ expanding ethical business transactions/ disclosing information to customers/information security measures	Promoting diversity/ mental and physical health for employees/ supply chain management
Contributions to global society/efforts to address poverty/support for small and medium-sized businesses/support for continuing cultural traditions	Spreading awareness of environmental and social consciousness to customers	Work-life balance for employees/ skills development for employees

Degree of importance for Aeon management

13 categories in "Big Challenge 2020"

1 Realization of a low-carbon society

- Promoting the Aeon Eco Project
- Setting post-2020 targets for energy and fluorocarbons

2 Conservation of biodiversity

- Implementing the Aeon "Forest Circulation Program"
- Sustainable procurement and consumption of natural resources

3 Better Use of Resources

- Promoting zero waste in stores and products
- Promoting zero food waste
- Setting post-2020 targets for natural recycling

4 Responding to Diverse Consumers Issues

- Achieving health and wellness
- 5-year business continuity management (BCM)

5 Carry out Fair Business Practices

- Expanding Fairtrade, etc.

6 Create workplaces that emphasize human rights and diversity

- Promoting diversity
- Promoting wellness management

7 Collaborate with the Community

- Working together with Local Ecosystems

Net sales: **8,210.1** billion yen

No. of employees:
approx. 520,000

No. of trees planted:
11,441,925

(As of February 28, 2017)

Redefining basic principles and key issues while
taking into account reviews and trends

Environmental Management

Environmental Policy System

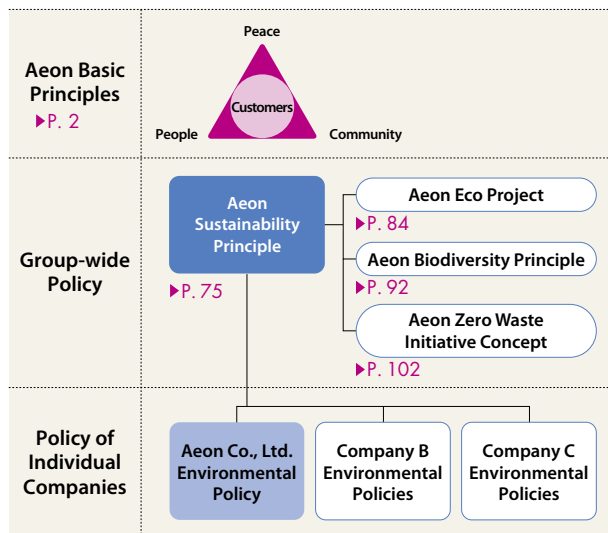
Aeon established the Aeon Sustainability Principle in line with the Aeon Basic Principles as the fundamental policy that governs the environmental and social contribution activities that all Aeon Group companies should take part in. Following these policies, the Aeon Eco Project and the Aeon Biodiversity 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 executive officer in charge of business planning* as well as by an evaluation of the progress toward meeting previous targets.

* From April 2017, we changed to a structure under which our environmental and social contribution, public relations, and investor relations organizations have become independent from the Corporate Planning Section, and the executive officer in charge of the environment, social contributions, PR, and IR now oversees these organizations.

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.

- We will strive to reduce the emission of greenhouse gases in all of our business activities in order to realize a low carbon society.
 - We will continually improve the energy efficiency of our stores.
 - We will strive to reduce the emission of greenhouse gases in all phases of our products' supply chain.
- We will promote conservation activities and ascertain the benefits and impact of our business activities on natural ecosystems.
 - We will strive to develop and procure products that use properly managed resources in consideration of sustainability.
 - We will promote tree planting and raising activities as well as undertake activities that safeguard the ecosystems of local communities.
- We will strive to implement resources conservation and resources recycling initiatives in order to use resources in a sustainable manner.
 - We will promote "reduce, reuse and recycle" for all the resources we use.
 - We will strive to select raw and general materials that have less of an impact on the environment.
- 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.
- 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 Representative 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 Retail Store 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.

ISO Certification

As of February 2017, 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 2017)

Company			Company		
Aeon Co., Ltd.		●	Aeon Ryukyu Co., Ltd.		●
Aeon Retail Co., Ltd.		●	Maxvalu Kyushu Co., Ltd.		●
Aeon Supercenter Co., Ltd.		●	Maxvalu Hokkaido Co., Ltd.		●
Maxvalu Minami Tohoku Co., Ltd.		●	Aeon Delight Co., Ltd.	●	●
Maxvalu Kanto Co., Ltd.		●	Laura Ashley Japan Co., Ltd.		●
Maxvalu Nagano Co., Ltd.		●	Mega Sports Co., Ltd.		●
Maxvalu Hokuriku Co., Ltd.		●	Cox Co., Ltd.		●
Aeon Integrated Business Service Co., Ltd.		●	Maxvalu Tokai Co., Ltd.		●
Aeon Big Co., Ltd.		●	Research Institute for Quality Living Co., Ltd.	●	●
Aeon Retail Store 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 Daiiei, 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 Store Kyushu Co., Ltd.		●	Qingdao Aeon Dongtai Co., Ltd.	●	
Aeon Credit Service Co., Ltd.	●	●	Aeon Topvalu Co., Ltd.	●	

● ISO9001 ● ISO14001

In 2015, the ISO 14001 certification was revised to emphasize integration of business processes and environmental management systems, in addition to the improvement of top management's leadership and performance.

Aeon saw this revision as an opportunity to strengthen our management framework and we are actively striving to make the transition.

At Aeon Co., Ltd., we held seminars for managers (with attendance by 209 employees) in order to support a smooth transition for each Group company. Additionally, we are providing teaching materials, in video format, to enable on-going utilization of the training information.

At Aeon Retail Co., Ltd., we have held seminars since 2016 to train internal auditors following the 2015 certification revisions, while also moving forward with other transition preparations that have included educational efforts for managers on site.

Certified Group companies will continue steadily proceeding with a systematic transition by 2018 as we build an environmental management system that is integrated with our business.

■ Maxvalu Kyushu Co., Ltd. receives ISO 14001 (v. 2015) certification

In April 2017, Maxvalu Kyushu Co., Ltd. received a review of its transition to the 2015 version of ISO 14001 and was successfully granted certification.

During the transition review, the Audit Department and auditors were provided with training on the differences in the new certification, while there was also training on changes to manuals for stores and training for employees. Company employees were informed that achievement of environmental targets under the revised 2015 certification is mandatory and the company will continue to pursue ISO 14001 going forward.



Part of the review process for updating certification

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 uses DVDs and other teaching materials to conduct 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 FY 2008, 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 2017, a total of 1,876 employees have attended the seminars since 2000, when the ISO 14001 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.

Group company initiatives

Aeon Retail Co., Ltd. initiatives

The company has established a web-based training tool and requires all employees to keep an ISO 14001 handbook with them.

Aeon Mall Co., Ltd. initiatives

The company's medium-term environmental policy includes the goal to have all employees pass the Eco Test. To that end, the entire company is pursuing initiatives such as environmental training for employees.

Aeon Financial Service Co., Ltd. initiatives

With the goal of supporting the acquisition of certifications that further employees' careers, the company established a subsidy program for various official certifications and exams, one of which is the Eco Test.

Aeon Delight Co., Ltd. initiatives

150 employees acquired the Eco Tuning Technician certification that addresses the maintenance of comfortable and productive facilities, in addition to more the fine-tuned utilization of machinery, equipment, and systems. The company received official designation in March 2017.

Additionally, the company is carrying out environmental training by, for example, training ISO 14001 internal environmental auditors, while supporting employees' acquisition of certification as energy managers, etc. The company is also carrying out human resources development in the form of employee mastery of techniques for reducing environmental burdens.

Branshes Co., Ltd. initiatives

At the Eco Kentei Awards 2016, hosted by the Tokyo Chamber of Commerce and Industry, Branshes received the Award of Excellence.

The Eco Kentei Awards celebrate achievements by "eco-people" and "eco-units" (companies and groups) that serve as model efforts for environmental activities.

Branshes was recognized for several contributions, including efforts to restore Sango Forest. This is the company's fourth year in a row to receive an Eco Kentei award in the Eco Unit Division.

FY 2016 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 2% of FY 2015 * Target varies according to company	Target: 1,937,567,000kWh Result: 1,957,000,000kWh Stated target: 101.0 % Comparison last year: 99.8 % * 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	◎	Reduction of money used for materials At least 5% reduction from FY 2015 * Target varies according to company	Target: 838,347,000 JPY Result: 808,114,000 JPY Stated target: 96.4 % Comparison last year: 92.2 % * 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
		◎	Maintain food waste-to-sales ratio at below 0.50% * Target varies according to company	<Average> Result: 0.521 % Stated target: 107.5 % Comparison last year: 98.6 % * 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

[Division Targets]

Environmental Policy	Category	Company-wide Targets	Target	Results	Evaluation	Supervision
Low carbon, resources, and biodiversity	Products	—	Expand sales of environment-friendly products	Expand sales of LED light bulbs and ceiling lights Expand sales of sustainable seafood (MSC, ASC) Expand sales of organic and natural 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%	336 stores out of the 453 stores conducted activities more than four times/year. (Excluding new shops in the latter half of the year; including retail stores) Result: 74.2% Comparison with stated target: 92.8% • Encourage utilization at stores with 0 activities; work on measures to boost motivation • Implement programs linked to companies within the Group	△	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 27.7% (Decline) • Create DVD teaching materials to step up measures Set up teaching tools • Proceed with adoption of equipment • Many violations occurred at stores other than those under focus. Tackle the issue of delays in implementing training. <Good Examples> We take pictures of the cleaning process to make sure cleaning is conducted correctly.	△	Aeon Co., Ltd. Each Group company

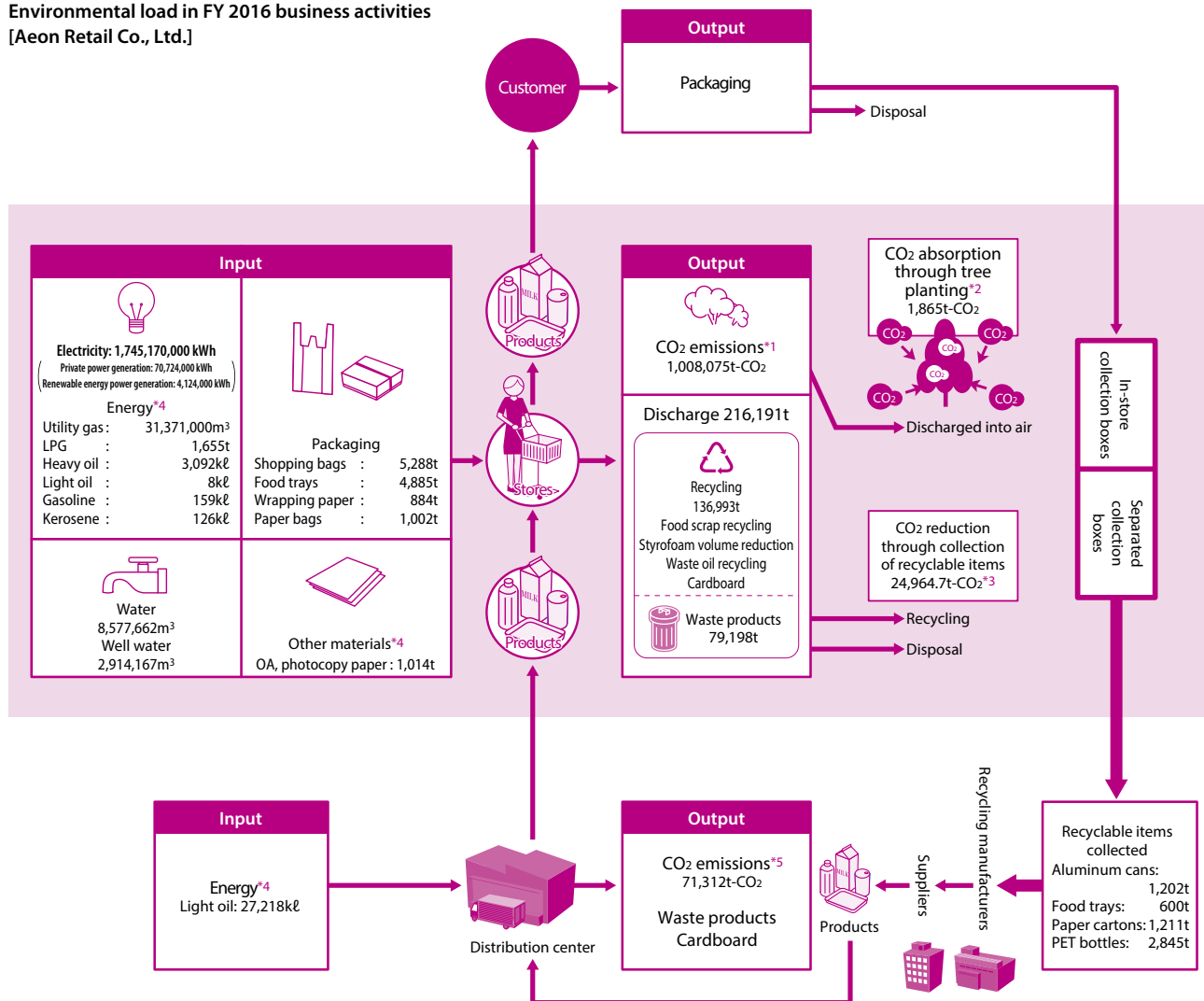
FY 2016 Aeon Group Environmental Accounting

Main Category	Sub-category	Accounting items	Environmental conservation costs (Thousand JPY)	Economic benefits (Thousand JPY)	CO ₂ reduction (t-CO ₂)
Realization of a Low-carbon Society	Generating electricity	Installation cost for photovoltaic power systems	335,722	194,316	5,751
	Energy-saving	Adoption of energy efficient equipment (Installation of LED lighting, visualization of energy usage, etc.)	8,363,502	1,636,970	46,876
	Management of fluorocarbons	Adoption of natural refrigerant equipment, fluorocarbon filling and leakage management	1,966,940	7,975	432
	Carbon offsets	Carbon offsets (CO ₂ emission trading)	3,018	—	437
	Distribution	Adoption of modal shift, use of returnable containers	2,472,465	—	19,442
		Subtotal	13,141,647	1,839,261	72,937
Conservation of Biodiversity	Tree-Planting activities	Aeon Hometown Forests Program Tree-Planting Ceremony, construction costs	219,855	—	1,865
		Regular maintenance for planted zones	632,434	—	
	Production certification	Research, etc. on certified products, procurement guidelines	965	—	—
		Subtotal	853,254	—	1,865
Better use of resource	Reduction of waste	Processing cost of recyclables collected in-store, processing cost of recycling of food residue	1,180,018	435,720	103,262
		Plastic shopping bag reduction	864,500	893,054	85,334
	Reduce amount of materials used in packaging and containers	Third-party processing fees required under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging	1,308,090	—	—
	Home appliance recycling	Operating costs for home appliance recycling program	102,175	—	—
		Subtotal	3,454,783	1,328,774	188,596
Addressing Social Issues	Contributions to local communities	Contributions to the Aeon Happy Yellow Receipt Campaign*	499,842	—	—
	Human resources development	Activities of the Aeon Cheers Club	119,217	—	—
		Subtotal	619,059	—	—
Environmental Communication	Media	Preparing the Aeon Sustainability Report, operating the environmental website	33,287	—	—
	Exhibits	Exhibiting at environmental events, advertising-related publications	503,801	—	—
	Donations, etc.	Membership dues in and donations for environmental organizations (donations, etc. to Local WAON)	1,020,381	—	—
		Subtotal	1,557,469	—	—
Environmental Management	Processing waste generated	Processing waste generated by stores and offices, adopting waste measurement equipment	11,712,294	192,034	—
	Management of waste disposal	Cost of implementing the environmental management system (ISO), waste management seminars	84,045	—	—
	Maintenance of equipment and devices	Maintenance and management of equipment for preventing environmental pollution, prevention of environmental accidents, and restoration in case of an accident	4,399,197	—	—
	Personnel costs	Personnel costs	459,703	—	—
		Subtotal	16,655,239	192,034	—
Total			36,281,451	3,360,069	263,398

Applicable companies: 68 consolidated Group companies (General Merchandise Store Business, Supermarket & Discount Store Business, Drugstore & Pharmacy Business, Financial Services Business, Shopping Mall Development Business, Services & Specialty Store Business, Shared Function Companies, etc.)

* Activities of volunteer groups receiving Aeon Happy Yellow Receipt Campaign proceeds: (1) promoting welfare, (2) promoting environmental conservation and education, (3) promoting urban development, (4) promoting arts and culture, (5) promoting child health and safety

Environmental load in FY 2016 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.



FY2016 Activities

Environmental Activities

Realization of a Low-Carbon Society	84
Conservation of Biodiversity	92
Better Use of Resources	102

Social Activities

Responding to Diverse Consumer Issues	110
Carry out Fair Business Practices	122
Create Workplaces that Emphasize Human Rights and Diversity	130

Collaborate with the Community	140
Support After the 2016 Kumamoto Earthquakes	148
Activities that Widen the Circle of Tohoku Creation	150
External Awards List (FY 2016)	153
Initiatives by Aeon Public Interest Incorporated Foundations	154
GRI Guidelines Indicators	160

Aeon Group CSR

Aeon devised Key Performance Indicators (KPI) as part of its commitment to achieving sustainable management. In conjunction with this, we have assigned a division and person in charge for each KPI field and established a system for taking stock of and managing the results of activities on a regular basis. Since FY 2012, we have been reporting on the state of KPI implementation and sharing that information

with all stakeholders.

In addition, taking into account environmental changes inside and outside the Company, we regularly review KPI. The Aeon Management Committee receives proposals from the division and person in charge of each KPI field and takes into account input from external experts, government affiliates, and others before reviews are finalized.

CSR Promotion Framework

At Aeon, key issues concerning the environment, social contribution, and other CSR activities are reviewed and approved by the Aeon Management Committee (MC), of which all Aeon executives are members. As the scale and geographic scope of our business expand, and as our effects on society and the environment increase, Aeon will continue to practice our Basic Principle of "Pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view as its core." In order to achieve our objectives of 'Improved customer satisfaction,' 'Societal development,' and 'Aeon Group growth,' promoting sustainable management that shares growth with all of our stakeholders is indispensable for identifying business opportunities in solutions to a variety of challenges endangering a healthy society.

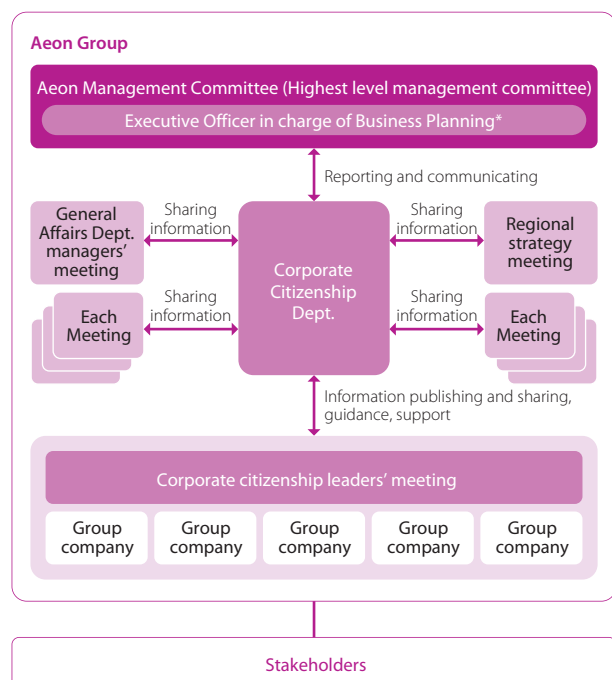
Proposals and reports to the MC are brought forward by the Executive Officer in charge of Business Planning,* and approved matters are publicized throughout the Group to share and spread CSR awareness.

The Corporate Citizenship Department has been established

and given responsibility for the Aeon Group's CSR activities. The Corporate Citizenship Department is the central administrative office for activities and is in charge of reporting and communicating with the Executive Officer in charge of Business Planning. The Department publicizes and shares information with Group companies and plays a role in leading and supporting their activities. The Department regularly holds a corporate citizenship managers' meeting, examines and considers countermeasures for challenges facing individual Group companies, and collaborates with them to promote execution of the PDCA cycle. Furthermore, as an ISO 14001- and 50001-certified office, the Department works to operate and ensure an environmental management system across the entire Group.

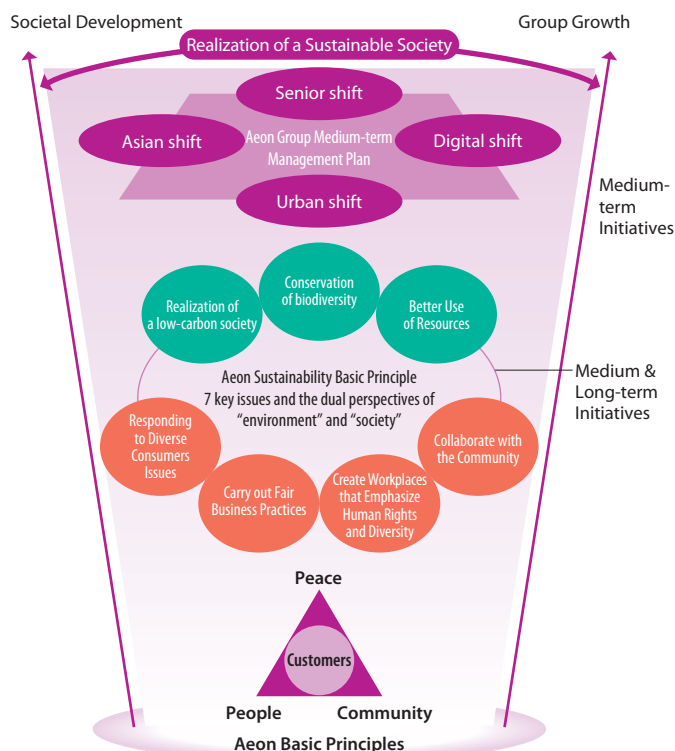
Members of the Corporate Citizenship Department also participate in internal gatherings such as the General Affairs Department managers' meeting and the Area management planning meeting, while sharing information and collaborating with each Aeon Department.

CSR Promotion Framework



* From April 2017, we changed to a structure under which our environmental and social contribution, public relations, and investor relations organizations have become independent from the Corporate Planning Section, and the executive in charge of the environment, social contributions, PR, and IR now oversees these organizations.

Aeon Basic Principles and Sustainable Business



Realization of a Low-carbon Society

Management Approach

Recognition of Challenges

The problem of global warming has brought a large and negative impact to the global environment. Aeon has expanded its business to 21,113 stores/locations in 13 countries around the world, and as business activity has an impact on global warming, we believe that the use of energy in store operations

is large and the use of alternative fluorocarbon refrigerants in refrigerators and freezers is also implicated. A society with fewer greenhouse gas emissions - "the realization of a low-carbon society" is listed in the key issues, and we are working on a variety of initiatives.

Aeon's Approach

Aeon has set environmental targets for FY 2020, the Aeon eco Project. With current increasing needs for energy use efficiency and power conservation, and with the experience of the Great East Japan Earthquake, Aeon has added perspectives of reducing energy use and developing renewable energy to environmental protection in September 2012 and has additionally taken on a role as a lifeline center protecting the

community in disasters and emergencies.

The Aeon Natural Refrigerant Declaration was announced in FY 2011, and the introduction of natural refrigerant (CO₂) refrigerators and freezers with a small global warming potential is also being promoted.

In addition, we are also working on the reduction of CO₂ emissions in products and logistics.

Future Initiatives

In July 2015, the Government of Japan finalized a goal to reduce domestic greenhouse gas emissions 26% compared to FY 2013 by the year 2030. To contribute to reaching this goal, Aeon will continue to engage in the Aeon Eco Project and will begin sharing its energy management expertise developed in Japan at its subsidiaries in China and ASEAN.

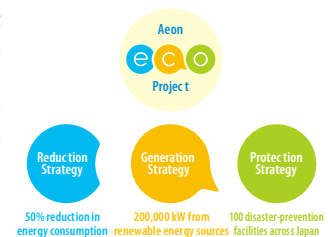
Under the Kigali Amendment adopted in October 2016,

alternative fluorocarbons are newly subject to the provisions of the Montreal Protocol with the establishment of clear reduction targets for production and consumption of alternative fluorocarbons, requiring a response. Taking this into account, Aeon formulated a medium-to-long-term plan and aims to expand the introduction of natural refrigerant (CO₂) equipment at new stores.

Aeon Eco Project

In the form of our Aeon Eco Project, Aeon set environmental targets for FY 2020, and is carrying out various initiatives to achieve those targets. The project incorporates a protection strategy in addition to targets that aim to conserve energy and save power, such as strategies for reducing energy use that promote smart use of energy to conserve it, and strategies for generating energy to produce renewable energy, primarily solar power generation. This aims to turn stores into disaster prevention facilities to function as lifelines in times of emergency.

Smart Aeon is one of the initiatives for implementing the Aeon Eco Project. 10 stores have given birth to Smart Aeon up to the end of FY 2016. (▶P. 88)



	FY 2016 Results	Targets for FY 2020	Examples of Initiatives
Reduction Strategy ▶P. 86	Energy consumption Expected reductions of 27% (compared to FY 2010)	50% reduction in energy consumption compared to FY 2010	Transition to LED lighting Gradual change of basic lighting and spot lights at 4,562 stores nationwide to LED lighting (cumulative total to FY 2016)
Generation Strategy ▶P. 91	Stores installed with solar panels 923 stores Electricity generation capacity 56,900 kW (total up to FY 2016)	200,000 kW from renewable energy sources	Solar panel installation
Protection Strategy ▶P. 120	Disaster-prevention 33 locations across Japan (total up to FY 2016)	Make 100 Aeon stores across Japan disaster-prevention facilities	Private power generation equipment installation

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Reduce CO ₂ Emissions in Stores	Reduce Total CO ₂ Emissions	Total Annual CO ₂ Emissions Factor (CO ₂ Emissions/ Total Floor Area)	Consolidated Group companies in Japan and overseas (Japan, China and ASEAN)	FY 2010: 0.103t/m ² (Performance) ▼ FY 2016: 0.075t/m ² or less FY 2020: 0.052t/m ² or less	0.075t/m ² (expected)	1) Energy-saving equipment introduction/update: • Store lighting LED conversion (basic lighting, such as spotlights) • Introduction/updating of energy-saving refrigerated cases, air conditioning equipment 2) Energy saving through operational improvement (lighting, refrigerated cases, air conditioning, etc.): • Education by energy advisor training • Verification of energy rational management techniques • Energy-saving operation propulsion using an energy-saving checklist and Procedure manual • Promote eco-tuning 3) Energy management activities utilizing ISO 50001
	Improve Energy Efficiency [Reduction Strategy]	Total Energy Use Factor (Amount of Heat / Total Floor Area)	Consolidated Group companies in Japan and overseas (Japan, China and ASEAN)	FY 2010: 2.783GJ/m ² (Performance) ▼ FY 2016: 2.032GJ/m ² or less FY 2020: 1.392GJ/m ² or less	2.032GJ/m ² (expected)	
	Preventing Leakage of Fluorocarbons and Natural Refrigerant Equipment Introduction Promotion [Natural Refrigerant Declaration]	Comprehensively assess replenishment volume of fluorocarbons in air conditioning and cold storage equipment and prevent leakage	Consolidated Group companies in Japan	FY 2016: Operation of management system compliant with the Fluorocarbons Recovery and Destruction Law	Starting in FY 2016, fully operated centralized management system introduced by Aeon Delight Co., Ltd., and implemented leakage management for each Group company	1) Simple and periodic equipment inspection 2) Fluorocarbon leakage amount management and periodic reporting follow up
		Number of Stores Installing Refrigerated Display Cases that use Natural Refrigerants	Consolidated companies in Japan for GMS, SM and Small-sized Store Business	Plan for installation at new stores FY 2016: Introduction in all new stores	Installed at a total of 104 stores (cumulative total 146 stores) including 58 new small stores, particularly six new general merchandise stores, 26 new drugstores, eight new convenience stores, one new discount store, and other stores	1) Continue non-fluorocarbon introduction project 2) Information gathering for handling manufacturer expansion and consideration of introduction expansion of built-in CO ₂ refrigerant refrigerated cases.
Reduce CO ₂ Emissions in Products and Logistics	Reduce CO ₂ through visualization in logistics	CO ₂ Emissions per Case during Shipment from Distribution Center to Store	Aeon Global SCM Co, Ltd.	CO ₂ emissions per case in FY 2016: reduce by 13% compared to FY 2013 (128.0gCO ₂ /case)	CO ₂ emissions per case in FY 2016: reduced by 11.9% compared to FY 2013 (131.1g CO ₂ /case)	1) Increase introduction of environmental vehicles 2) Continue eco-driving courses and driving 3) Excellent driver awards 4) Use eco-tires, bio-diesel and other measures
Generating Electricity in stores	Generating renewable energy [Creation Strategy]	Power generation capacity of renewable energy (purchased power only)	Consolidated Group companies in Japan for GMS and SM businesses	Generate 200,000kW of electricity by 2020	Cumulative total output Approximately 57,000kW	Installed solar panels in 7 stores (Total 923 stores) * As figures reported in and before FY 2015 were incorrect, we have revised the figures in FY 2016.

Reducing CO₂ in stores

CO₂ emissions reduction/energy efficiency improvement [Aeon Eco Project: Reduction Strategy]

Aeon stores consume a large volume of energy^{*1}, mainly in air-conditioning and lighting as well as freezer and refrigeration cabinets. For Aeon, which has a store network spanning Japan as well as other countries in Asia, reducing CO₂ emissions from stores^{*2} plays a key role in reducing emissions for the entire company. That makes it all the more important for us to focus on reducing CO₂ in our stores.

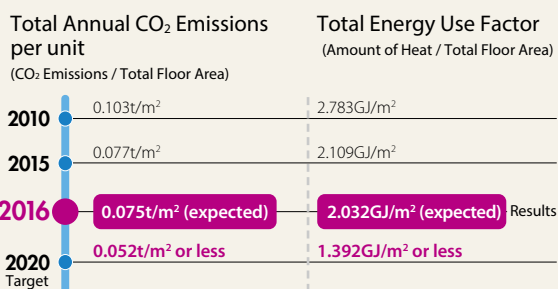
Switching to LED lighting in stores continued and was actively promoted in FY 2016, and basic lighting and spotlights were changed to LED lighting in 223 stores nationwide and 4,562 stores in total. In addition, we have worked on items such as the introduction and updating of energy-saving equipment and verification of rational energy management techniques. For example, facility managers from Aeon Retail Co., Ltd. Worked with store Energy Advisors to plan and execute measures in an effort to improve the energy-efficient operations of stores that lacked energy consumption efficiency in terms of energy used per basic unit. Based on these efforts, Aeon's electricity usage in FY 2016 was approximately 27% lower than in FY 2010. This is mainly effective through the introduction of LED lighting, the introduction of each piece of energy saving equipment and measures, and operational improvements.

In FY 2017, we will work on reducing energy usage even more by introducing new energy-saving equipment and by improving energy-saving operations. Our efforts will focus on measures at stores with air conditioning systems that use hot-and- chilled water generators in an effort to reach our targets set for FY 2020.

^{*1} Looking at a breakdown of energy consumed on a heat conversion basis, around 94% is accounted for by electricity and the remainder by city gas, LP gas and heavy oil.

^{*2} All CO₂ emitted from stores can be attributed to energy consumption. Specifically, around 7% comes from direct emissions through city gas, LP gas and combustion of heavy oil (Scope 1) and around 93% comes from indirect emissions through power consumption (Scope 2). The calculation of CO₂ emissions from power consumption uses calculation standards and an emissions factor pursuant to the Act on Promotion of Global Warming Countermeasures.

FY 2016 Results and Target of KPI



^{*} For companies newly joining the Group due to business reorganization and other reasons, figures have been recalculated back to FY 2010

Obtain ISO50001

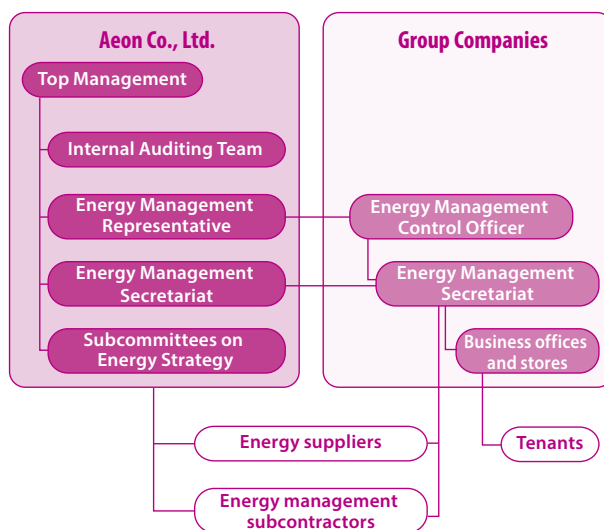
In July 2013, Aeon Co., Ltd. became the first retailer in Japan to obtain the ISO 50001 certification, an energy management certification defined by the International Organization for Standardization (ISO). ISO 50001 is an international standard specification that defines the requirements to be met by business operators when they establish an energy management system. It is being adopted around the world, including in the U.S. and China.



ISO 50001 certificate

Aeon Co., Ltd. has established an energy management system under which it works as an entire group of companies to use energy more efficiently with the goal of attaining the energy saving targets laid out in the Aeon Eco Project. The scope of Aeon's ISO 50001 certification is blanket energy management activities covering the entire Aeon Group of companies.

● Framework for Promoting our Energy Management System (EnMS)



Improving energy management practices

Aeon Co., Ltd. has systematized an in-house Energy Advisor Program aimed at leveraging our Aeon Eco Project to further develop human resources in our retail stores.

The Energy Advisors help assess the status of energy usage in stores and work to propose and promote ideas for more efficient usage. As of the end of February 2017, a cumulative total of 582 Energy Advisors had been certified.

In the future we will continue to develop more certified Energy Advisors, enhance the capabilities of current Energy Advisors, and work to expand the program to Group companies, including those outside of Japan..

Preventing Leakage of Fluorocarbons and Promoting Use of Natural Refrigerant Equipment

More and more freezing and refrigeration units started using non-ozone depleting alternatives to chlorofluorocarbons (CFCs) as refrigerant following the abolition of the production and use of ozone-depleting CFCs under the Montreal Protocol adopted in 1987. However, these alternatives have extremely high global warming potential (GWP)*¹ and the problem of leaking into the atmosphere, which prompted calls to switch to natural refrigerants with low GWP. Further, under the Kigali Amendment adopted in October 2016, alternative fluorocarbons are newly subject to the provisions of the Montreal Protocol with the establishment of clear reduction targets for production and consumption of alternative fluorocarbons, requiring a response.

In 2009, Aeon became Japan's first retailer to start introducing refrigerators and freezers that use a low-GWP natural refrigerant*² (CO₂). Following this, we announced the Aeon Natural Refrigerants Declaration in 2011 and are planning to install natural refrigerant-based refrigerators and freezers in every new store to open from now on as well.

As of the end of February 2017, we have installed natural refrigerant-based refrigerators and freezers at 146 stores, including new GMS stores, food supermarkets, convenience stores, drugstores, and others. We will continue considering to switch to natural refrigerants even in existing stores on a gradual basis.

Aeon faces certain issues ahead of the introduction of natural refrigerants, including the lack of manufacturers and high installation costs. We will do our utmost to overcome these issues and promote the industry-wide use of natural refrigerants by leveraging performance data accumulated to date to raise awareness going forward and build ties with companies within the same industry and other industries.

*¹ Global warming potential: Coefficient indicating the degree of influence to global warming. If CO₂ is 1, the alternative for fluorocarbons that are being used in refrigerated cases are several thousand times larger

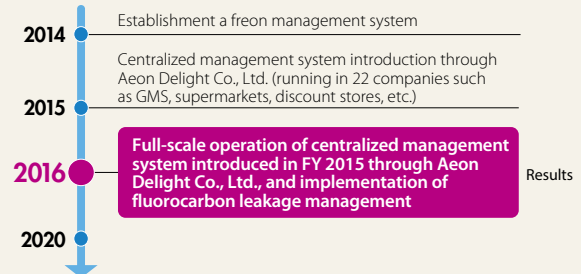
*² Natural refrigerants: Substances known as natural refrigerants include ammonia and carbon hydride as well as CO₂.



Aeon Style Shin-Komatsu

FY 2016 Results and Target of KPI

Measures for Ascertaining Replacement Amount and Preventing Leakage of Fluorocarbons used in Refrigerated Display Cases



Number of Stores Installing Refrigerated Display Cases that use Natural Refrigerants on a Trial Basis



Installation of Recharging Stations for Electric Vehicles

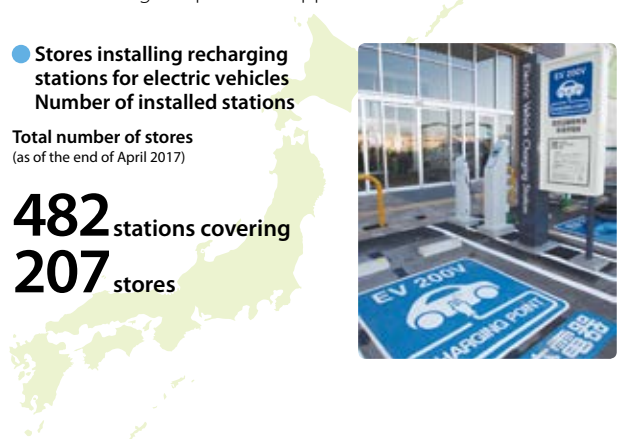
Aeon first set up a high-speed recharging station for electric vehicles at the Aeon Lake Town store located in Koshigaya city, Saitama prefecture in 2008 in order to respond to the increasing use of electric vehicles and plug-in hybrid vehicles. Since then, we have set up recharging stations at most of our new shopping centers as well as certain existing stores based on demand.

In FY 2016, we aggressively moved forward with the installation of recharging stations at existing stores, with the grand total now standing at 482 stations at 207 stores as of the end of April 2017 (of these 216 were rapid recharge stations and 266 were ordinary recharge stations). Going forward, we are continuing our proactive approach to installation.

● Stores installing recharging stations for electric vehicles Number of installed stations

Total number of stores
(as of the end of April 2017)

482 stations covering
207 stores



Aeon store development [Smart Aeon development]

Working to build environmentally friendly stores, Aeon has defined Eco Stores as outlets that achieve at least 20% lower CO₂ emissions in comparison with conventional stores, and a CASBEE^{*1} ranking of A or higher. Since the opening of our first Eco Store, the Aeon Chikusa Shopping Center, in May 2005, 12 such stores had been opened by February 2013.

In September 2012, we started working on further developments for Next-Generation (Smart Aeon) Eco Stores. In addition to building stores with lower environmental impacts than in the past, we also formulated five criteria, (Smart Energy, Integration of E-Money and the Internet, Traffic Situation (Smart Mobility), Biodiversity and Landscape, Disaster Prevention and Regional Infrastructure), from the perspective of civic- and community-building efforts carried out in cooperation with local regions. We have positioned this as a key initiative for implementing the Aeon Eco Project.

Starting with the opening of the 1st Smart Aeon store Aeon Mall Yahata Higashi in March 2013, there was an expansion of one more Aeon Smart store in FY 2016, Aeon Mall Sakai Teppochō, and 10 stores^{*2} have given birth to Smart Aeon up to the end of February 2017.

^{*1} CASBEE: Environmental performance evaluation system architecture that was developed in 2001. It is used as an index to evaluate and display objectively the performance whether you are conscious how the global environment and surrounding environment, that there is no waste in running costs, such as, or comfortable for the user.

^{*2} 10 stores: Aeon Mall Yahata Higashi, Aeon Town Shin-Funabashi, Aeon Mall Osaka Dome City, Aeon Mall Makuhari New City, Aeon Mall Nagoya Chaya, Aeon Mall Kyoto Katsuragawa, Aeon Mall Kisarazu, Aeon Mall Okinawa Rycom, Aeon Mall Shijonawate, and Aeon Mall Sakai Teppochō



Voice

Morito Inbe

Manager, Facilities Management Group,
General Affairs Department,
AEON Retail Co., Ltd.



It is extremely important as a retail business for power saving and energy conservation initiatives in stores to balance providing a store environment where it is pleasant to shop with an awareness of power saving and energy conservation. We set numerical targets for FY2020 in each strategy area of "Reduction," "Generation," and "Conservation." Aeon brought together the diverse knowledge and ideas it has amassed so far, and the whole company is aiming to achieve the targets.

Topics

Participating in CO₂ Reduction/ Light-Down Campaign

Aeon has been taking part in the Carbon Dioxide (CO₂) Reduction/Light-Down Campaign developed by the Ministry of the Environment as a measure to prevent global warming since 2003. In 2016, which was the 14th year of the campaign, approximately 1,600 facilities including Aeon Group stores, business sites, and distribution centers nationwide turned off some outdoor lighting between 20.00 and 22.00 on June 21, the summer solstice, and July 7, Cool Earth Day^{*1}. Through this initiative, the Aeon Group as a whole was able to save approximately 74,400 kWh of electricity. This is equivalent to the electricity used by approximately 5,400 ordinary households in a day^{*2}.

An event to create strips that light up with a magnesium battery, which does not emit CO₂ when generating, was also held at Aeon Mall Makuhari New City as an opportunity to think about reducing CO₂ together with customers.

Aeon is supporting the COOL CHOICE national movement to promote "wise choices" such as environmental products, services and actions led by the Japanese government with the aim of achieving a low carbon society. The CO₂ Reduction/Light-Down Campaign is one of the COOL CHOICE activities.

^{*1} Cool Earth Day: A day once a year for the Japanese people overall to reaffirm the importance of the global environment while looking at the Milky Way and be aware of the progress toward a low carbon society in addition to promoting environmental initiatives in the home and workplace

^{*2} Electricity usage per day per household converted at 13.76 kWh based on the Family Income and Expenditure Survey News Bulletin for December 2015, Statistics Bureau. Ministry of Internal Affairs and Communications



Light-Down Campaign events



COOL CHOICE logo

Reduce CO₂ Emissions in Products and Logistics

Promote Visualization in Logistic

Aeon defined "CO₂ emissions per case in delivery from distribution centers to stores" in KPI, and we are working on emissions reduction in "visualization" of CO₂ emissions related to logistics.

The results of continued efforts in FY 2016 for items such as the relocation of distribution sites, promotion of eco-driving, reduction in total frequency of deliveries through improvements to delivery vehicle load factors, and introduction of environmental vehicles were that the CO₂ emissions per case in delivery from

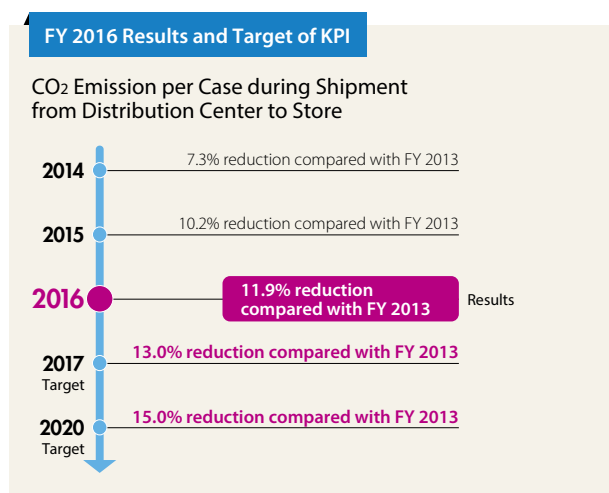
distribution centers to stores were reduced to 131.1g CO₂, a reduction of approximately 1% compared to FY 2015.

In FY 2017, the target is to reduce CO₂ emissions per case in delivery from distribution centers to stores to 128.0g CO₂, a reduction of 13% compared to FY 2013.

In addition, along with participating in various research meetings related to the environment started by groups such as universities, automotive manufacturers, gas companies, logistic companies and governments, through an environmental vehicle study group and Modal Shift Study Group (name changed in 2017) sponsored by Aeon, we are promoting the introduction of environmental vehicles and the expansion of a modal shift, including coastal shipping.

In addition to continuing these efforts, in the future, we are promoting initiatives on both the hardware and software sides for the expansion of a good driver award system and implementation of Eco-drive* workshops (promotion leader training implemented at each company in 2016) and 100% introduction of environmental adaptive vehicles.

* Eco-drive: Efforts to save fuel such as trying gentle string or stopping wasteful idling, and driving to reduce CO₂ emissions



Promote a modal shift in collaboration with companies in other industries

Aeon Global SCM Co., Ltd., which is responsible for Aeon's logistics, aims for the reduction of CO₂ emissions and studies rail transport initiatives jointly with each member company through the Aeon Modal Shift Study Group sponsored by the same company.



Aeon Modal Shift Study Group dedicated trains

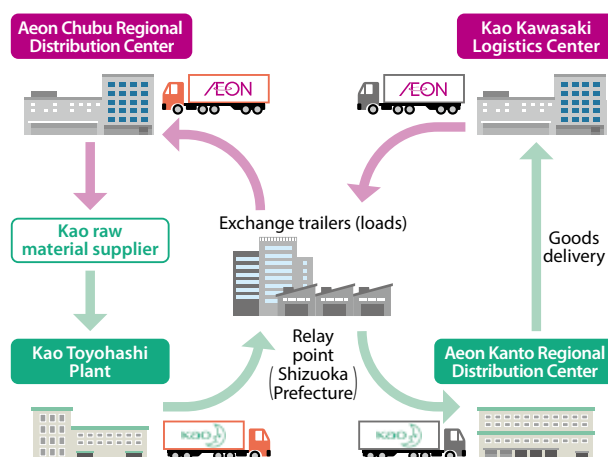
As for these efforts, with the cooperation of the Japan Freight Railway Co., Ltd., seven member manufacturers* jointly participating in the same study group run a dedicated train between Tokyo and Osaka, and this has been greatly expanded to 42,177 containers (12-foot equivalent) through Aeon's railway transport.

Further, Aeon has launched a trailer relay transportation

initiative in collaboration with Kao Corporation on truck transportation. Aeon and Kao's trucks carry their own merchandise loaded on their trailers from Kanto and Chubu. At the relay station, they exchange loads and transport the received shipment to each other's companies. This has achieved shorter duty hours for drivers and a 27.5% reduction in CO₂ emissions. These efforts have been evaluated, and we were awarded the "Minister of Economy, Trade and Industry Award" in the "Green Logistics Excellent Business Award" at the "Green Logistics Partnership Conference" held by parties such as the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Economy, Trade and Industry held in December 2016 following on from our achievements in 2015. The same award is intended to honor initiatives with significant achievements in the creation of sustainable logistics systems, such as the reduction of CO₂ emissions through promotion of corporate collaboration.

We are assertively promoting a modal shift beyond industry as well as methods other than rail in the future and are working to reduce CO₂.

* Asahi Breweries, Ltd., Ajinomoto Co., Inc., Ezaki Glico Co., Ltd., Kao Corporation, Nestle Japan Ltd., Procter & Gamble Japan Co., Ltd. (P & G), Sapporo Breweries Ltd. (in alphabetical order)



CO₂ reduction communication with customers

Aeon is working on a "visible" carbon footprint (CFP) that is displayed on products where CO₂ emissions are generated through the entire life cycle of the product (raw materials, processing steps, distribution, consumption, disposal, recycling). Through the "visualization" initiative, we are aiming for reduction of CO₂ emissions and further enhanced interest in the customers' environment.

We have participated in the "Carbon footprint (CFP) study group" sponsored by the Ministry of Economy, Trade and Industry since 2008, and we have been working on verification of carbon footprints in about 20 products.

We implemented "Bio My Basket" CO₂ calculation and verification in March 2014. Based on the results, we also implemented a carbon offset to compensate for CO₂ reduction activities in other places where CO₂ was emitted in FY 2016 as well.

Carbon Offset Achievements

- Target products: Bio My Basket
- Period: January 2016 - April 2017
- Amount: 800t-CO₂

Developing and Selling Products that Help Reduce CO₂ Emissions

Aeon is working to develop and sell products that help reduce CO₂ emissions.

Our TOPVALU Gurinai Yukigura potatoes from Toya, Hokkaido are one example. These potatoes use the cooling power of snow for preservation after harvest, which reduces electricity usage and also helps reduce CO₂ emissions. In FY 2016, Aeon handled 25% of all the potatoes shipped by JA-Toyako, and CO₂ emissions have been reduced by about 38 tons through this initiative.



TOPVALU Gurinai Organic Food Series
Hokkaido Toya produced Yukigura potatoes

Tabulating CO₂ emissions across the entire supply chain

In addition to managing greenhouse gas emissions they generate directly (Scope 1) and indirect emissions from the use of electricity (Scope 2), companies must now manage emissions across their entire supply chain (Scope 3).

In response to this development, Aeon has been calculating* Scope 3 CO₂ emissions since FY 2012.

Verification by a third party was received in FY 2016 with regards to emissions from transport and shipments (upstream) out of Scope 3 emissions.

In the future, we will further expand the precision of our data, add more businesses for which we gather data, and use data analysis to pursue our reductions in CO₂ emissions.

* For calculations, we reference the Emissions Rate Index Database for Calculating GHG Emissions, etc. in an Organization's Supply Chain (Ver. 2.3).

Topics

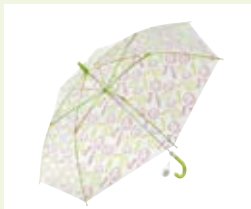
Launching "TOPVALU fururi" for kids, an eco-friendly, changeable vinyl umbrella, to contribute to the reduction of CO₂ emissions

In November 2016, a "TOPVALU fururi," a changeable vinyl umbrella that combines vinyl fabrics and umbrella ribs, was launched for kids in addition to new pattern for adults in about 380 Aeon and Aeon Style stores*1.

This product uses sugar cane-derived green polyethylene and reduces CO₂ emissions in part of the raw material. In addition, the vinyl fabric, ferrule and each part of the umbrella ribs can be disassembled and easily separated as garbage, which will lead to recycling.

You can "change" to your own style with up to 48 possible combinations for adults and 46 for kids, and the umbrella can be combined with your favorite colors and patterns. We have developed a long plastic umbrella that has been taken for granted as disposable until now, and it is a fashionable, ecological and next generation umbrella.

In addition, part of the sales of this product will be donated to the Association for Aid and Relief Japan (AAR Japan), an authorized NPO, through the activities of the AEON 1% Club. This is for the purpose of healthy development of young people in Asia in order to support the education of children in Cambodia, where the umbrellas are produced.



55cm umbrella (for kids)



60cm umbrella (new release for adults)

*1: About 380 Aeon and Aeon style stores in Hokkaido, Honshu, Shikoku, Kyushu and Okinawa

* Products handled vary depending on the store. Aeon stores in Hokkaido and Kyushu do not handle the kids' umbrella.

FY 2016 Scope 3 Emissions

Category	Scope 3 Emissions Categories	Emissions (t-CO ₂ e)
1	Purchased products and services	2,801,654
2	Capital goods	1,850,520
3	Fuel and energy related activities not included in Scope 1 and Scope 2	353,178
4	Transport and shipments (upstream)	231,540.4
5	Waste from business activities	113,813
6	Business travel	77
7	Employee commutes	47,433
8	Leased assets (upstream)	—
9	Investments	15,861
10	Transport and shipments (downstream)	—
11	Processing of products sold	—
12	Use of products sold	126,297
13	Disposal of products sold	70,430
14	Investment leased assets (downstream)	645,067
15	Franchise	—

Topics

Verification of Greenhouse Gas Emissions by Third Party

In FY 2016, we conducted third party verification of greenhouse gas emissions accompanying the transport of Aeon Global SCM Co., Ltd., which is responsible for the core of the Aeon Group's logistics.



1. Scope of Verification

Some of greenhouse gases accompanying domestic transport of products that Aeon Global SCM Co., Ltd. handled from March 1, 2015 to February 29, 2016.

2. Methodology

We received third party verification based on the requirements of ISO 14064 – 3 (2006): Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.

Verified greenhouse gas emissions

Scope 3 category 42,240t-CO₂e

Generating Electricity at Stores

Generating renewable energy [Aeon Eco Project: Generation Strategy]

The goal of building electricity generation capacity of 200,000 kW* by 2020 is part of the "Generation Strategy" in the Aeon Eco Project.

In FY 2016, we installed solar panels with electrical generation capacity totaling 426 kW in 7 of our stores, including supermarkets with flat roofs, new large-scale supermarkets, as well as convenience stores. This brings our total of stores with installed units to 923, and our total generation capacity to 56,900 kW*.

In addition to leading to reductions in electricity usage, thanks to captive consumption, electricity from solar panels is also being sold back to power companies through the fixed wholesale purchase system. We are reinvesting profit from electricity sales to offset increased electricity rates, contribute to our BCP, invest in the environment, and invest in renewable energy.

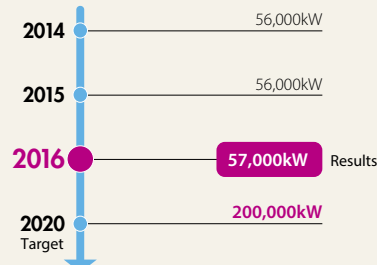


Solar panel installation

* 56,900 kW is equivalent to the ability to cover the annual power of approximately 13,000 households in the common household.

FY 2016 Results and Target of KPI

Power generation capacity of renewable energy (Electricity sales only)



Initiatives Undertaken by Group Companies

Aeon Retail Co., Ltd. Home Fashion Product Department

Eco-Home (Uchi-Eco) Diagnosis Initiative

The Ministry of the Environment is implementing an initiative called Eco-Home Diagnosis in which accredited professionals with wide reaching experience in global warming and energy-saving home electronics use specially developed software to provide tailored advice for each household on more effective ways to reduce CO₂ and reduce energy usage in order to reduce the greenhouse gas emissions of ordinary households.

Aeon Retail Co., Ltd., which maintains energy-saving proposals for helping consumers reduce utility bills as an important Company policy, completed its registration as a home ecology diagnosis provider so that it can carry out this policy. The company received certification in July 2014, and 155 people had passed the "Uchi-Eco" qualification test up to February 2017.

Furthermore, we conducted a diagnosis with 1,202 people up to June 2017 through stores and each local event.

In FY 2016, we put up over-the-counter appeals and posters in the reform departments of 115 stores nationwide. We also distributed Uchi-Eco Diagnosis leaflets at store and Uchi-Eco events to continue our PR activities. In FY 2017, we will continue to further promote energy saving, aiming for 500 Uchi-Eco Diagnoses.



Diagnosis

Conservation of Biodiversity

Management Approach

Recognition of Challenges

All companies harness ecosystem services, leveraging the resources produced by our ecosystem in each phase of the lifecycle, from the sourcing of raw materials to production, sales, use and disposal. At the same time, however, the world continues to lose its tropical forests while the number of fauna and flora found on the red list of endangered species continues

to grow unabated. Also, Aeon's business operations are based on the recognition that they cannot be sustained without the ecosystem services of agricultural produce and marine products, which is why Aeon continues to work on various initiatives for the sustainable use of resources, with biodiversity conservation considered as one of the key issues.

Aeon's Approach

Aeon established the Aeon Biodiversity Principle in FY 2010 in order to continually promote the sustainable use of resources while conserving biodiversity. We are promoting various efforts in accordance with the Code of Conduct that was defined in this Principle.

● Sustainable procurement

We formulated the "Aeon Sustainable Procurement Principle" in FY 2014 in order to aim for compatibility between the continuous development of business and the sustainability of natural resources. In April 2017, we announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 with regard to agricultural, livestock and

fishery products as well as paper, pulp, timber and palm oil. Aeon will continue to further promote the procurement of products produced in line with global standards.

● "Aeon Forest Circulation Program" together with customers

We have been planting trees with customers since FY 1991 as an activity that embodies the "Aeon Basic Principles." The "Aeon Forest Circulation Program" was started with the theme of "Plant," "Nurture" and "Thrive" upon the planting of the 10 millionth tree in FY 2013. Since FY 2016, which marked the 25th anniversary of Aeon's tree planting activities, the program has been further accelerated.

Future Initiatives

Environmental agencies and the Conference of Parties (COP) under the Convention on Biological Diversity are working to make biodiversity mainstream through various social and economic activities promoting the protection of biodiversity and its sustainable use, from a worldwide to local community. Consequently, Aeon will utilize its business characteristic of coming into contact with vast numbers of consumers on a daily basis to continually highlight the importance of biodiversity

through the familiar platforms of stores and products. In particular, efforts based on the Aeon Sustainable Procurement Principle are also profoundly connected to the Sustainable Development Goals (SDGs) adopted by the General Assembly of the United Nations in 2015, and we will promote further efforts aimed at achieving the Sustainable Procurement Goals for 2020.

Aeon Biodiversity Principle

Aeon's business depends on living products, such as agricultural and marine products. Recognizing this, Aeon formulated the "Aeon Biodiversity Principle" in March 2010, towards the conservation of biodiversity are essential to form a sustainable society.

Basic Principle

Grasping the impact our overall corporate activities have on the ecosystem, we actively focus on reducing the impact on the ecosystem and conservation activities, working in collaboration with our stakeholders, including our customers, local authorities and non-profit organizations. We focus on the following points related to the ecosystem in our corporate activities:

Through our corporate activities, we

1. Remain conscious of blessings and burdens.
2. Engage in initiatives that protect and nurture.
3. Disclose information on our activities.

Action Guidelines (Excerpt)

1. Products: We will set sustainability targets for resource managed fresh seafood and processed products, engage in their purchase and sale while sharing those targets with our business partners, and communicate related information to customers.
2. Stores: We will continue to promote tree-planting campaigns with local customers at new store sites and continue to develop Eco Stores with less environmental impact than conventional facilities.
3. With Customers: Through tree-planting campaigns and other programs, we will share environmental awareness and learn together with all of our customers.

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Use of Sustainable Resources	Promoting Sustainable Procurement (products)	Sustainable procurement initiatives in seafood	Consolidated Group companies in Japan	Expansion of initiatives based on the Aeon Sustainable Procurement Principle and Aeon Sustainable Seafood Procurement Policy	<ul style="list-style-type: none"> Expanded MSC and ASC CoC (Chain of Custody) certification at Aeon Group companies. Acquired certification at four general merchandise store companies and eight supermarket companies. Two companies preparing to acquire certification. MSC: 18 species, 38 items ASC: 5 species, 10 items A permanent "Fish Baton" corner to display only MSC and ASC certified products is installed in 51 Aeon Retail (Ltd.) stores (As of the end of February 2017) 	<ol style="list-style-type: none"> 1) Analysis of the risks and opportunities for sustainable procurement based on input from internal and external shareholders in the Assessment Committee (Marine Products) 2) Identify priority initiatives and implementation feasibility in the Promotion Committee (Marine Products), and implement the breakdown of specific efforts
		Sustainable procurement initiatives in produce	Consolidated companies in Japan for GMS and SM Small companies	Expansion of organic product sales	<p>Launched 16 new products in TOPVALU Gurinai Organic Series, increasing number of products to 190 (as of end of February 2017)</p> <p>* Expanded TOPVALU Gurinai into three series, namely Organic, Natural, and Free-From in November 2016</p>	Establishment of unique logo and package design for Organic Series and clarification of products that have obtained official certification through TOPVALU Gurinai rebranding
	Promoting Sustainable Procurement (products and stores)	Maintenance and Management Situation of Forests	Consolidated Group companies in Japan	Development of procurement policies of forest resources	<p>(Products)</p> <ul style="list-style-type: none"> Sell about 130 FSC® certified products in stationery and H&BC generic items. Achieved 100% FSC® certification in three categories Take advantage of FSC®-certified paper in generic items, even in food packaging and hanging clothes tags (Stores) Total number of Ministop stores in Japan that use FSC-certified wood: 206 stores (As of the end of February 2017) 	<ol style="list-style-type: none"> 1) Development and publication of a sustainable procurement policy for forest resources 2) Development of an organizational structure for sustainable procurement in terms of products 3) Publication of initiative contents in terms of products
Promotion of Aeon Forest Circulation Program	Preserving Biodiversity at Store Level	Maintenance management of Aeon Hometown Forests Program planting zones	Companies to implement the Aeon Hometown Forests Program	100% implementation of planting zone management in Aeon Hometown Forests Program	<ul style="list-style-type: none"> Focusing on GMS and SM, spread planting zone management based on the management manual Creating opportunities for employees to experience tree planting 	<ol style="list-style-type: none"> 1) Raising employee awareness in conjunction with 25th anniversary of Aeon's tree planting activity 2) Confirm the progress and thorough implementation of management plans at each GMS store 3) Spread weeding and cleaning through Clean & Green Activities carried out by employees at each GMS store 4) Increase competency of facility management staff through planting zone management training
	Community Contribution through Forest Conservation Activities	Activity Status of The Forest Transcend Project—Educating Forest-Conscious People	Aeon Co., Ltd.	Creation of a model for activities to support domestic forestry through collaboration between government, the general public and private enterprise	Position the course as a beginner's induction in a collaboration between the general public and a private enterprise as part of Mie Prefecture's measures to support people employed in forestry	<p>A Curriculum to Education Forest-Conscious People</p> <ul style="list-style-type: none"> Collaboration with "Mori no Sensei" (Forest Teacher) and "Moribito Juku" (Guardian School) organized by Mie Prefecture Holding wood education events at stores using timber from thinning harvested during the course

Sustainable resource usage

Promoting Sustainable Procurement

Our natural resources face many threats today, from ecosystem destruction from overexploitation to poor agricultural harvests from abnormal weather caused by climate change. Whereas, with the supply chain now stretched across the entire world, Aeon must be conscious of human rights and working environments at suppliers as well as work to prevent corruption, including bribery and extortion.

The products manufactured and sold by Aeon are made possible by the bounty of nature and contain raw materials procured from producers and locations around the globe. Efforts towards procurement guideline formulation have begun from 2011 towards the realization of even more sustainable high-level procurement. Through the work of a CSR Procurement Guidelines Committee comprised of managers from related Aeon departments, and tasked with gathering CSR procurement-related information, we formulated and published, in February 2014, our Aeon Sustainable Procurement Principle.

In April 2017, we announced the Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 with regard to agricultural, livestock and fishery products as well as paper, pulp, timber and palm oil. Aeon will continue to further promote the procurement of products produced in line with global standards.

Aeon Sustainable Procurement Principle

1. Eliminating natural resource transactions, gathering, and fishing conducted illegally.
2. Establishing and managing Aeon standards from the perspective of biodiversity preservation and preventing the depletion of natural resources.
3. Minimizing use of non-renewable resources.
4. Establishing traceability, including place of production and fishing methods, for produce and marine resources.
5. Preventing the destruction of forest land with high conversation value.

● Aeon Sustainable Procurement Policy and 2020 Goals

Target	Aeon Sustainable Procurement Policy	Sustainable Procurement Goals for 2020
Agricultural products	Committed to procuring agricultural products in a sustainable manner that is in harmony with nature, natural ecosystems and society. Also cultivating and providing safe and delicious vegetables, thereby contributing to future food safety and helping people go about their daily lives with peace of mind.	<ul style="list-style-type: none"> • For the private brand, aiming for 100% implementation of the GFSI^{*1}-based Good Agricultural Practice (GAP) • Aiming to increase the sales ratio of organic products to 5% of the total agricultural products
Livestock products	Committed to procuring livestock products in a sustainable manner that is in harmony with nature, natural ecosystems and society. Also cultivating and providing safe and delicious beef, thereby contributing to future food safety and helping people go about their daily lives with peace of mind.	<ul style="list-style-type: none"> • For the private brand, aiming for 100% implementation of the GFSI-based Food Safety Management System (FSMS) or the Good Agricultural Practice (GAP)
Fishery products	Carrying out regular risk assessments from a resource depletion prevention and biodiversity conservation perspective. Also, in order to mitigate risks, reviewing feasible countermeasures and striving to procure sustainable seafood. (Note 1)	<ul style="list-style-type: none"> • Aiming for 100% acquisition of MSC^{*2}/ASC^{*3} Chain of Custody (CoC) certification by Aeon's consolidated subsidiaries operating general merchandise stores or supermarkets • Providing sustainability-proven private brand products in all major fish species
Paper, pulp, and timber	Utilizing store materials and product raw materials made of lumber and pulp produced from properly managed forests, and strive to prevent deforestation. (Note 2)	<ul style="list-style-type: none"> • Aiming for 100% use of sustainability-certified (by FSC^{*4} or equivalent) materials for the private brand in the major product categories
Palm oil	For palm oil used as a product material, aiming for procurement that gives consideration to the prevention of deforestation and conservation of biodiversity.	<ul style="list-style-type: none"> • Aiming for 100% use of sustainability-certified (by RSPO^{*5} or equivalent) materials for the private brand

Note 1: Regarding the procurement of fishery products, Aeon formulated the Aeon Sustainable Seafood Procurement Policy earlier in 2014.

Note 2: Regarding the procurement of paper, pulp and timber, Aeon formulated the Aeon Forest Resources Procurement Principle (Paper/Pulp/Timber) earlier in 2016.

^{*1} GFSI (Global Food Safety Initiative): GFSI is an industry-driven global collaboration to advance food safety powered by The Consumer Goods Forum (TCGF, which is composed of global food manufacturers and retailers. GFSI also recognizes food safety certification programs.

^{*2} MSC (Marine Stewardship Council): MSC is an organization that manages and promotes the MSC certification program which certifies socially responsible and sustainable fisheries.

^{*3} ASC (Aquaculture Stewardship Council): The ASC is an organization implementing the world's leading certification and labelling program for responsibly farmed seafood.

^{*4} FSC (Forest Stewardship Council): FSC is an organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

^{*5} RSPO (Roundtable on Sustainable Palm Oil): RSPO was formed to promote the growth and use of sustainable oil palm products through credible world standards and engagement of stakeholders.

Promoting the Procurement of Sustainable Seafood

Aeon established the Aeon Seafood Procurement Principle in February 2014 in order to help protect limited marine resources and to hand down to future generations our traditional culture surrounding food sources from the water and sea.

We formulated the Seafood Assessment Committee comprised of Aeon's Environment Division and other Divisions at Aeon Group companies, functional companies, and other companies. Based on input from external stakeholders (NGOs, the government, seafood businesses), we analyzed risks and opportunities, reviewed feasible projects, and used the results to plan key initiatives.

Aeon Sustainable Seafood Procurement Policy

Carry out regular risk assessments from a resource depletion prevention and biodiversity conservation perspective. Also, in order to mitigate risks, review feasible countermeasures and strive to procure sustainable seafood.

Specific Measures

Aeon is constantly devising and implementing measures to shift from endangered seafood to seafood with a sustainable backing into the future.

1. Provision of Sustainable Products
 - Actively sell sustainable seafood such as MSC-certified and ASC-certified products
 - Strengthen handling of complete aquaculture
2. Elimination of Illegal Trade
 - Comply with international conventions, such as Washington Convention
3. Establishment of Traceability Measures
 - Promote strengthening of resource management in Indonesia
4. Regular Risk Assessments
 - Launch organization to promote sustainable Procurement Measures in organization development as well such as "Assessment Meetings" and a "Sustainable Procurement Promotion Committee" for promotion have begun.

Voice

Yasuyuki Yamamoto

Group Merchandising Strategy Department,
AEON TOPVALU CO., LTD.



Aeon has always conducted a wide range of initiatives from the standpoint of sustainability in seafood resources. In 2001, we formulated the Gurinai Seafood Production Standards based on the organic EU standards. It began from the development of TOPVALU Gurinai Roasted Eel.

We are expanding the handling of seafoods that consider the environment including MSC-certified products, ASC-certified products, and full-cycled aquacultured tuna.

In the future, Aeon anticipates changes of modern times and keeps directly confronting challenges from the environment and biodiversity to human rights and labor issues in the product supply chain.

Sales and development of MSC-certified and ASC-certified Products

The MSC (Marine Stewardship Council) is a non-profit organization that manages and promotes the MSC certification program which certifies properly managed, sustainable fisheries and can put a "sea eco-label" on marine products caught by certified fisheries. Aeon engages in fisheries that consider the marine environment and resources in order to leave natural fish for future generations. After beginning to sell MSC-certified products in 2006, Aeon has gradually expanded the number of available items. As of February 2017, we offer customers 38 MSC-certified products across 18 species— more than any other retailer in Japan.



TOPVALU
Gurinai Natural
MSC-certified salt sockeye

In addition, Aeon sold ASC (Aquaculture Stewardship Council) certified salmon for the first time in Asia in 2014 and is selling 10 ASC-certified products across five fish species as of February 2017. It also aims for sustainable procurement through the dissemination of "responsible aquaculture fisheries" which also considered local societies and human rights without imposing a heavy burden on the environment.



TOPVALU ASC-certified raw
Boneless, skinless white fish fillets
(Pangasiidae)

As of the end of February 2017, four general merchandise store companies and eight supermarket companies in the Aeon Group had acquired Chain of Custody (CoC) certification. CoC certification ensures the reliability of MSC and ASC certified products and is a system for assuring consumers of the traceability of certified products.

Going forward, Aeon will promote procurement of sustainable seafood by increasing the number of companies that acquire certification.

Development and sales of "Full-cycle Aquaculture Fish"

Aeon started supply of full-cycle aquaculture raised* tuna that is not dependent on natural resources in 2015 from the perspective of resource depletion prevention and biodiversity conservation.



TOPVALU Gurinal Natural
Red sea bream produced in Kumamoto Prefecture

As of the end of February 2017, Aeon is selling four kinds of full-cycle aquaculture raised fish.

* Full-cycle aquaculture raised: Fertilized eggs are taken from adult tuna and artificially hatched, then those eggs are raised in a full-cycle that does not rely on wild tuna stocks.

Expanding "Fish Baton" deployment

Based on the thoughts of "wanting to connect the next generation to a rich food culture," deployment of a permanent corner called "Fish Baton," which is composed of ASC and MSC-certified products indicating that they are sustainable marine products, started from FY 2015. As of the end of February 2017, these corners had been expanded to 51 stores. Moreover, we plan for all Aeon's consolidated subsidiaries operating general merchandise stores or supermarkets to acquire MSC and ASC CoC certification (distribution and processing certification) by 2020.



Aeon Style Itabashi Maeno

Going forward, Aeon will continue to propose products and sales areas that encourage our customers' daily shopping to be environmentally friendly, striving to conserve biodiversity in partnership with customers.

* MSC-certified and ASC-certified products are also handled in stores where "Fish Baton" corners are not installed.

FY 2016 Results and Target of KPI

Sustainable procurement initiatives in seafood



Promoting the Procurement of Sustainable Forestry Products

Following the Aeon Seafood Procurement Principle, the Aeon Forest Resources Procurement Principle was established in 2016. We aim to contribute to the balance of utilization and conservation of forest resources based on the principle.

Aeon Forest Resources Procurement Principle (Paper/Pulp/Timber)

We will continue to utilize store materials and product raw materials made of lumber and pulp produced from properly managed forests, and we strive to prevent forest destruction.

Initiatives through our Products

Identify risks and opportunities, consider viable methods, and aim for sustainable procurement through continuous improvement.

1. Handling of Sustainable Products

Raw material from properly managed forests is authenticated and products that have acquired FSC® certification are handled assertively.

2. Effective use of domestic lumber in Japan

Efforts for the effective use of domestic lumber in order to have sustainable recycling in Japan's forests.

3. Ensuring Traceability Measures

For high-risk countries and regions, raw material confirmation traceability to forests are handled on a priority basis.

4. Prevention of Illegal Deforestation

We confirm legal lumber, etc. based on laws related to promotion of the use of legally harvested lumber.

5. Preservation of Areas with High Conservation Value

We confirm if precautions were taken in order to maintain areas with high conservation value.

Efforts in products: Products using FSC®-certified paper

The Forest Stewardship Council® (FSC®) certifies wood products and paper manufactured with timber from properly managed sustainable forests.

Aeon has been selling notebooks and other FSC®-certified paper products since 2008. From FY 2011, we have been using FSC®-certified materials for price tags and other widely used markers. Up to now, about 130 stationery and H&BC category FSC®-certified products were sold, and we are also expanding the use of FSC®-certified materials to packaging and other items. (FSC® C005942)



TOPVALU Best Price tissue paper using FSC® certified paper

Efforts in stores: Stores using domestic FSC®-certified domestic lumber

Aeon practices store development with consideration to preservation of the ecosystem. For example, Mini Stop Co., Ltd. opened a Ministop store that used 100% FSC® Japan certified materials in 2009, as the first FSC-certified convenience store in Japan. As of the end of February 2017, 206 Ministop stores are FSC® certified. Going forward, we plan to actively increase the number of environmentally-friendly stores using FSC Japan certified materials.



Store under construction



Ministop store



Properly managed Yamanashi Prefecture FSC®-certified forests



FY 2016 Results and Target of KPI

Sustainable procurement policies of forest resources



Developing and Promoting the Procurement of Organic Products

In the "TOPVALU Gurinai" organic series, a rich assortment of environmentally friendly products that received certification both in Japan and overseas are offered, and as of February 2017, we handle 190 items (food and H&BC), the largest amount of any retail generic brand in Japan.

In order to reflect increased consumer interest in healthy food, safety and security, as well as to respond to requests from customers for more organic products in our stores, we promote development and procurement of organic products in Japan and from other countries utilizing the Japanese Agricultural Standards (JAS)* certification for importers of organic agricultural/processed food products, a certification issued by the Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan.

Not only food and H&BC products, we also stock an organic series of TOPVALU ladies', men's and babies' underwear.

Furthermore, we have installed organic corners in the agricultural produce departments of Aeon Retail Co., Ltd. stores. As of March 2017, the installation of organic corners had been expanded to 140 stores.



TOPVALU Gurinai Organic Series

* Organic JAS logo

Operators certified by certification organizations registered by the MAFF are able to attach the organic JAS logo to their products. The logo is attached to agricultural, processed, or livestock products, as well as livestock feed, produced with a method of organic farming that uses natural power instead of pesticides or chemical fertilizers.



Organic JAS logo

Topics

Aeon Fantasy Co., Ltd. official characters Lala-chan and Io-kun have been appointed 2016 FSC Japan Goodwill Ambassadors.

Aeon Fantasy Co., Ltd. official characters Lala-chan and Io-kun have been observed in activities up to now, and they had been appointed as FSC Japan Goodwill Ambassadors in May 2016. They were active in various events so that even children can have a further awareness and understanding of FSC.



Voice

Yukinobu Minamino

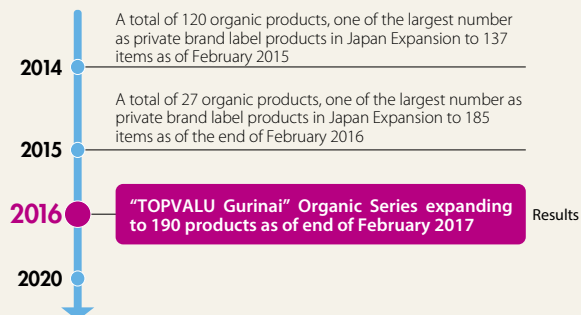
Business Planning Department,
AEON AGRI CREATE Co., Ltd.



The organic JAS logo officially certifies that a product has undergone testing in accordance with the Act on Standardization and Proper Quality Labeling of Agricultural and Forestry Products and passed the official standards. In developed Western countries, the organic market has grown rapidly to three to five times the size it was ten years ago. Even in Japan, there has been a steady increase in customers who choose organic as a lifestyle in order to conserve environmental resources and biodiversity. Aeon will continue to provide products to meet customer expectations in the future.

FY 2016 Results and Target of KPI

Appropriate products in private brand



Topics

Opening first Japan store of organic supermarket Bio c' bon

Japan's first Bio c'bon Azabujuban Store opened in the Azabujuban district of Minato Ward, Tokyo in December 2016. It features organic agricultural products, organic processed foods, and "Bio" (organic) wines and cheeses imported directly from France and is working to create a store where customers can enjoy a Bio lifestyle. Through developing Bio c'bon supermarkets, Aeon will communicate the attractions of Bio lifestyles to customers and promote the expansion of the organic market.



Bio c' bon Azabujuban

Promoting the Aeon Forest Circulation Program

Aeon Forest circulation program

When we open a new store, Aeon Hometown Forests Program joins with our customers to plant trees on the new site. Since this Program began at our JUSCO Malacca store in Malaysia in 1991 (Currently renamed Aeon Malacca SC), customers have planted trees together with us, passing the 10 millionth tree mark in 2013.

With this opportunity, Aeon started the Aeon Forest Circulation Program with the theme of "Plant," "Nurture," "Thrive" in order to advance to a new stage. Specifically, we will continue to promote this with our "plant" objective targets tree planting that improves the quality of life in regions across the globe, and tree planting that protects areas from tsunami and disasters; our "nurture" objective targets activities to develop and managed planted trees and foster successor forests; and our "thrive" objective assertively promotes the utilization of forest products such as lumber, etc. as resources for our products and building materials for our stores.



Letting Forests Grow—Plant, Nurture Aeon Hometown Forests Program

So that new stores become a local community place and spread the spirit of fostering green spaces to people in the region as well. With these thoughts in mind, since 1991, when Aeon opens a new store, "Aeon Hometown Forests Program" is carried out with tree planting at the site of a store.

In addition, each store carries out cleaning and weeding of its "Aeon Hometown Forests Program" planting zone based on the management manual, primarily on Aeon Day on the 11th of each month.

In 2016, marking the 25th anniversary of Aeon's tree planting activities, the cumulative total number of trees planted stood at 11,441,925*. Aeon is deeply grateful to the customers who have participated in our tree planting efforts and we look forward to the next group of trees which we will plant and nurture alongside our customers and local communities.

* Total tree planting through "Aeon Hometown Forests Program," AEON Environmental Foundation, and "Aeon Tohoku Reconstruction Hometown Forests Program"



We marked the 25th anniversary of Aeon's tree planting activities.



"Aeon Hometown Forests Program"
Aeon Mall Nagakute

Voice

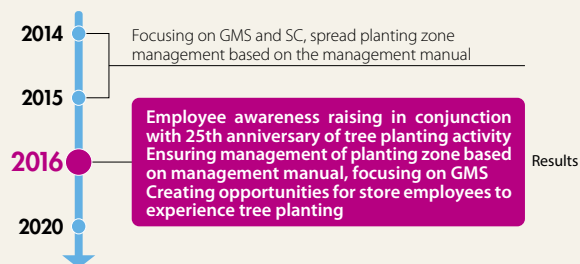
Voice of customer who attended the Aeon Mall Tokushima Tree Planting Festival

I took part in the tree planting festival so that every time I come to Aeon Mall with my children in the future, we will be able to say to each other, "We planted this tree." I also thought that would be great to be able to watch this tree growing with my children.

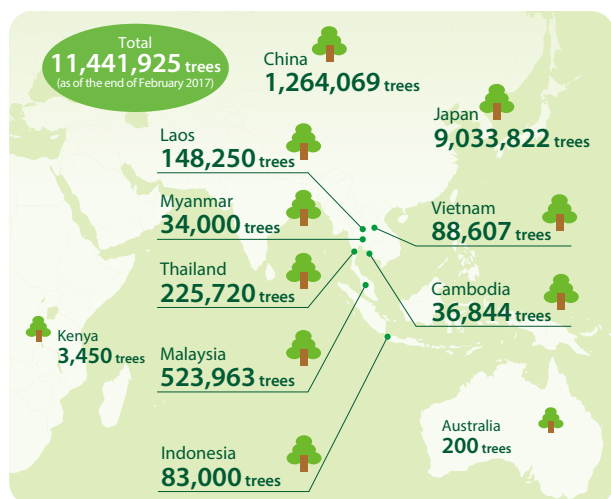
There has been a decrease in the number of "forest village shrines" in the region, so I think it is really positive that Aeon is implementing initiatives to create new "forest village shrines" in this form.

FY 2016 Results and Target of KPI

Maintenance and Management Situation of Forests



Letting Forests Grow



Letting Forests Grow—Nurture A Curriculum to Education Forest-Conscious People

In recent years, preventing global warming and conserving biodiversity are challenges joined by another urgent social issue. That is, preserving and sustainably using forests, which serve multifaceted roles for carrying on Japanese culture, offering recreation, etc., and villages, which serve as places for humans and nature to coexist.

The Forest Transcend Project—Educating Forest-Conscious People is a collaborative effort between Aeon, Mie Prefecture, and the NPO Miyagawa Shinsengumi, aiming to foster the future generation of forestry workers by offering various programs to deepen understanding of Japan's forest management.

In FY 2016, our third year, the Project was held over the course of about six months, from October 8, 2016 to March 26, 2017, in Odai town, Mie Prefecture. The curriculum had lectures and fieldwork related to forestry and forests ("Forest seminar" 5 days) and hands-on training and workshops ("Forest skills" 9 days / Forest communication 5 days) for a total of 19 days.

The nine-day "forest skills course" has been popular every year as a forum for experiencing actual forestry. By focusing on making a functional pathway for workers, the course teaches forestry labor techniques and skills directly in the mountain forests of Odai town. This year 12 students completed the entire curriculum.

We offered Forest communication as new curriculum for this year. Customers can use play equipment, artwork items, and other things made by the students out of timber from thinning at Aeon stores.

One of the objectives of the project is a curriculum that is also connected to the promotion of "wood education," and we will feed our efforts into the next fiscal year with an eye to spreading and expanding the Mie model to other regions.



Forest Transcend Project

Letting Forests Grow—Thrive Utilization of Forest Resource

In addition to the deployment of FSC-certified product sales (▶P. 96) and deployment of stores using 100% domestic FSC-certified lumber (▶P. 97), we are working on the promotion of utilizing forest resources in a variety of measures. For example, in the "Aeon Mall Toin," a permanent children's playground, the "Mie Tree Plaza" was installed utilizing forests from Mie Prefecture.

Moreover, we are promoting the introduction of desks and chairs using FSC®-certified timber and building blocks made from domestically produced wood at Aeon Yumemirai (Dreams for the Future) Nursery School (▶P. 136), the Group's on-site child care facility, in order to teach the children about the positive qualities of wood.

We aim to foster a richness of spirit for thinking about the connections between people and trees and forests through contact with trees from early childhood.



Chair using FSC®-certified timber introduced at Aeon Yumemirai (Dreams for the Future) Nursery School

Topics

Exhibiting at EcoPro 2016

Aeon exhibited at EcoPro 2016 with a forest-themed booth. In the exhibit for the year which marked the 25th anniversary of Aeon's tree planting activities, we introduced the Plant, Nurture, and Thrive initiatives we implement based on our Aeon Forest Circulation Program in addition to the significance and history of our tree planting activities. Our exhibit appealed to the five senses and included a reproduction of the Aeon Hometown Forests Program as well as a wood education workshop for learning while actually touching wood from thinned cypress and cedar by making a wooden coaster. Many students and families visited our booth.

We also displayed the TOPVALU fururi next-generation vinyl umbrella that received the Chairperson's Award, Eco-Products Awards Steering Committee at the 13th Eco-Products Awards.



Aeon booth at EcoPro 2016

Initiatives through our Stores

Developing and Evaluating Indicators

Aeon pays great attention to conservation and creation of ecosystems in developing its stores through initiatives such as planning and implementing biodiversity evaluation and environmental burden reduction measures when opening stores. The aim is to minimize the impact of our stores on the surrounding environment and ecosystem. Examples of these initiatives include the Aeon Hometown Forests Program and installing biotopes at some of our shopping centers.

As part of the store biodiversity assessment, "Creature symbiosis office® certification (Urban/SC version)" has been acquired since FY 2013 through the "Association for Business Innovation in harmony with Nature and Community" (ABINC). In FY 2016, one shopping center "Aeon Mall Nagakute" obtained certification, and "Aeon Mall Toin" obtained its three-yearly renewal of certification. In addition, "Aeon Mall Tamadaira Forest" received the ABINC Special Award (Urban SC category) in October 2016.



Biotope

Biotope introduced on some store premises and rooftops helps in environmental education and raising awareness about environmental protection.



Rain Garden™

Rain water is contaminated with substances contained in exhaust gas and risks disrupting the ecosystem if it flows directly into the rivers and sea. The Rain Garden™ reduces the negative impact on the ecosystem by allowing rain water to penetrate into the ground and purifying it.

Better Use of Resources

Management Approach

Recognition of Challenges

The world's population continues to grow. Many believe it will increase from the current 7.2 billion to 9.8 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 promoting the recycling 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 promoting the recycling 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.

Aeon stated its aim for "Zero waste by FY 2020 (=disposal/incineration/landfill of waste as is to zero)" in 2014, 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 2017, 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.



Through stores/products

Reducing food waste in the store and product supply chain through visualization, ISO14001, disposal sales change reduction, separation and recycling.



Through communication with customers

Reducing food waste along with customers through food education and campaigns at stores.



With local areas

Reduction of food waste through donations to food banks, etc. and construction of a recycling loop in cooperation with stakeholders in the region.

FY 2016 KPI Progress

Main Category	Sub-category	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Initiatives for Zero Waste in Stores and Products	Reduce Amount of Materials Used in Packaging and Containers	Amount for Third-Party Processing to Remake into Product, 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 specified in the Law for the Promotion of Sorted Collection and Recycling of Containers	FY 2010: 1.175 tons FY 2016: 20% reduction or compared to FY 2010	1.127 tons 4.1% 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 * Review of targets given change in business structure
	Reducing Waste	Reducing Waste Emissions	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)	<Group company examples> 1) Reducing waste generated by company • 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) Collecting and recycling sold products. Contributing to reducing waste generated by customers • Aeon Retail Co., Ltd., Cox Co. Ltd. etc.
	Reducing Food Waste Emissions	Food Waste Emissions (basic unit per million yen in net sales)	Domestic consolidated target of food-related companies within GMS, SM companies	FY 2016: Reduction from the previous year	FY 2015 Results: 35.58kg/million JPY FY 2016 Results: 34.27kg/million JPY (forecast) Formulation of guidelines for establishing targets on food waste for each company * for food retail industry	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 4) Sharing information from companies where initiatives are advanced 5) Establishment of guidelines for setting targets
		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 2015 Results: 57.1% FY 2016 Results: 59.2% (forecast) * for food retail industry	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 implemented in 76 stores	Aeon Group Companies expand food residue recovery stores
	Together with Customers	Reduce the Number of Plastic Shopping Bags	Percentage of Customers Declining Plastic Shopping Bags (Nationwide store average)	Consolidated Group companies in Japan for GMS and SM businesses	FY 2016: More than 70% FY 2020: More than 80%	FY 2016: 65% (Stop Free Plastic Shopping Bags stores increased 21 stores, 1,574 stores in total)
Strengthening the Management System	Management System for Waste Emissions	Completing Internal Training Course to Improve Management of Waste Emissions	Consolidated targets in Japan Group Companies	FY 2016: More than 360 people passed (Total from FY 2010)	No. of people who attended training in FY 2016: 1st course: 54, 2nd course: 46, Total: 100 33 people out of 47 candidates passed test Cumulative total: 394	Provide training by external specialist institutions. Double number of people who attend training through use of teleconferencing and actively publicizing training in head office-related departments
		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 2016 (95% or more) 18 companies: Aeon Kyushu Co. Ltd., The Dai-ichi, Inc., Aeon Liquor Co., Ltd., Maxvalu Minami Tohoku Co., Ltd., Maxvalu Kanto Co., Ltd., Maxvalu Nagano Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinihon Co., Ltd., Maxvalu Kyushu Co., Ltd., Aeon Market Co., Ltd., The Maruetsu, Inc., Aeon BIG Co., Ltd., Kasumi Co., Ltd., Red Cabbage Co., Ltd., Origin Toshu Co., Ltd., My Basket Co. Ltd., A-Colle Co., Ltd., Aeon Fantasy Co., Ltd. (50% or more, less than 95%) 9 companies: Aeon Retail Co., Ltd., Aeon Retail Store Co., Ltd., Aeon Hokkaido Corporation, Aeon Store Kyushu Co., Ltd., Aeonbike Co., Ltd., Marunaka Co., Ltd., Sanyo Marunaka Co., Ltd., Aeon Town Co., Ltd., GFoot Co., Ltd. (Less than 50%) 5 companies: Maxvalu Hokkaido Co., Ltd., Maxvalu Hokuriku Co., Ltd., Aeon Mall Co., Ltd., Ministop Co. Ltd., Welcia Holdings Co., Ltd.	1) Increasing efficiency of operations through outsourcing to manager providers and introducing mechanisms that coordinate contract management 2) Implementing review of division of roles and communication rules between stores, head office and management contracting company and building checking system for internal audits, etc.

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.

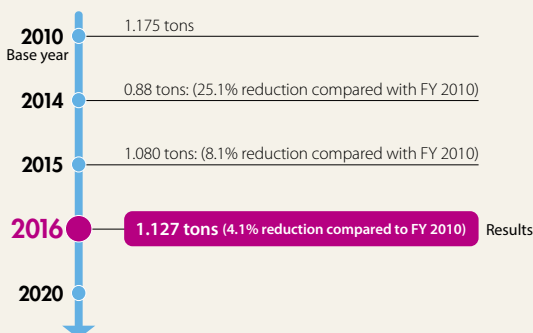
With this in mind, Aeon is working actively to reduce the amount of packaging and containers we use. In addition to focusing on reducing plastic shopping bags, we are also promoting the use of thinner as well as more ecofriendly trays.

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 4.1% in FY 2016 compared with FY 2010, with a total of 1.127 tons. Moving forward, we plan to take further action in this area.

FY 2016 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.



TOPVALU BESTPRICE Buttered Roll: closure mechanism eliminated and packaging minimized

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 15.4 million stickers in FY 2016.



TOPVALU bentos: product name sticker and thermal sticker combined into one sticker

Waste Reduction

As an enterprise that operates business in approximately 21,113 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 (=disposal/incineration/landfill of waste as is to zero) to launch initiatives.

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

In Aeon Mall Co., Ltd., for example, the medium-term environmental plan to FY 2020 was decided on in May 2017, 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. The recycling rate in FY 2016 was 86.8%, maintaining a high level above the target.

In this way, many of the group companies are implementing various initiatives.

Also, the effort of each region about waste through the characteristics and legal constraints of waste itself is important. We are working with stakeholders in local areas such as recyclers, producers, governments and NPOs to boost collection at stores and promote initiatives that go as far as reuse with the aim of building local platforms in waste reduction and resource recycling.

FY 2016 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.

As part of this, we are striving to set targets for the food waste-to-sales ratio* and the selling price change rate at many companies. In FY 2016, we issued the FOOD WASTE Best Practice Collection to share outstanding initiatives at individual companies and achieve overall improvement.



FOOD WASTE Best Practice Collection

Further, in FY 2016, we formulated guidelines for establishing targets on food waste. Specifically, we decided to set targets at a challenging level based on the current circumstances of each company, using the food waste recycling rate, including food waste recovery stipulated in the Food Recycling Law.

In FY 2017, we will promote the establishment of targets for each individual company, moving our reduction initiative even further forward.

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

Aeon Food Supply Ltd. Initiatives

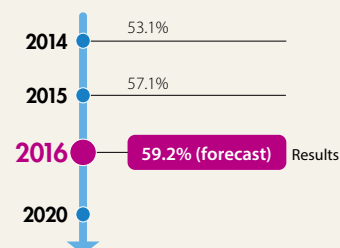
Aeon Food Supply Ltd., a food manufacturer, has established targets that include eliminating manufacturing loss, strengthening management of raw material processing deadlines and best-before dates, initiatives to extend use-by dates with MAP packaging for livestock products, reducing quality defective products by strengthening receipt inspections, and reducing product accidents (contamination, improper labeling, and quality defects), and is striving to reduce waste through its daily production activities.

FY 2016 Results and Target of KPI

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



Food waste recycling rate



Initiatives Undertaken by Group Companies

Aeon Retail Co., Ltd. Initiatives

Based on the leadership of managers for each store and area, Aeon Retail Co., Ltd. is promoting the sharing of information through the implementation of detailed progress management of price change and meetings and has implemented initiatives including clearances through taste testing and early sampling of products with degraded freshness. The company has established a food waste-to-sales ratio target of 0.5% or less and has managed to improve its food waste-to-sales ratio by nearly 10% since last year.

Aeon Ryukyu Co., Ltd. Initiatives

Aeon Ryukyu Co., Ltd. is ensuring thorough inventory control, including the establishment of an inventory turnover period for three fresh products and the delicatessen and implementing progress management for each store in addition to improving ordering accuracy with the aim of achieving the target. Alongside securing sales and gross profit, stating an explicit target has increased motivation, translating into a reduction in waste.

Construction of Food Recycling Loop

Aeon Agri Crete 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 and expansion 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.

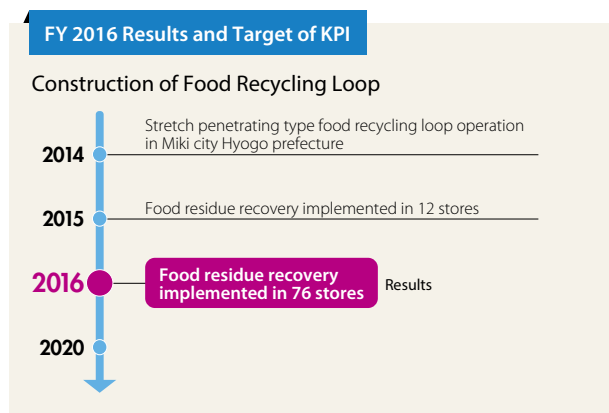
Soil development started from January 2016, and group stores in Hyogo Prefecture started full-scale shipments from June. Shipment of about



Cabbage that has been shipped from the Aeon Miki Satowaki Farm

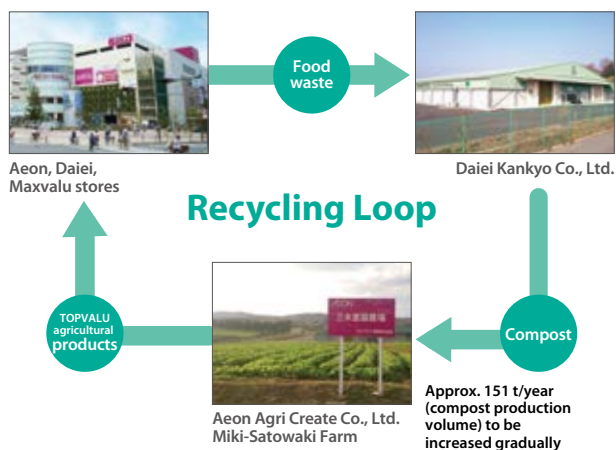
520 tons of agricultural products is being planned for radish, Chinese cabbage, spinach and cherry tomatoes in addition to cabbage.

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. In June, the Miki Environmental Festival, based on the concept of Education for Sustainable Development (ESD) was held. It also works actively on environmental education activities for children who are the next generation, including tours of the food recycling facility, environmental studies, and introductions to food recycling groups.



● Circulation flow

Approx. 1,241 t/year (food waste collection volume) to be increased gradually
(Total of target Aeon stores and TOPVALU manufacturing factories)



Use of Returnable Containers

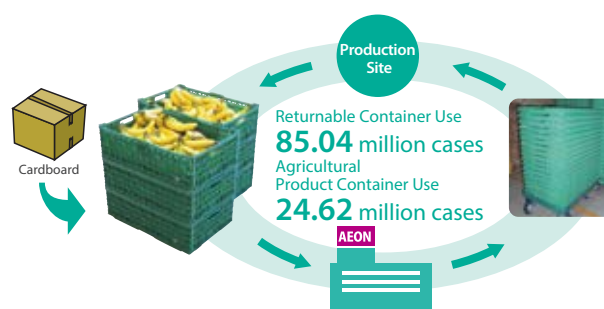
Aeon is reducing the amount of cardboard thrown away at stores by using returnable containers and agricultural product containers that can be used repeatedly when shipping products.

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 2016 we used 85.04 million cases of returnable containers*, and 24.62 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.

Voice

Fumio Kaneko

President and CEO,
DAIEI KANKYO Holdings Co., Ltd.



The Aeon self-contained food recycling loop, which is close to the lifestyles that support food and farming, is a new initiative to effectively use resources by directly linking to the safety and peace of mind that is demanded by our generation. In the future, we will take charge of a stable supply of safe and secure compost that clearly recognizes the deliciousness of vegetables for our tables while further expanding the volume we handle.

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 2017, the reduction of plastic bags at our 28 Group companies has totaled 2,770.5 million bags, with 65.0% of customers declining plastic bags. This result broadly out paces the 52.6%^{*1} average for retailing businesses and has led to CO₂ reductions of 85,334 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 2016 were 28.26 million JPY, and the total proceeds from plastic bag fees since 2007 have been about 630.61 million JPY.

^{*1} As of July 2016, 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).

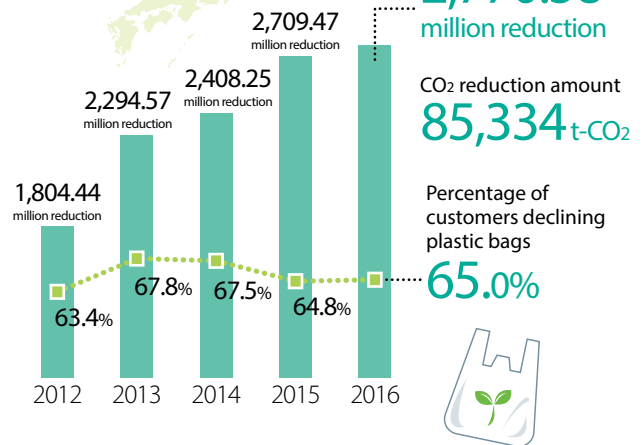
Source: Ministry of the Environment's "Tools for Visualizing 3R Activities"

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

Stores Stopping Free Plastic Shopping Bags

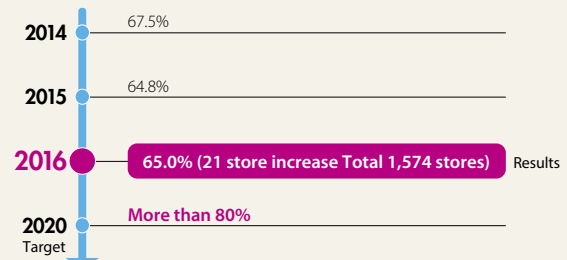
Total number of stores
(FY 2016 Results)

1,574 Stores
(Total for 28 Aeon Group companies)



FY 2016 Results and Target of KPI

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



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 FY 2016 (total for 26 consolidated subsidiaries)

Drink cartons

approx. **155.07** million
Recovered amount **4,652** t
CO₂ reduced **2,326** t-CO₂



Food trays

approx. **429.65** million
Recovered amount **3,007** t
CO₂ reduced **18,948** t-CO₂



Aluminum cans

approx. **316.74** million
Recovered amount **5,063** t
CO₂ reduced **43,548** t-CO₂



PET bottles

approx. **169.49** million
Recovered amount **10,677** t
CO₂ reduced **38,440** t-CO₂



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 implements 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 the end of June, 2017, the initiative had been introduced at a total of 215 stores —including 74 Aeon Retail Stores, 42 Aeon Kyushu stores, 15 MaxValu Tokai stores, 28 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.

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,*1 and commenced full-scale efforts in 2015. In FY 2016, there were about 153,930 trade ins, which was about 386 tons. 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 and selected at the plants of the company's overseas partners. 60% of the clothing is reused as apparel with the remainder being recycled according to condition and application. Aeon Retail Co., Ltd. will continue the trade in campaign primarily for reuse as apparel with the aim of achieving a recycling society.

Cox Co. Ltd.

Collecting and Promoting Reuse in Clothing

Cox Co. Ltd. has also teamed up with I:CO and has been working on secondhand clothing collection in its stores all over Japan since 2011. As a result of cooperation from customers, the company was able to collect about 12 tons of secondhand clothing in FY 2016, which is 20% more than the performance in the previous year. In FY 2017, it will continue the secondhand clothing campaign, increasing the frequency to four times a year.



Talbots Japan Co., Ltd. & Aeon Retail Co., Ltd.

Collecting and Promoting Reuse in Clothing

Fashion shop Self + Service run by Talbots Japan Co., Ltd. and Aeon Retail Co., Ltd. is participating in the FUKU-FUKU Project for 100% clothing recycling and runs clothing collections*² for unneeded ladies' and children's wear. Technology is utilized to make ethanol and other products from the clothing fibers collected from everyone.



G-Foot Co., Ltd.

Collecting and Promoting Reuse in Shoes

G-Foot Co., Ltd. is actively working on shoe recovery and reuse/recycling. The company developed a system in cooperation with ICO so that trade can be permanently carried out, and they are working to contribute to recycling of resources. 1,909,310 shoes, or about 1,336 tons, were recovered as of the end of May 2017. 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.

*1 I:CO stands for I COLLECT, and it is a subsidiary of the world's largest fiber and shoe recycling company, SOEX. The company name was changed to KK I-Collect Japan on March 1, 2017.

*2 Collections run at limited stores.

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.

100 people attended waste disposal management training in FY 2016. 47 of these people took the waste disposal manager test, and 33 people passed. This result brought the cumulative total, since FY 2011, to 461 employees receiving the training and 251 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.

While introducing the Electronic Manifest promotes energy conservation and greater efficiency, it is necessary to check and confirm the entered content, and it is a challenge to establish rules that suit the actual circumstances at each company, including communication with the management contracting company.

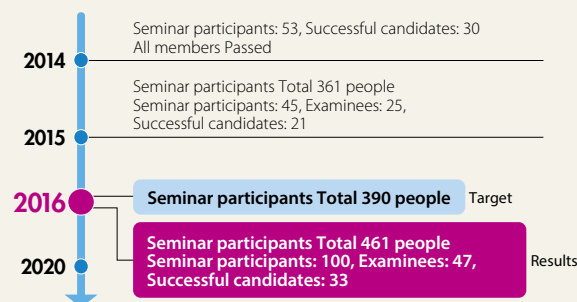
For example, MaxValu Kanto Co., Ltd. has introduced an IT system that can centrally manage contractors in conjunction with the Electronic Manifest. At the same time, it has created a system that subcontracts operations to reliable management companies and clarifies and checks the division of roles with contractors. As a result, it has been able to strengthen the compliance system while simultaneously succeeding in reducing the man-hours required for management and waste-related costs by approximately ¥10 million a year.

As of the end of February, 2017, the Electronic Manifest system had been introduced at 28 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.

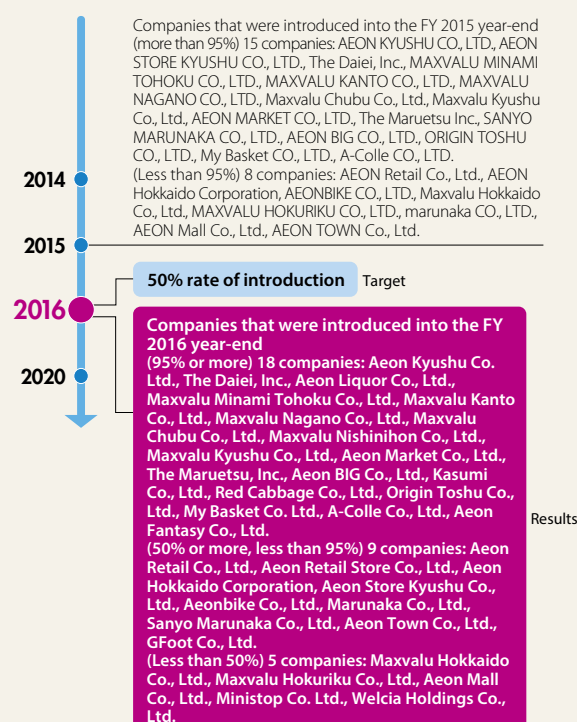
* Electronic Manifest: A manifest issued to ensure that processing has been performed when discharging industrial waste. Traditional operation between emitters and processing companies has been done in paper form, but digitization of manifest information in recent years with electronic manifests that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

FY 2016 Results and Target of KPI

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



Electronic manifest introduction rate



Responding to Diverse Consumer Management Approach

Recognition of Challenges

Customer safety and assurance is always the top priority in any era. As the supply chain has expanded globally in recent years, ensuring product quality and safety has become more and more of a major challenge for society. The occurrence of product accidents not only causes great inconvenience for customers, but also risks creating considerable anxiety for the

international community. In addition, the value that customers demand varies widely depending on the country and region. In order to continue responding to their voices, it is essential to actively create mechanisms for dialogue with customers as well as mechanisms for the development of products, services, and stores that reflect the opinions of customers.

Aeon's Approach

Aeon has set out Our Promise to Our Customers as part of the AEON Code of Conduct formulated in April 2003.

In order to put this promise into practice, we promote the creation of safe and reliable products in partnership with suppliers inside and outside Japan for the Aeon TOPVALU brand. Furthermore, we make efforts through such means as establishing traceability systems and creating labeling rules for ingredients so that customers can use products with security. In

terms of our facilities, we are striving in tangible and intangible ways to create safe and pleasant stores.

Moreover, in order to respond to diverse voices from a society that is changing with the times, we have created mechanisms to periodically collect the opinions of customers and have focused our efforts on the development of products, services, and stores with keywords that have included "the elderly," "health," and "local products" in recent years.

Future Initiatives

Responding to Diverse Consumer Issues will continue to be a key issue in the future for Aeon, which positions "contribution to customers" as an enduring mission.

Going forward, Aeon will continue striving to develop products, services, and stores that originate in the views of

customers, including the expansion of Health & Wellness products to respond to the aging of the global population and health consciousness and the creation of stores that are ready for large-scale natural disasters.

Aeon Code of Conduct – Our Promise to Our Customers

Aeon endeavors to provide its customers with assurance and trust in their daily lives, in keeping with the view that "everything we do, we do for our customers."

Aeon's never-ending mission is to make a positive contribution to customer lifestyles.

At Aeon, our first priority is to ensure customer safety. Our customers enjoy a level of assurance only Aeon can offer.

We always conduct all of our business activities (products, services, hygiene, facilities, information, etc.) with customer safety as the top priority. If there is the smallest doubt regarding customer safety, we will promptly ascertain the nature of the concern and work to resolve the issue.

At Aeon, we keep our promises to our customers, always behaving with integrity.

We take personal responsibility to uphold the promises in our flyers and in advertisements concerning deliveries and repairs with all of our customers. If any incident or business problem should arise, we will disclose faithfully all relevant information and respond if there are further questions.

At Aeon, we offer high-quality products and services at reasonable prices.

We strive to offer high-quality products and services so our customers can enjoy enriched lives. At the same time, we are actively engaged in re-inventing our business practices so we can offer our products and services at even lower prices. At Aeon, our goal is to be the retailer that leads the way in offering customers high-quality products at reasonable prices.

At Aeon, we wrap our products and services in a warm greeting and a friendly smile.

In addition to products and services, Aeon customers can always look forward to a pleasant greeting and a caring, friendly smile. When we greet customers in our store, in our offices and over the phone, they will know what we mean when we say "Aeon friendliness."

At Aeon, the voice of the customer gives management its direction, and we strive to address customer desires in all business practices.

We consider all customer opinions, requests, and complaints to be the starting point for management decisions. We gratefully listen to and acknowledge our customers' voices as a valuable contribution to our uniqueness, and we work to quickly react to their input.

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Consumer Issues	Safe Food and Reliable Products	Number of TOPVALU Products Removed due to Serious Incident	Consolidated Group companies in Japan and overseas (Japan, China, ASEAN)	FY 2020: 30 (apparel: 12; food: 8; living / HSC: 10)	27 (apparel: 17; food: 6; living / HBC: 4) * Improvement results through implementation of a challenge extraction meeting * Significant improvement since last year (2016 results: 48)	Hold a TOPVALU customer voice committee meeting and aggregate requests/comments, and fix defects by concentrating discussions with projects that need to be resolved in particular
	Providing Products that Meet Diverse Expectations of Customers	Health-Conscious Initiatives	Consolidated Group companies in Japan and overseas	Product development in line with "Health & Wellness" concept	Launched 22 products in TOPVALU Gurinai Free From series, which gives consideration to 109 additives and ingredients that customers are concerned about when making purchases (As of November 2016)	Very many inquiries about ingredients and additives among the feedback from customers that we receive by telephone and internet. In addition, successfully creating a range of products that give consideration to additives and raw materials is a process of development at European and U.S. retail companies. Reflected the opinions of customers as much as possible, including determining the additives and ingredients to consider through questionnaires.
	Store Safety and Security	Number of stores reinforced against earthquakes	Consolidated Group companies in Japan for GMS, SM and DV businesses	Number of stores reinforced against earthquakes: Since FY 2013: Steadily complete work at 270 applicable stores	Implementation completed in 135 stores up to FY 2016	In order to reduce the enormous damage during the earthquake, there has been implementation of work such as making ceilings steady, preventing falls of items such as hot and cold water pipes, prevention of smoke vent ducts falling out, and installation of noncombustible wall sheets
	Serving as a form of lifestyle infrastructure / [Protection strategy]	The number of local temporary shelters	Consolidated group companies in Japan for the GMS business	FY 2020: Local temporary shelters at 100 of its stores across Japan	In a total of 6 new and existing stores such as Aeon Mall Sakai Teppochō and the Aeon Sumoto Store Development has already been implemented in 33 stores	Implementation temporary shelter in the event of a disaster, activity base of relief and rescue, towards the implementation of the provision of daily necessities, energy security measures to be able to open the food department in the event of a disaster
	System of Dialog with Customers	Number of Complaints and Compliments Received	Consolidated Group companies in Japan and overseas	Number of service complaints FY 2020: 2,420 Number of compliments FY 2020: 2,900	Number of service complaints 13,890 Number of compliments 2,328	Increase opinions through Internet email Analyzes the complaint content and trend of customer feedback, and it is possible to carry out the report and share to the relevant departments, review measures to prevent recurrence, as well as to implement correspondence

Consumer Issues

Safe Food and Reliable Products

Quality Management of TOPVALU Brand Products

Aeon developed its own TOPVALU brand of products to improve our customers' daily lives. We are working to create products in the point of view of our customers, from the product planning and design phase up to selection of subcontractors, determination of product specifications, production management and sales.

● TOPVALU Brand System



TOPVALU pursues customer satisfaction and enriches the quality of lives



TOPVALU Best Price realizes the best prices in each trading area with product quality that exceeds customer expectations



TOPVALU Select enhances customers' daily lives by offering products of the highest quality



TOPVALU Gurinai Organic offers products that have been cultivated organically and acquired official organic certification



TOPVALU Gurinai Natural offers marine and livestock products produced, as a rule, without the use of chemically synthesized drugs



TOPVALU Gurinai Free From offers processed products with consideration for additives, raw materials, and ingredients that customers are concerned about

The Five TOPVALU Commitments

1. We shall reflect the voices of customers in our products.
2. We shall offer safe, reliable, and environmentally friendly products.
3. We shall present product information in an easily understandable way.
4. We shall offer products at affordable prices.
5. We shall guarantee our customers' satisfaction.

● The Process of TOPVALU Products to Customers

The Process of Creating Products

TOPVALU creates products from the point of view of our customers in each phase, from the product planning and design phase up to selection of manufacturers, determination of product specifications, product inspection and sales.



① Product planning and design

We do not develop products which may have issues with product safety or the risk of health hazards.

In addition to achieving the expected product performance reflecting the voices of customers, our development staff, quality control staff, and customer service staff study issues such as the suppliers and safety of raw materials, the use of additives, and appropriateness in the production process.

② Selection of manufacturers

We examine corporate soundness and whether manufacturing processes are managed properly, which includes Aeon CoC audits, product safety diagnosis, and plant hygiene investigations, to select and contract plants that are able to create the expected product.

③ Determination of the product specifications

"Customer monitors," employees, and others evaluate finished prototypes. In addition, we also reevaluate the selection of raw materials, use of additives, and manufacturing processes to finalize the product specifications and contract manufacturers.

④ Inspection of products

The product manufactured in accordance with the product specifications is inspected to see whether it meets the initially expected quality standards. Products that pass inspection are delivered to each store to be provided to customers.

⑤ Post-launch management

Based on the agreement with the manufacturer, we inspect each production lot at the plant for the items agreed upon and keep records. We also carry out product inspections periodically to find out whether they meet the specified quality standards in addition to implementing audits of manufacturers that include plant hygiene investigations.

We are implementing initiatives aimed at ensuring product safety and security. In case a defect or flaw is discovered in a product despite these initiatives, Aeon informs the public of the fact as quickly as possible and recalls and withdraws the product in question. In FY 2016, Aeon reported 27 serious product accidents.

Aeon will strive to prevent product accidents through efforts that include identifying problem areas based on customer feedback to avoid reoccurrence of an issue, strengthening relationships between related departments and reviewing problem areas at the production and shipment phases of a product.

FY 2016 TOPVALU Product Accidents

TOPVALU 100% Young Barley Leaf Green Juice

Accident description: Wheat not included in original ingredients detected

Action: Product withdrawal and voluntary recall (Over-the-counter POP recall announcement, website, newspaper advertisement)

TOPVALU Mixed Vegetables & TOPVALU Green Peas

Accident description: Possibility of frozen vegetables contaminated with listeria

Action: Product withdrawal and voluntary recall (Over-the-counter POP recall announcement and website)

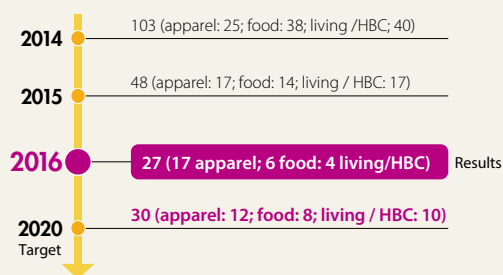
TOPVALU Randoseru (school bag)

Accident description: Wobbly metal fitting part (shoulder strap)

Action: Product withdrawal and voluntary recall (Over-the-counter POP recall announcement and website)

FY 2016 Results and Target of KPI

Number of TOPVALU Products Removed due to Serious Incident



Production Process Management for Perishables

Quality Control for Agricultural Produce

Aeon Agri Create Co., Ltd., which runs Aeon's own farms, has obtained GLOBALG.A.P., the world's most widespread certification of safe farm management, at all Aeon's own farms. Farm management involves various risks, including residual pesticides, agricultural accidents, and environmental damage. Therefore, GLOBALG.A.P. not only requires safe products, but also includes the safety of the employees who work on farms, the safety of the people who live nearby, and the conservation of Local Ecosystem. Aeon farms use GLOBALG.A.P. from the perspectives of environmental conservation, occupational safety, and management in addition to food safety as a tool for the sustainable management of corporate agriculture.

Quality Control for Livestock Products

TOPVALU Gurinai Natural Tasmania Beef is raised without the use of antibiotics, growth hormones, and genetically modified feed at an Aeon farm on the island of Tasmania in Australia. The safety of this method of rearing receives audits by a third-party organization and has obtained SQF, which is one of the international food safety standards recognized by the Global Food Safety Initiative (GFSI).

Furthermore, TOPVALU Gurinai Natural *Junkikei* (wellness chicken) is raised without using antibiotics and synthetic antibacterials. Some farms have also received the SQF international food safety standard for *Junkikei*.



Topics

Aeon food manufacturing and processing center obtained food safety management standard JFS-E-C certification

18 food related companies, including retailers such as Aeon and the food manufacturing industry, established the Japan Food Safety Management Association (JFSM) in January 2016. The objective was to create a food safety framework that is easy to use for Japan's unique food products. As a food safety management standard developed in Japan, the JFSM created JFS-E-C.* The standard is composed of 57 requirements, which include good manufacturing practice (general hygiene control), hazard control, and food safety management systems. The JFSM has begun issuing certification to food-related companies.

In January 2017, the Nagaizumi Center (Shizuoka Prefecture) of Aeon Food Supply Co., Ltd., which manufactures and delivers the perishable and prepared food sold by the Aeon Group, met all the JFS-E-C requirements. It became the third site in Japan and the first food processing company in a retail group to obtain certification.

* "JFS" is an acronym for Japan Food Safety, "E" refers to the food manufacturing sector while "C" represents the highest level among A-to C-level standards, and is to be applied also to international trade.

Labeling and Disclosing Product Information

Aeon is working to label and disclose information necessary for consumers to choose TOPVALU brand products in a clearer and easier manner to ensure they can be used and consumed by customers with peace of mind.

Labeling of Food Allergens

Aeon uses standardized icons on the outside of all food product packaging to ensure consumers can easily identify food allergens contained in products.*¹

The information covers use of seven officially designated ingredients that by law must be displayed on the outside of product packaging.*² The back label of products also contains the 20 secondary items*³ recommended for inclusion in product labeling, bringing the total number shown to 27 ingredients. We also strive to include, where possible, food allergens that are handled in the manufacturing process and therefore could be found in trace amounts in the product.

Inspections are also conducted every year on applicable products to confirm labeling accuracy.

*¹ Icons are not used yet on certain products.

*² The seven officially designated ingredients, which are the most common and most serious allergens and must be displayed according to law, are eggs, milk, wheat, prawns, crab, buckwheat and peanuts.

*³ The 20 secondary items: the 20 secondary items recommended by the national government for inclusion on labeling are abalone, squid, salmon roe, oranges, cashew nuts, kiwi fruit, beef, walnuts, sesame, salmon, mackerel, soy beans, chicken, bananas, pork, matsutake mushrooms, peaches, yams, apples, and gelatin.



●「乳、小麦、大豆、りんご」の成分を含んだ原材料を使用しています。
●同じ生産工程で「卵、落花生、ごま、バナナ、豚肉」を含んだ食品を扱っています。

Labeling of Food Allergens

Labeling of Nutritional Contents

From years past, we have taken such initiatives as prominently labeling food allergens on the outside of TOPVALU product packaging. Starting from 2014, we have been asking customers what sort of labeling they thought was necessary, and have been displaying nutritional content* such as energy and fat on the package. By arranging and printing nutritional contents information in a fixed position on the outside of product packaging, we aim to provide individual customers with a yardstick for managing their health through diet, while remaining conscious of healthy balanced meals every day.

* Five nutritional contents of energy, protein, fat, carbohydrate, and sodium



エネルギー	たんぱく質	脂質	炭水化物	ナトリウム
185 kcal	3.2 g	1.7 g	42.2 g	219 mg

本商品50g当たり

食塩相当量 0.6g

Labeling of Genetically Modified Ingredients

In April 2001 legislation in Japan enacted a labeling system for genetically modified ingredients, but even before this, in September 2000, Aeon began labeling TOPVALU brand products that contain genetically modified ingredients in response to urging from our customers. We have expanded the scope of items labeled and strive to provide labeling even for items not mandated by law.

Additionally, label accuracy of products subject to labeling (separate items) is confirmed through certification of whether production and distribution are properly separated (IP handling) or testing for genetically modified DNA.

Labeling of Place of Origin of Ingredients for Processed Foods

The labeling of the place of origin of 26 food items, including dried mushrooms, green tea, and konjac, among others, has been required by law in Japan since October 2006. In order to address customer requests and inquiries, for TOPVALU brand products, Aeon strives to provide the place of origin for the main ingredients when the place of origin can be identified and not just for those food items required by law.

In addition, we have established clear quality standards for ingredients irrespective of their place of origin and investigations that include testing of ingredient standards and residual pesticides. At the same time, we sign agreements with manufacturers and carry out our own verifications when necessary.



名 称	塩昆布
原材料名	昆布(北海道)、しょうゆ(大豆・小麦を含む)、食塩、たん白加水分解物(大豆を含む)、調味料(アミノ酸等)、甘味料(ソルビトール、カンゾウ)、カラメル色素、増粘多糖類
内 容 量	28g
	賞味期限 反対面下部に記載

Labeling of Place of Origin of Ingredients

Disclosing Information on Agricultural Product Producer

In 2003 we established the Producers Data Search System for Aeon's TOPVALU Gurinai products to give customers online access to information on producers. Since 2004, we have also added a barcode function that allows customers to access producer data by reading the QR code. The data includes the place of origin as well as the commitment of the producer and how the item was grown.



Products labeled with QR codes

Disclosing Information on Domestic Beef

Aeon established the Domestic Beef Safety Confirmation System in 2002, prior to enforcement of the Beef Traceability Act,* in order to provide peace of mind to customers buying beef. The system allows customers to find out information about beef products from cattle raised in Japan, including where the cow was raised, who raised it and what feed it was raised on. The system is available via a website.

* Enforced in December 2004, the law's formal name is the Act on Special Measures concerning the Management and Relay of Information for Individual Identification of Cattle.

Disclosing Information Related to Radioactivity and Radioactive Material

Aeon has been voluntarily inspecting radioactivity and radioactive materials in Japanese beef, seafood, agricultural goods, and other foodstuff since the Great East Japan Earthquake. The results of those inspections are published on our websites.

Search System for Manufacturing Plant Codes

Aeon is ultimately responsible for all aspects of TOPVALU brand products, from planning to design and marketing and this is why Aeon Co., Ltd. is labeled on all product packaging as the distributor.*

Consumers can check the manufacturing plant and its address for food items or food additives using a unique code comprising numbers and letters labeled on the product and reported to Japan's Consumer Agency. This system can be accessed from the TOPVALU website. Consumers can find the exact name and location of the manufacturing plant simply by entering the code on the online form.

* This is written on the cap of PET bottle drinks and other beverages. Please check the package as the area including the labeling differs according to the product.



Search screen of the Search System for Manufacturing Plant Codes

Food Sanitation Control

Under the Aeon Food Sanitation Certification System established in 1995, Aeon engages in a variety of activities to prevent the occurrence of food-related incidents such as food poisoning and contamination.

At the end of February 2017, 26 companies from our GMS business and SM business have implemented the Aeon Food Sanitation Certification System, while a total of 9,882 sections had obtained certification.

Quality Keepers

Aeon has assigned "Quality Keepers" at stores to verify store sanitation levels and product quality. Quality Keepers check store products and food preparation areas at stores, and if a problem is found, they order improvements. In addition, sales staffs inspect a list of items related to sanitation and quality management, including a temperature management chart that is used to record temperature management for display cases, refrigerators and freezers, sell by dates that are set for each product, and to check the freshness of fresh produce.

Sanitation Training for Employees

Employees in the food departments of Aeon stores must undergo sanitation training at least once a year. Employees review basic sanitation knowledge and rules for food preparation areas. Practical skills tests are also conducted for each person based on a test booklet.

In FY 2016, we strengthened education concerning those points that must be observed in the preparation of food with a focus on the three principles of food poisoning prevention: avoid contact with bacteria, avoid allowing bacteria to multiply, sterilize bacteria.

Audits of Food Preparation Areas

Food preparation areas are audited at least twice a year. Audits are continued until certain established standards are met.

Consumer Issues

Providing Products that Meet the Diverse Expectations of Customers

Launch of Product Series Giving Consideration to Additives and Ingredients

In FY 2016, we worked on developing TOPVALU Gurinai Free From,^{*1} which gives consideration to 109 types^{*2} of additives and ingredients that customers are concerned about when making purchases.

There were very many inquiries about ingredients and additives among the feedback from customers that we receive by telephone and internet. In addition, successfully creating a range of products that give consideration to additives and raw materials is a process of development at European and U.S. retail companies.

In development, we reflected the opinions of customers as much as possible, including determining the additives and ingredients to consider through questionnaires.

Since being launched in November, TOPVALU Gurinai Free From has received support from many customers and is doing well.

In addition, since March 2017, we have expanded the range of our efforts to daily household items such as shampoo, body soap, and laundry detergent, which come into direct contact with the skin. Considering that the need for daily household items differs from food, we determine the components to consider for each product category to work on development.

^{*1} "Free" means "absent" or "non-existent," and "free from" in food indicate that additives and ingredients that customers are concerned about are not used.

^{*2} 29 synthetic colorings, 15 synthetic preservatives, 3 coloring agents, 5 fungicides, 10 artificial sweeteners, 23 flavor enhancers (amino acids), 6 flavor enhancers (nucleic acids), 3 anti-oxidants, 3 bleaching agents, 6 manufacturing agents, and 6 foods that contain a lot of trans-fatty acids



Commencing Permanent Roll Out of Halal-Certified Food

Aeon imports halal-certified food from Aeon TOPVALU MALAYSIA and began the permanent roll out of halal food for Muslims in Aeon food departments in the Kanto area in March 2016.

Halal means "permitted (by Allah)" in Arabic, and for food primarily indicates ingredients and cuisine permitted to be eaten in Islamic law.

With the support of the Malaysian government, Aeon TOPVALU MALAYSIA has developed 147 halal food items that have obtained JAKIM (the Malaysian government's halal certification body).

At present, the Muslim population in Japan is said to be about 150,000 (includes Japanese nationals), but the need for halal food is expected to increase further in the future coupled with the fact that places for Muslims in Japan to buy halal food have been limited in the past and the increase in Muslim tourists associated with the rapid increase in foreign tourists visiting Japan. In view of these challenges and needs, Aeon has commenced the permanent roll out of about 30 halal food items at 25 GMS stores. Going forward, we will ask the views of customers as we expand the range in addition to increasing the number of stores where the products are rolled out.



Examples of products sold in Malaysia

Voice

Izumi Sasaki

General Manager,
Communication Department,
Marketing Division,
AEON TOPVALU CO., LTD.



Aeon has restructured TOPVALU Gurinai into three lines, namely "Organic," "Natural," and "Free From" in view of the increasing demand for Health & Wellness products from customers who want to insist on even more natural and delicious food. "Free From," which considers specific additives and ingredients, is the first such product group developed by TOPVALU, and we have worked on planning and development to ensure customers can make purchases more freely. Going forward, TOPVALU will continue to provide products with an awareness of physical health and the natural environment.

Topics

"Same Menu for Everyone in the Family" Birth of Yasashi Gohan that Considers Allergies From TOPVALU

The TOPVALU Yasashi Gohan series was born in November 2016 to meet the demands of customers relating to products that consider food allergies. The series was planned and developed without using seven specific ingredients* based on the concept of "meals for everyone in the family that are gentle on the body." As of the end of February 2017, there was a range of 12 varieties. With a rich variety that includes powder mixes and white sauce that can be made into a variety of dishes as well as easy-to-prepare gratin and pasta sets, we will present meals that allow everyone to enjoy the same menu even in households that include people with allergies as we strive to provide assurance and trust rooted in daily life.



* Eggs, milk, wheat, peanuts, buckwheat, prawns, and crab



Rolling Stock Proposal

Aeon calls on customers to make preparations that they can continually practice in their daily lives without being excessive in order to even slightly reduce damage in the event of a disaster. As it is said that a food stockpile for a minimum of three days up to a week is required for an at-home evacuation scenario immediately following a disaster, Aeon proposes rolling stock using TOPVALU. Customers can use items they stock up on in their daily shopping in an emergency through a cycle of regularly buying and keeping extras of items they eat and always making additional purchases of what they have eaten. Going forward, we will continue to propose disaster reduction initiatives using our stores and products in order to play a role as lifestyle infrastructure for customers.

Responding to senior generation

Aeon is using the name Grand Generation (G.G.) for seniors who are active and aggressive consumers – and responding to the shopping needs of seniors such as 'G.G. Mall' and 'G.G. Cards' targeted to seniors. For example, at the Aeon Kasai Store, which was renewed as a G.G Mall, we have established a fitness studio to help with promoting health and the Aeon Culture Club, which has two studios and six classrooms, to provide new

places where customers not only buy "products" but can also have "experiences."

In addition, Aeon is developing Aeon Pharmacy sections within "AEON" general supermarkets, attracting general clinics with medical facilities as tenants to respond to rising medical needs against the backdrop of Japan's aging society.

Also, we are focusing on developing Food for Specified Health Uses (FOSHU) to meet the health needs of our customers.

Enhancing the Shopping Experience

Online shopping is becoming a familiar and convenient way to shop due to a diversification in shopping needs, which include customers who have difficulty getting to a store and those who wish to shop outside of normal business hours. Aeon Group is strengthening its omni-channel strategy by developing Aeon store e-commerce platforms through the "Aeon Square" website portal, taking advantage of the network of stores nationwide and allowing link of store and Internet services, and increasing home delivery service of goods bought in stores or pick up at stores of goods ordered by the Internet.

Aeon is also promoting measures to meet diverse shopping needs such as increasing openings of urban small size stores stocking perishables and delicatessen items as well as processed food and daily essentials, primarily in urban areas of Tokyo and Kanagawa where there are few stores.

Topics

Commencing Operation of Mobile Sales Car Shopping Aid in Hanamigawa Ward, Chiba City

In November 2016, Aeon commenced operation of its Mobile Sales Car as a shopping aid for people who experience inconvenience with daily shopping in the Koteshidai area of Hanamigawa ward, Chiba city. The objective of this initiative is to provide a shopping aid especially for the elderly in anticipation of the increasing elderly population as part of "Health & Wellness: town planning that enriches the body and the mind" in the Local Ecosystem that Aeon is promoting. Twice in both the morning and afternoon, Monday to Saturday, the Mobile Sales Car stops for 30 minutes at a predetermined time and place to make sales in addition to making visits to deliver products to customers who ordered in advance.

Consumer Issues Store Safety and Security

Improving the Earthquake-resistance of Stores

During the Great East Japan Earthquake many of our store buildings suffered extensive damage, which in some cases even caused loss of life. For this reason, Aeon is moving forward with improving the safety and earthquake resistance of its stores, giving utmost priority to protecting people's lives and those stores in areas where a major earthquake with seismic intensity of at least upper 5 is expected to strike, in accordance with its own set of standards that are even stricter than those required by law. Since the 2016 Kumamoto earthquake, we have expanded the scope of our efforts, and we will target all of our stores for improved earthquake resistance.

At Aeon Retail Co., Ltd. work had been completed at 135 stores by the end of FY 2016. In FY 2017, we plan to undertake safety work at 21 stores (including retail stores).

In addition, in light of the 2016 Kumamoto earthquake, Aeon Mall Co., Ltd. is planning further earthquake-resistance safety measures at 35 existing malls in FY 2017. Going forward, we will examine and implement work at Aeon Kyushu Co., Ltd. and Aeon Hokkaido Corporation.

FY 2016 Results and Target of KPI

Safety and Security Infrastructure Development



Fire Prevention and Disaster Preparedness

Aeon, as a commercial enterprise with large numbers of customers, is implementing disaster prevention measures and drills to ensure quick action and the safety of our customers and employees in disaster.

Group-wide disaster prevention and safety drills

Taking lessons from the experience of the Great East Japan Earthquake, Aeon has been conducting Group earthquake disaster drills twice a year from FY 2011 to ensure quick action for the safety of employees and customers in the event of a disaster.

In March 2014, we established the Aeon Komaki Crisis Management Center at the Aeon Komaki Store in Komaki City, Aichi Prefecture. In July, we conducted a drill with the Aeon Komaki Crisis Management Center working as the alternative head of operations based on the scenario that the Makuuari Headquarters had been damaged by a major earthquake

striking directly beneath Tokyo.

Going forward, while adjusting our predicted scenarios, we will hold recurring drills that rally the combined strength of Group companies so that the local head of operations in the affected area responds swiftly when disaster strikes.



Aeon Komaki Crisis Management Center

Fire Prevention Drills at Stores

Aeon stores check safety and disaster preparedness measures on a daily basis, while security staff and store managers also conduct a final inspection after stores are closed.

Fire prevention drills have been conducted twice a year and earthquake response drills run once a year. Following the Great East Japan Earthquake that struck in March 2011, however, we have decided to increase the number of earthquake response drills to two per year from 2012. We strive to make these drills as realistic as possible by changing the scenario for each based on a variety of possible disasters. Full-time store employees as well as temporary, part-time and tenant employees participate in the drills. They are conducted to help us respond quickly and ensure the safety of customers in the event of a fire or earthquake.

Crime Prevention Measures

There have been a number of incidents at supermarkets over the past several years involving food products with needles or other dangerous objects. Aeon has therefore installed security cameras in food departments and begun using needle detectors at its stores. If a needle were to be discovered, it would be promptly delivered to the police or healthcare center and customers as well as local Group company stores would be informed through an in-store display or announcement in order to prevent additional injury or damage.

We are also conducting crime prevention drills to ensure the safety of customers in the event an incident or accident occurs in a store.

Measures to Combat New Flu Viruses

Aeon formed a project team in 2006 as a measure to address risks from the outbreak of infectious diseases such as the global spread of highly pathogenic H5N1 avian influenza in humans. We established Rules for New Flu Viruses in September 2006 and have since been readying infection prevention measures in order to ensure the safety of customers and employees.

In 2010, we established the Aeon New Influenza Integrated System and a framework for ascertaining the extent and spread of the virus at Aeon Group stores and business sites across Japan. In November 2010, we established the Attenuated Virulence New Influenza Rules to clearly separate our response based on the virulence of the new influenza virus.

From the end of FY 2013 to the second half of FY 2014 we will apply for recognition as a registered business requiring flu vaccines under the Act on Special Measures for Combating New Flu Viruses and strive to build a system that ensures operations can be continued during an epidemic.

Raising Safety Levels of Store Facilities and Fixtures

Aeon works to enhance safety for facilities and fixtures used in its stores to prevent accidents involving customers.

Safety Measures for Escalators

There has been an increase in recent years in accidents involving children getting caught in the gap between an escalator and the wall at shopping malls and department stores. Aeon stores work to prevent escalator-related incidents by setting up barriers or dividers to prevent exposure to such gaps.

In addition, at our new stores we have reduced the speed of down escalators from 30 meters per minute to 20 meters per minute as a means to prevent falls by senior citizens.



Safety Measures for Escalators

Establishing Parking Lot Guardrails

Accidents often occur in the parking lots of retail complexes caused by drivers mixing up the gas and brake pedals. We have therefore established parking lot guardrails in order to prevent cars from crashing into stores and ensure the safety of customers.



Parking Lot Guardrails

Installing Automated External Defibrillators (AED)

Aeon is promoting the installation of AEDs in each of its stores. These devices give electric shocks as a means of resuscitation for people who have suffered a sudden cardiopulmonary arrest. In addition, we are providing emergency lifesaving training for managers and security staff.

In FY 2016, we endeavored to increase the installation of AEDs in small-sized supermarkets, where the number of the devices installed is low. As a result, the installations reached 1,587 devices at 989 stores throughout the entire Aeon Group.

Creating a Convenient and Comfortable Store Environment for Everyone

Aeon developed its own building standards based on the Heartful Building Law of 1994 (revised December 2006 as the Barrier Free Law*). We use these standards when building new stores or remodeling existing locations. As of the end of February 2017, over 750 of our facilities had been certified as compliant with the Barrier Free Law.

We are also committed to incorporating universal design elements, to strengthen store function and design.

Recognizing that the number of seniors among our customers is increasing, we aim to incorporate universal design concepts in all of our stores.

* The Act for Buildings Accessible to and Usable by the Elderly and Physically Disabled, also known as the Heartful Building Law, was revised and renamed the Barrier Free Law in December 2006.



Step-free entrance (Aeon LakeTown)



Easily visible in-store sign

Care-Fitters

We encourage Aeon employees to acquire the Care-fitter* certification to help ensure that seniors and people in need of assistance can shop in our stores with total confidence. Certified Care-fitters in the Aeon Group numbered 10,067 as of the end of February 2017.

* Care-fitter: A certification administered by the Nippon Care-Fit Education Institute (a public interest incorporated foundation)



Care-fitter Training Session



Supporters for People with Dementia

Since 2007, the Aeon Group has been participating in the Dementia Supporter Caravan being jointly promoted by the Ministry of Health, Labour and Welfare and the non-profit organization Community-Care Policy Network, in order for our employees to correctly understand dementia and provide appropriate support.

So far, we have run Dementia Supporter training courses to educate Dementia Supporters* in addition to training instructors (in-house Caravan Mates) for the courses. Employees also undergo training at the preparation phase for opening a new store and become Dementia Supporters before the store opens.

In FY 2016, this training course was held before opening general merchandise stores, including Aeon Style Imabari Shintoshi (Ehime Prefecture), Aeon Style Izumo (Shimane Prefecture), Aeon Style Yukarigaoka (Chiba Prefecture), and Aeon Style Nagakute (Aichi Prefecture). Employees gained the knowledge necessary to approach customers with dementia.

As of the end of February 2017, there are a total of roughly 63,688 Dementia Supporters, the largest number among companies in Japan, and 899 "Caravan Mate" instructors for the training course. In the future, Aeon will expand its efforts to provide support to people with dementia and their families with the aim of building communities where they can live alongside local people with peace of mind.

* Supporters for People with Dementia: People certified through a prescribed curriculum course implemented by municipalities and other groups. Supporters have an understanding of dementia and are able, within their abilities, to give care to, watch over, and give support to people with dementia and their families.



The dementia supporter mark and orange band



Lectures and role playing in the dementia supporter training program

Consumer Issues

Serving as a form of lifestyle infrastructure that protects the local community

Establishing local temporary shelters [Aeon Eco Project: Protection Strategy]

Aeon has established a goal to set up 100 disaster-prevention facilities across Japan by the end of FY 2020 as part of the Aeon Eco Project (P. 84).

The role of disaster-prevention facilities is to provide a temporary refuge during a disaster, to serve as a hub for rescue and first-aid activities, and to provide access to daily essentials. To fulfill this role, stores serving as a local temporary shelter feature back-up generators and water tanks to prepare for a power outage and/or water stoppages that will likely occur during and after a disaster.

In FY 2016, we established disaster-prevention facilities at six stores in total which were new and existing stores, including Aeon Mall Sakai Teppochō and Aeon Sumoto Store. As of February 2017, a total of 33 stores have already been outfitted with disaster-prevention facilities.

In FY 2017, we plan on establishing disaster-prevention facilities at an additional 18 stores, with the goal of reaching more than 100 by 2020.



Private power generation equipment installation

FY 2016 Results and Target of KPI

The number of local temporary shelters



Consumer Issues System of Dialog with Customers

System for Listening to the Opinions of Customers

Aeon puts the customer's perspective at the heart of management. We strive to create conditions in which customers feel free to provide suggestions and to promptly incorporate customer comments into product lineup and service improvements, environmental conservation activities and other areas.

Suggestion Boxes and Communication Boards

Each Aeon store has set up a box for customers to put their opinions in and a board disclosing the opinions and Aeon's response. Comments and suggestions provided by customers are replied to directly by a store representative and posted for others to see. We receive many suggestions from customers about things that are difficult for stores and employees to notice. The suggestions are utilized to improve product lineups and services and in environmental conservation activities and other initiatives.



Suggestion Box and Communication Board

Customer Service Department

The Customer Service Department at Aeon headquarters receives product and service related comments and requests from customers who visit our stores. Comments and requests, which come in via the phone, Internet, letters and other channels, are responded to after checking with the relevant departments. In addition, for TOPVALU products, we have set up a call center and collect customer suggestions. This information is reported to directors and executive officers, as well as shared with employees of relevant departments through systems that manage customer feedback.

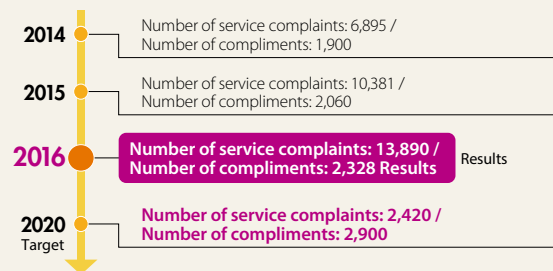
A total of 108,804 opinions (service complaints) were received in FY 2016 from our customers, which was up by 2%, or an increase of 1,883 opinions, compared to FY 2015. In particular, inquiries and complaints made by phone and electronic mail increased.

The number of service complaints grew to 13,890, which was up by 33.8%, or an increase of 3,509 complaints, compared to FY 2015. In addition, the number of compliments grew to 2,328, which were increased 268 compared to the previous year.

Going forward, we intend to listen carefully to the opinions of each and every customer to provide them with better services and products.

FY 2016 Results and Target of KPI

Number of Complaints and Compliments Received



Topics

Examples of Product Development and Improvements Made Based on Customer Feedback

As we received many inquiries about the lycopene content of Koi (Thick) Tomato Ketchup in 2016, we have stated the content in a way that is easy to understand. In addition, in response to a complaint that the bottle leaked if placed on its side, we improved the inside of the cap. As there were also many customers who open the cap with one hand when opening, we also improved the shape of the cap so that it can be opened even with a weak force. Ease of use is a TOPVALU development principle, and we have made various improvements based on customer feedback.

Koi (Thick) Tomato Ketchup



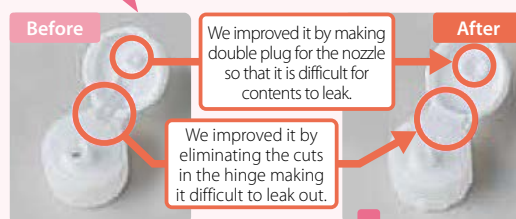
How much lycopene does it contain?

We stated the lycopene content about which inquiries had increased in a way that is easy to understand. Keeping the classic flavor that is easy for children to eat, we increased the volume of tomatoes used from the previous product to put the finishing touch on a product that delights customers with both quality and price.

**2 tablespoons
Equivalent to
1 tomato**

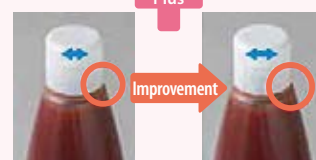
**Lycopene
content:
26mg/tablespoon**

Liquid leaks out when you put it on its side, so could you improve it?



Easy-to-open cap even for people with weak hands

We widened the brim of the cap to make it easy to grasp and also made the grooves on the side bigger to make it easy to apply strength.



Carry out Fair Business Practices

Management Approach

Recognition of Challenges

Amid the expansion of a borderless supply chain, it is important for companies to comply with laws and regulations and social norms in the countries where they do business and to ensure fair transactions in order to continue to grow soundly. Against a background of global population growth and economic development, securing energy and food resources is also an

important theme. In such circumstances, it is essential for every company to build a responsible supply chain that is conscious of local resources and environments, human rights, quality, labor practices and other issues in order to achieve a sustainable society in each country and region.

Aeon's Approach

Aeon has set out "Its Business Partners and Aeon" in the Aeon Code of Conduct.

One aspect of the implementation of the Code is the acquisition of SA 8000, the international standard on human rights and the working environment, in supplier management

for TOPVALU, Aeon's private brand. The content of the Aeon Supplier Code of Conduct (CoC) formulated in 2003 is based on the 10 principles of the U.N. Global Compact and the requirements of SA 8000. Aeon aims to build a sustainable supply chain in partnership with suppliers in Japan and overseas.

Future Initiatives

Going forward, Aeon will continue striving for fair and sustainable business activities together with business partners based on both the Supplier CoC and SA 8000. In addition, taking advantage of the special characteristics of the retail

industry which links producers and consumers, we plan an expansion in Fairtrade products and increase our range of products and services that support sustainable consumption with the aim of solving social issues on the business front.

Aeon Code of Conduct – Its Partners and Aeon – Its Business Partners and Aeon

Aeon respects innovative business partners* who help the company achieve its objective of "Customer Satisfaction." We strive to work as equals with our business partners, dealing fairly and working for our mutual prosperity.

* The term "business partner" refers to all of the partners with whom we conduct business, including those who provide retail products, facilities services, and our retail tenants.

At Aeon, we cooperate with our business partners, all of whom are important to us, moving forward together to develop innovative business models that will open the gate to the next era.

We cultivate strong relationships with our partners, together pursuing innovative business practices, better products, better services, and our mutual success.

At Aeon, we clearly document agreements with business partners, and strictly follow the letter of such agreements.

We maintain equality with our business partners, connected through formal agreements. Both parties strictly adhere to all agreed-upon contract provisions.

At Aeon, we respect business partners whose top priority is safety and customer peace of mind/assurance.

We and all of our business partners share the common goal of "Customer Satisfaction." If the smallest doubt exists regarding the safety or trust of a product or service, we work with our business partners to promptly ascertain the nature of the concern and resolve the issue.

At Aeon, we require our business partners to comply with both the letter and spirit of international standards and to practice them fully.

AEON complies with and respects all generally recognized international standards, including those related to ISO, labor, environmental conservation, and quality management. We also require our business partners to strictly observe these same standards.

At Aeon, we do not tolerate the acceptance of gifts, money, or special favors from our business partners.

We select business partners based on their ability to offer better products and services at fair prices. Individuals do not accept any gifts, money, or special treatment from a business partner designed to secure our business in any situation. All efforts must go toward benefits to the customers.

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Fair Business Practices	Promote the Aeon Supplier Code of Conduct	Construction of for sustainable supply chain building audit system	Aeon second-party audit certified auditors	FY 2016: 12 in Japan, 32 overseas	12 in Japan, 33 overseas	<p>1) Strengthened updating of information and education on-site in order reflect change in social environment in communication with overseas plants Trained auditor leaders in each region to build a system to quickly and cordially respond to evaluations for audits and the education of auditors</p> <p>2) In Japan, planned and achieved 1.5-fold increase due to anticipated 1.25-fold increase in number of audits from initial time because of second-party audits by Aeon-certified auditors</p>
	Practicing Fair Trade	Strengthening of fair trade products	TOPVALU products	Trading volume of (International) Fairtrade-certified cacao: 40 tons by FY 2020 (10 times compared with FY 2012)	<p>Trading volume of (International) Fairtrade-certified cacao: 35.7 tons</p> <p>Launch of economy chocolate through Fairtrade Sourcing Program (Almond in September 2016, Creamy in November 2016) Post-launch sales performance: ¥133 million (up to February 2017)</p>	Participate in both Fairtrade International's Fairtrade Sourcing Program and Fairtrade (full certification) to expand the fair trade raw material procurement amount

Fair Business Practices

Promoting the Aeon Supplier Code of Conduct (CoC)

Aeon Supplier Code of Conduct*

The products we deliver to customers are procured and manufactured around the world and made after undergoing various processes. As the distributor, Aeon recognizes that it has a responsibility through the entire supply chain, from raw materials to commercialization. Based on this, we are working closely with suppliers to ensure the safety and security of the products we carry.

Based on the Aeon Supplier Code of Conduct (CoC) formulated in 2003, we check to make sure that the employees and workers of suppliers are working in sanitary workplaces and that suppliers are in compliance with all relevant laws, and we encourage improvements be made where necessary. Currently, we require suppliers of TOPVALU and TOPVALU Collection products to comply with the CoC.

As of the end of February 2017, 1,567 suppliers have submitted documentation verifying they are in compliance with the CoC. We are continuously working with our suppliers to build a sustainable supply chain.

Aeon Supplier Code of Conduct

Conform with legally stipulated social responsibility standards in countries where manufacturing and procurement takes place

Conform with national laws and regulations

- 1. Child labor:** Illegal child labor is prohibited
- 2. Forced labor:** Forced, prison and bonded labor are prohibited
- 3. Health and Safety:** Provide safe, healthy workplaces
- 4. Freedom of Association and Collective Bargaining:** Respect employee rights
- 5. Discrimination:** Discrimination on the basis of place of origin or creed is prohibited
- 6. Disciplinary Practices:** Cruel punishment of employees is prohibited
- 7. Working Hours:** Comply with laws related to working hours
- 8. Wages and benefits:** Comply with laws related to wages and benefits
- 9. Management responsibility:** Pledge compliance with the Aeon Supplier Code of Conduct
- 10. Environment:** Work to prevent environmental pollution and damage
- 11. Trade:** Comply with local laws on commercial transactions
- 12. Certification, Audit, and Monitoring and Renewal:** Accept certification, auditing and monitoring under the Aeon Supplier Code of Conduct
- 13. Ban on Gifts:** Gift-giving between Aeon and suppliers is prohibited

Auditing Our Manufacturing Partners

Aeon audits its manufacturing partners to make sure they are in full compliance with the requirements of the Aeon Supplier Code of Conduct (CoC). Audits include third-party audits carried out by professional auditing firms that objectively evaluate conformity with standards, second-party audits performed by Aeon auditors who monitor suppliers while encouraging dialogue, and first party audits carried out by suppliers to maintain and improve their management systems. Different levels of audits are performed based on the results and we provide various forms of support to improve the management practices of suppliers.

We had been implementing initial third-party audits for all final processing plants both in Japan and overseas starting in 2003 and ran until FY 2015 (as of the end of February 2016). However, because the environment and issues differ overseas and in Japan, third-party audits are only being conducted at plants overseas from FY 2016. At plants in Japan, we are facilitating communication and confirming the state of things with second-party audits through Aeon-certified auditors. Even at plants overseas, we are conducting second-party audits as monitoring audits for subsequent audits.

The Aeon Supplier CoC does not call for surprise audits because its primary goal is to foster trust and cooperation with suppliers. Third-party audits are checked by an evaluation organization different from the auditing firm to ensure the objectivity and reliability of audit results.

In terms of raw materials, currently we have yet to begin confirmations using direct audits, but our manufacturing partners have been asked to require and check that their second and third tier suppliers comply with the CoC. In this manner, the final goal of the Aeon Supplier CoC is to build a supply chain where management practices and competencies are continually improved.

Voice

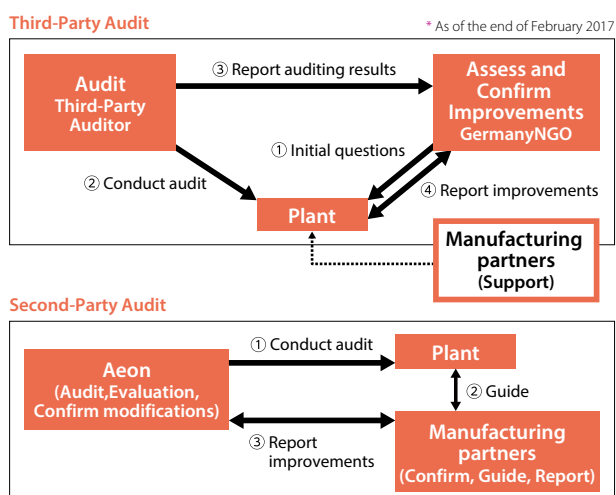
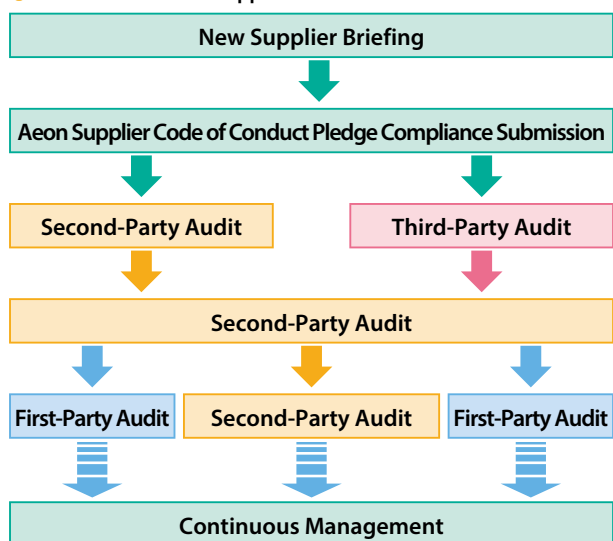
Noriko Kimura

Manager, Aeon Supplier CoC Secretariat,
Group Quality Control Department,
Product Management Division,
AEON Retail Co., Ltd.



The distinctive feature of the Aeon Supplier Code of Conduct (CoC) is that rather than making audit results themselves the condition for immediate transactions, it is a mechanism for resolving problems together leading to capacity building for suppliers. Aeon supports suppliers to manage CoC compliance independently in addition to aiming to expand the circle of CoC compliance throughout the supply chain to secondary and tertiary suppliers. Going forward, we will continue working on audits with the aim of sustainable growth in partnership with suppliers.

● Procedure of 'Aeon Supplier CoC' Certification and Audits



Third-Party Audit

For the first 'third-party audit,' an external audit agency checks over 350 universally recognized items and assesses anything differing from the standards at factories outside of Japan.

The evaluating agency points out items in need of correction and confirms improvements. In this process, there may be dozens of interactions to not only check results, but also to assure that proper management mechanisms are in place. When corrections are finalized, a certificate of CoC compliance is issued. By the end of FY 2016, 2,938 production plants (including plants in Japan) had been certified as meeting the standards.

Second-Party Audit

Following authentication of CoC compliance, a certified Aeon auditor will do checks through factory visits once in two years or, in the case it is deemed necessary, once in six months, as a 'second-party audit.' 4,556 second-party audits were conducted between FY 2004 – FY 2016.

First-Party Audit

Factories that have established good management through third and second-party audits are given a check-list to carry out a 'first-party audit' themselves. Between FY 2009, when the system was instituted, and FY 2016, there have been 146 factories (up 30% YoY) doing 'first-party audits' and the level of supply chain management overall has been steadily improving.

Developing Accredited Auditors for Second-Party Audits

There are 12 internally certified auditors in Japan and 33 overseas. (As of the end of February 2017)

These auditors not only conduct audits but also support improvements.

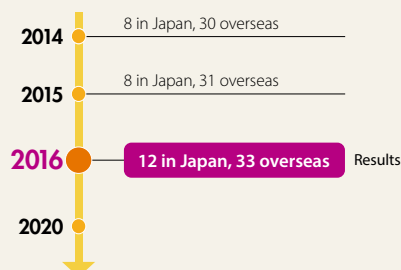
As the social environment changes year after year, these changes must be meticulously reflected in our communication with factories, and information and education must also be updated on-site, particularly overseas.

Therefore, we train leaders in each region to build a system to quickly and cordially respond to evaluations for audits and the education of auditors.

In Japan, audits had been conducted using the same initial third-party audits as overseas, but these evaluations were conducted by second-party audits as of FY 2016. For this reason, the number of second-party audits increased, which required a greater number of auditors. In FY 2016, four new auditors were certified.

FY 2016 Results and Target of KPI

Construction of for sustainable supply chain building audit system

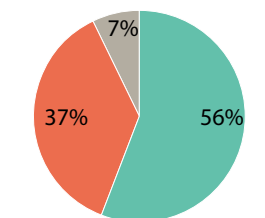


Developing Accredited Auditors for Second-Party Audits

● Audit results of FY 2016 year-end

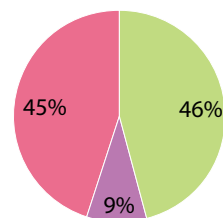
Third-Party Audit

Factories which carried out Third-Party Audits (by region)



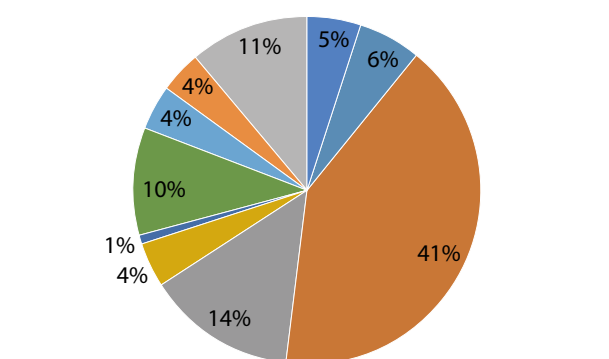
China Asia (excluding Japan, China) Other

Factories which carried out Third-Party Audits (by industry)



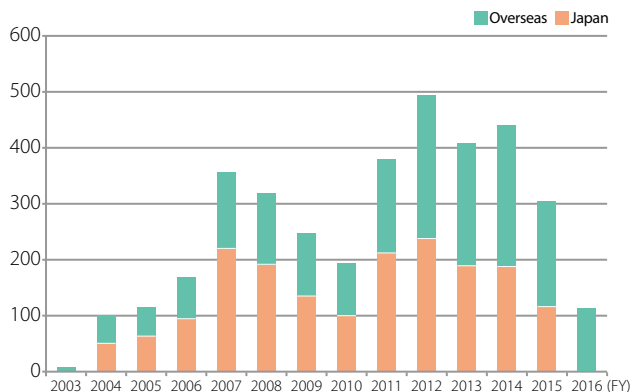
Apparel Food Living / HBC / Other

Points indicated by third-party audits of factories (by item)



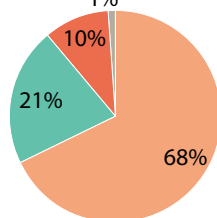
Child labor Forced labor Health and Safety Rights to freedom of association and collective bargaining Discrimination Punishment Working time Wages and benefits Management responsibility Environment

The number of the Third-Party Audits enforcement factories



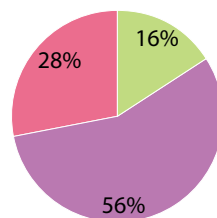
Second-Party Audit

Factories which carried out Second-Party Audits (by region)



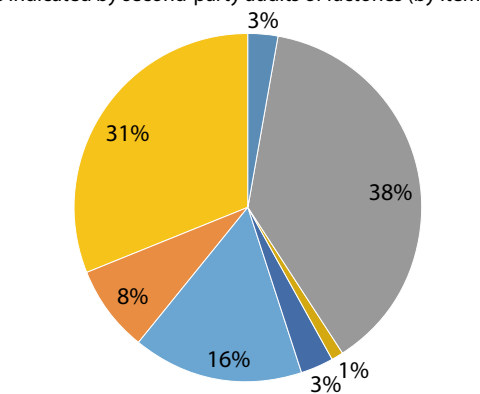
Japan China Asia (excluding Japan, China) Other

Factories which carried out Second-Party Audits (by industry)



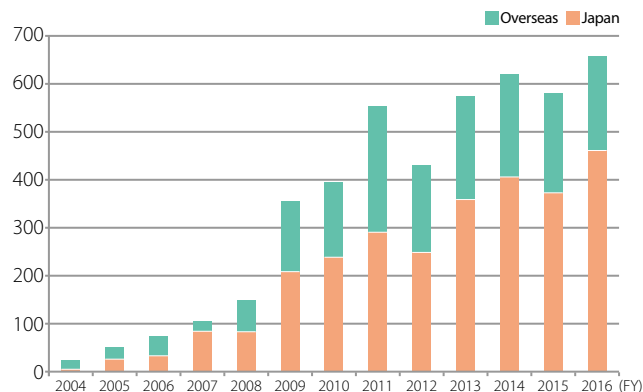
Apparel Food Living / HBC / Other

Points indicated by second-party audits of factories (by item)



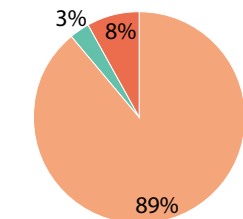
Child labor Safety and health Rights to freedom of association and collective bargaining Discrimination Working time Wages and benefits Environment

The number of the Second-Party Audit enforcement factories



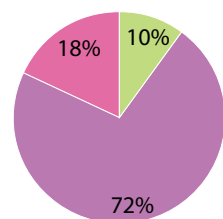
First-Party Audit

Factories which carried out First-Party Audits (by region)



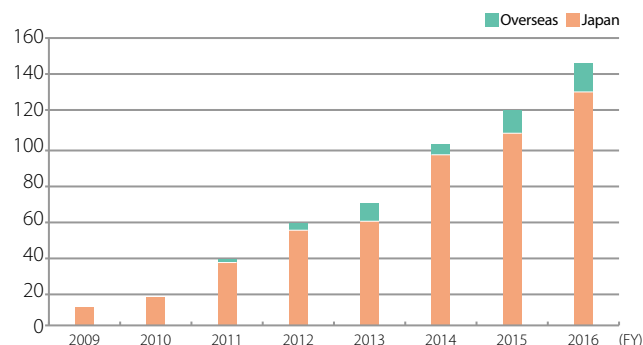
Japan China Asia (excluding Japan, China)

Factories which carried out First-Party Audits (by industry)



Apparel Food Living / HBC / Other

The number of the First-Party Audit enforcement factories



● Reference: Actual Auditing Examples

Top priority management: Private TOPVALU brand suppliers

● Management method:

Confirmation of status and improvements with third-party and second-party audits at all final processing factories.
Factories satisfying the standard evaluation implement audits by manufacturers and confirm improvements.
Make overseas plants subject to third-party audits from FY 2016 and confirm plants in Japan through second-party audits by Aeon-certified auditors

● Scope of manufacturers:

Japan 578; Overseas 457; Total 1,035
(Conducting business as of the end of February 2017)

● Scope of plants:

Japan 2,148; Overseas 2,084; Total 4,232
(As of the end of February 2017)

● Audits conducted in FY 2016:

Third-party audits: Total 115
By region: China 65; Asia (excluding China) 42; Europe 7; North America 1
By industry: Apparel 53; Food 10; Living/HBC 52

Second-party audits: Total 607

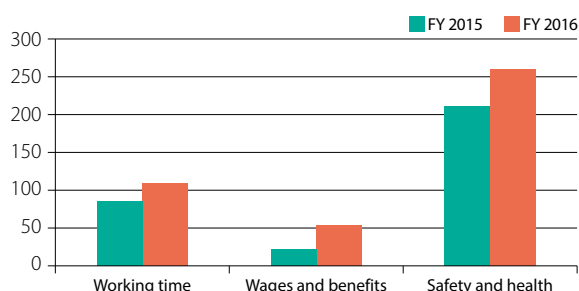
By region: Japan 411; China 129; Asia (excluding China) 62; Europe 5
By industry: Apparel 97; Food 341; Living/HBC 169
Japan: Apparel 8; Food 319; Living/HBC 84
Overseas: Apparel 89; Food 22; Living/HBC 85

First-party audits: Total 146

By region: Japan 130; China 4; Asia (excluding China) 12
By industry: Apparel 15; Food 105; Living/HBC 26
Japan: Apparel 7; Food 101; Living/HBC 22
Overseas: Apparel 8; Food 4; Living/HBC 4

● Points indicated in FY 2016 audits:

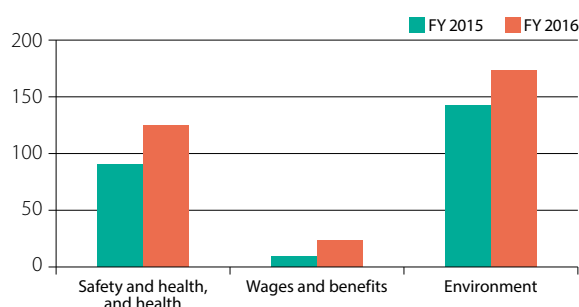
1. Points indicated in working time, wages and benefits, and safety and health increased overall



2. In Japan, points indicated in safety and health, wages and benefits, and the environment increased.

Reasons:

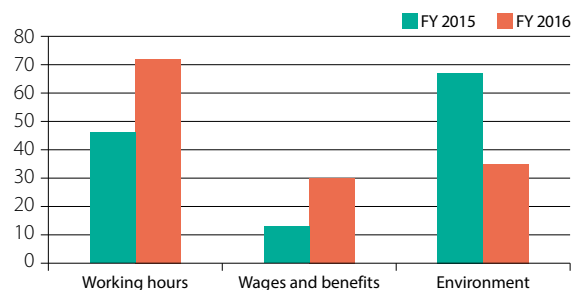
- Because new plants implemented audits by Aeon-certified auditors and more detailed areas of law were checked
- Because waste-related checkpoints in light of an industrial waste diversion incident increased
- Because checkpoints related to employee health and safety increased



3. Overseas (China and other Asian countries), points indicated in working hours and wages and benefits increased and points indicated in environment decreased compared with the previous year and earlier

Reasons:

- Because overtime per employee increased at many plants in an effort to increase production capacity and hold down personnel expenses in light of soaring personnel expenses and raw material costs
- Because while minimum wages increased, not providing benefits such as social insurance, maternity leave, and paid leave, etc. was common
- Because China's new environmental laws were enforced, strengthening management of compliance with national laws and regulations



SA8000 Certification

In 2004 we acquired SA8000 certification, an international standard, becoming the first Japanese retailer to do so. The standard establishes normative guidelines for protecting the human rights of workers in international labor markets. It requires compliance in eight areas that include protecting human rights and nondiscriminatory employment practices as well as development of a related management system and ongoing improvement to it.

The contents of the Aeon Supplier Code of Conduct (CoC) established in 2003 are based on the requirements of SA8000.

The SA8000 certification applies to head office operational management of Aeon Co., Ltd., Aeon Retail Co., Ltd., and Aeon Topvalu Co., Ltd. as well as supplier management of the TOPVALU Aeon brand. The certification is renewed after receiving a renewal audit every three years and a maintenance audit every six months.

Aeon will continue to pursue appropriate business processes together with suppliers on the twin basis of the Aeon Supplier Code of Conduct and SA8000.

Objectives of Aeon SA8000

1. We will respect the basic human rights of employees at the workplace and establish comfortable working conditions by ensuring safety, security and health.
2. Along with our suppliers, who are equal business partners, we will respect laws related to human rights and labor standards and will continue to make improvements to help build a society where universal human rights are protected and efforts are constantly made to improve working conditions.

Policies for Promoting Aeon SA8000

1. We will respect international norms and laws related to human rights and labor standards and will make improvements on an ongoing basis.
 - a. Child Labor: We will prohibit child labor and take remedial measures.
 - b. Forced and Compulsory labor: We will reject forced labor in all its forms.
 - c. Health and Safety: We will ensure the health and safety of employees and provide healthy work environments.
 - d. Freedom of Association and Right to Collective Bargaining: We will ensure freedom of assembly and the right to collective bargaining.
 - e. Discrimination: We will not discriminate on the basis of nationality, race, sex, academic background, religion, physical disability or age.
 - f. Disciplinary Practices: We will not engage in corporate punishment, psychological or physical force, or verbal abuse.
 - g. Working Hours: We will observe laws and labor agreements related to working hours, breaks and days off.
 - h. Remuneration: We will observe laws related to payment of fair wages.
2. We will conduct training programs to fully educate all employees in order to make this policy a reality, conduct regular reviews of this initiative and work to make improvements on an ongoing basis.
3. We will encourage business partners (suppliers) to create and observe a code of conduct related to human rights and labor standards and to work together with Aeon to make improvements on an ongoing basis.
4. We will work to broadly disclose this policy and provide appropriate information and we will practice corporate social accountability.

Fair Business Practices Practicing Fair Trade

Fairtrade-Certified Products

Responding to customers' desire to do something through their purchases for the world's underprivileged, Aeon has developed and begun marketing Japan's first Fairtrade*-certified coffee (in 2004) and Fairtrade-certified chocolate (in 2010), both under the private brand.

In order to make these products available to a greater number of customers, Aeon has been participating in the new Fairtrade Sourcing Programs launched by Fairtrade International since January 2014. We have also announced a plan to increase the purchase of Fairtrade-certified cocoa beans up to ten times the trade volume of 2012, by 2020.

In the fall of 2016, we renewed our product line using cocoa bean ingredients certified by Fairtrade International, which is in-line with our projected plans for procurement through 2020.

In the future, we plan to expand Fairtrade-certified products even more broadly by acquiring certifications for other products as well such as raw cane sugar certified by Fairtrade International.

In addition, Aeon has been visiting junior high and high schools across Japan so that the younger generation has a better understanding of Fairtrade.

* Fairtrade: An initiative for doing business with producers in need of support in developing countries and setting product prices at levels appropriate to the labor involved. The initiative helps producers attain economic and social autonomy and also supports environmental conservation.



FLO (Fairtrade International) certification mark



TOPVALU Fair trade chocolate milk



Fairtrade Sourcing Program label (cocoa)

- Registered for the European Union at European Union Intellectual Property Office (EUIPO) with registration No. 012422143.
- Registered at the World Intellectual Property Organization (WIPO) according to the Madrid Contract and Protocol with registration No. 1231866.
- Registration under application in Japan



TOPVALU smooth mouth-melting bite-sized milk chocolate

FY 2016 Results and Target of KPI

Trading volume of fair trade products



Create Workplaces that Emphasize Management Approach

Recognition of Challenges

In tandem with the globalization of business activities, huge supply chains have been built linking many countries and regions, primarily by multinational companies. These supply chains also include countries and regions where the legal system is underdeveloped. In order to engage in sustainable business in such countries and regions, it is not only necessary to observe local laws and regulations but also to promote business activities

based on the United Nations Guiding Principles on Business and Human Rights (commonly known as the Ruggie Framework).

In addition, in recent years, at the same time as respecting people with diverse backgrounds, including nationality and place of birth, taking advantage of this diversity and translating it into new value creation has become established as a human resources strategy which is indispensable to corporate growth.

Aeon's Approach

Aeon has set out the Basic principles on personnel and the Aeon Basic Human Rights Policies in order to achieve management based on respect for human rights, which is a basic principle.

In order to implement these Principles and Policies, Aeon has rolled out human rights enlightenment education globally. In addition, we are working to steadily resolve issues at the Group by holding regular meetings of the Human Rights Enlightenment Education Committee. Furthermore, we make use of the Aeon Supplier Code of Conduct (CoC) for TOPVALU manufacturing partners to confirm that a safe and healthy workplace

environment is maintained, human rights are respected, and the working environment and wages are guaranteed.

In terms of promoting diversity, we employ human resources in Asian countries in addition to establishing opportunities for exchange of human resources. We also employ mature age workers and provide LGBT training. With regards to promoting women's participation, which is considered to be a major challenge in Japan, we have established the Diversity Promotion Office to work on the work-life balance problem and the promotion of women managers.

Future Initiatives

Human rights are an issue which forms the foundation for all other social issues, and a variety of international guidelines require corporations to take proactive initiatives on human rights problems. Aeon will aim for a system in which the departments concerned collaborate to take action across the organization not only on the human rights of our own employees but also human rights throughout the supply chain.

In the area of promoting diversity, we will also continue with measures aimed at achieving our 2020 targets, which include increasing the rate of female managers to 50%.

In 2016, we made the Aeon Health Management Declaration. We will promote health management based on the belief that promoting employee health is cornerstone of corporate activities.

AEON Code of Conduct – Together with AEON People

AEON respects human rights, and will not discriminate against anyone based on nationality, race, gender, age, educational background, religion, sexual orientation, physical handicap, or anything else not related to desire, hard work, and talent. AEON people respect and listen to their co-workers. Our goal is to be recognized as the friendliest, people-oriented company to work for in the world.

Basic principles on personnel

With the primary objective of management based on respect for human rights, Aeon's basic principles on personnel revolve around listening to employees' aspirations, understanding employees' feelings and making the most of what employees have to offer, based on the guiding philosophy of ensuring that all Aeon people lead a full life at work, at home and in the community.

Basic approach to personnel

- Creating a corporate environment in which human resources can continue to grow as they work over the long term.
- Dealing with personnel based on ability and achievement, not nationality, age, gender or job category.

Five Human Resources Principles

1. Fairness
2. Respect
3. Openness to change
4. Rationality
5. Ability Development



Fundamental Principles of the Aeon Basic Human Rights Policies

1. Respect human rights
2. Prevent discrimination
3. Establish a friendly working environment
4. Conduct fair employment
5. Introduce human rights enlightenment training

(Details on ► P. 135)

Human Rights and Diversity

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Human Rights / Labor Practices	Promoting Diversity	Female Manager Ratio	Consolidated Group companies in Japan and overseas	FY 2016: 30% FY 2020: 50%	Female Manager Ratio: 27% 9,366 people (As of the end of February, 2017)	<ol style="list-style-type: none"> 1) Hold a seminar for women and managers in order to solve common group issues 2) Hold awards to commend initiatives of each company 3) Expanding installation of workplace childcare facilities (now 12 locations + 2 locations (partnership)) 4) Implement "IkuBoss" testing aimed at nurturing "IkuBoss" Approximately 10,000 people equivalent to about 40% of Group management passed (As of the end of February, 2017)
		Group International People to People Exchange Programs	Consolidated Group companies in Japan and overseas	FY 2016: Total 600 people, FY 2020: Total 1,500 people	Total 404 people (FY 2013 – FY 2016)	<ol style="list-style-type: none"> 1) Review of Japan training menu (introduction of technical training, etc.) 2) Discover human resources through open recruitment
		Employment Rate for People with Disabilities and the Number of People	Consolidated Group companies in Japan	FY 2020: More than 3.0% 10,000 people	Employment Rate for People with Disabilities: 2.19%, Number of people with disabilities employed: 6,795 people (As of June 1st, 2017)	<ol style="list-style-type: none"> 1) Regularly carry out progress management of the employment situation 2) Challenges and measures in the employment of people with disabilities to share in the Group companies, and lead to adoption and fixing
	Creating Pleasant, Comfortable Workplaces	Number of Companies Certified to Use the Kurumin Logo	Consolidated Group companies in Japan	Promote initiatives under the "General Business Action Plan" for Japan's Act for Measures to Support the Development of the Next Generation (expand number of companies certified to use the Kurumin logo)	Companies that acquired Kurumin: 14 companies Companies that acquired Platinum Kurumin: 1 company Companies that acquired Eruboshi: 23 companies (15 companies with Stage 3 and 8 companies with Stage 2)	Creating company-wide "General Business Action Plan" for Japan's Act on Promotion of Women's Participation and Advancement in the Workplace enforced on April 1, 2016, "General Business Action Plan" for Japan's Act for Measures to Support the Development of the Next Generation Children, and Daimanzoku plan to bring together Aeon's initiatives aimed at promoting diversity Promoting Group-wide acquisition not only of Kurumin logo, but also "Eruboshi" certification based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace

Human Rights / Labor Practices

Promoting Diversity

Promoting Diversity

Since being founded, Aeon has respected human rights and aimed to be a company where diverse human resources can play active roles without any discrimination on grounds such as nationality, race, sex, academic background, religion, mental or physical disability, or any other attribute.

Amidst business globalization and the requirement to respond rapidly to differences, Aeon established the Diversity Promotion Office in July 2013 as an organization under the direct control of the Group CEO to continually create new value by leveraging its diverse pool of human resources and respecting the unique traits of each individual employee. As the first step in this process, we have launched efforts to reach our goal of becoming recognized as the best employer for females in Japan and the company where female workers most want to work.

In April 2014, we established systems to encourage this at around 70 Group companies, and the Group is working together to promote diversity.

“Daimanzoku” is the key word in Aeon’s activities to promote diversity. Daimanzoku is about realizing satisfaction for employees and their families, customers, and the company, who all create diversity. To realize “Daimanzoku” in FY 2016, we held diversity promotion seminars and internal group awards as well as furthered the expansion of nurseries for Group companies. We also put efforts into training for current managers, such as implementing “IkuBoss” testing with the aim of newly nurturing “IkuBoss” (▶P. 136).



Building Diversity Promotion Systems — Daimanzoku Summit

Aeon has designated a person responsible for diversity promotion, a leader to realize a corporation offering exceptional opportunities for women, and a leader to achieve an excellent workplace for women in each of 65 Group companies. All Aeon companies are now analyzing their status, identifying issues, and implementing their own ideas to solve the issues. Four times a year the Daimanzoku Summit is held. It is attended by leaders and people responsible for diversity promotion to share information between Group companies for utilization in activities at their own companies.

The Daimanzoku Summit was held four times in FY 2016. One time was designated as a review meeting for the open presentation of the Group’s diversity awards at which we formed networks and shared the initiatives at each company.



Running Diversity Training — Daimanzoku College

In FY 2016, we started a new senior management course with the aim of training female officer candidates.

In FY 2017, we will further develop the four courses which ran until last year and continue to provide them incorporating joint courses with companies from other industries.



Career advancement course



Management course



Career design course

Establishing a Commendation Program — The Daimanzoku Award

Aeon has set up a Daimanzoku award to recognize the Group company that has most promoted diversity. For the 3rd awards, we established category awards for the four categories out of the six areas that are key initiatives in promoting diversity, excluding the two categories that are already completed company-wide. Gfoot Co., Ltd., Kohyo Co., Ltd., and Aeon Ryukyu Co., Ltd., and Aeon Big Co., Ltd. received category awards, and Gfoot Co., Ltd. received the Best of Action Award as the company with the most outstanding initiatives in the four categories. Furthermore, Aeon Kyushu Co., Ltd. received the Diversity Promotion Company Award as the company where diversity is most advanced overall rather than in just a category.



Receiving awards

Appointment of Female Managers

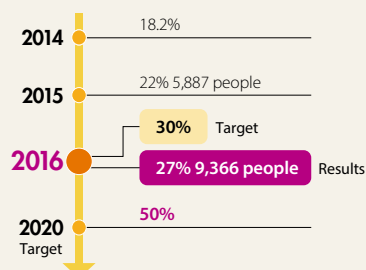
Aeon has established targets for the female manager ratio of 30% by FY 2016 and 50% by FY 2020.

As of the end of February 2017, the female manager ratio stood at 27% (includes consolidated subsidiaries).

Aeon will make positive efforts to appoint women aimed at definitely achieving the target for FY 2020.

FY 2016 Results and Target of KPI

Female Manager Ratio



Hiring Employees of Foreign Nationality, Group International People to People Exchange Programs in the Group

Aeon is actively hiring young talent who will shoulder the future in the Asian countries of Japan, China, Malaysia, Thailand, Indonesia, and Vietnam based on the Asia Shift strategy stipulated in the medium-term management plan.

While proactively hiring talent that can take active roles on the global stage and beyond borders,

Aeon encourages greater international exchanges within the Aeon Group with a target of exchanging a cumulative total of 600 people between FY 2013 and FY 2016, and 1,500 people by FY 2020. The cumulative total for FY 2013 through FY 2016 was 404 people exchanged.



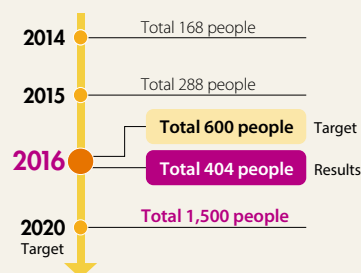
Training atmosphere overseas (Hong Kong)



Training atmosphere overseas (Malaysia)

FY 2016 Results and Target of KPI

Group International People to People Exchange Programs



Employment for People with Disabilities

Aeon is working to establish conditions Group-wide that allow people with disabilities to work with a sense of purpose.

Abilities JUSCO Co. Ltd. established in 1980 has expanded to 4 Scrum CD/DVD & Books stores where people with disabilities are working alongside able-bodied staff, and 10 business establishments for employment transfer support. Furthermore, Aeon Supercenter Co., Ltd. has adopted a telecommuting system for people with disabilities as one part of its diversity promotion action plan in cooperation with Abilities JUSCO.

As of June 2017, the total number of people with disabilities employed at Group companies was 6,795 with an employment ratio of 2.19%.

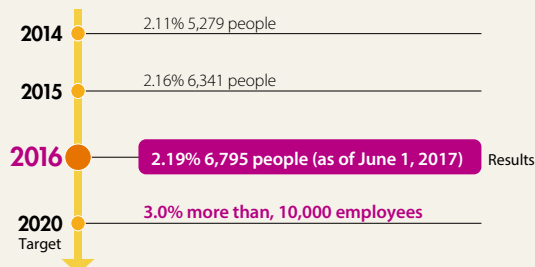
This employment rate exceeds the statutory employment rate of 2.0%, and we will continue to advance our efforts in order to reach a 3.0% employment ratio for people with disabilities, or 10,000 people, as a target for 2020.



Employees working at Scrum

FY 2016 Results and Target of KPI

Employment ratio for people with disabilities and number of people with disabilities employed



Promoting Equal Opportunities for Part-time Employees

We have developed various programs that allow part-time employees to thrive at the workplace.

For example, Aeon Retail Co., Ltd. has a system that makes it possible for all employees to utilize the same training and hiring programs. Based on the Community Employee Program, it is eliminating differences in roles, expectations and treatment depending on employee classifications (permanent employee or part-time employee) and enabling the continued growth of all employees depending on ability, performance and motivation. The program eliminates differences in educational and hiring opportunities. It also makes it possible for anyone to take on the challenge of a permanent employee or higher position, including willing Community Employees if they fulfill certain conditions set by the company.

Improving the System for Employing the Elderly

Aeon Retail Co., Ltd. instituted a mandatory retirement age of 65 starting in 2007 in order to meet the needs of the company, which wants to continue employing people over the age of 60 who are highly motivated, and the needs of the workers, who want to continue working in a stable environment utilizing their knowledge and experience.

As of the end of February 2017, a total of approximately 26,700 employees (including part-timers) were working taking advantage of the experience, skills, and knowledge they acquired in the past.

Human Rights Training

We have built a human rights enlightenment system as the Aeon Group to promote the Aeon Human Rights Basic Policies in an effort to improve human rights awareness through a wide range of internal training.

Aeon holds enlightenment training programs of a variety of issues, including issues pertaining to social discrimination, foreign residents, abuse of power, diversity, people with disabilities and work-life balance, to facilitate correct understanding and deepen awareness in all of our employees.

1) Human Rights Enlightenment Committee (convened once every six months)

Committee to define the direction of human rights enlightenment at Aeon, assess and make decisions regarding issues, and train individuals responsible for promoting human rights at each Group company

2) Human Rights Enlightenment Study Group (convened once every six months)

Study group to educate individuals responsible for promoting human rights at each group company.

3) Human Rights College (convened four times a year)

College to define courses to teach the basic human rights principles originating at Aeon. This college is primarily a place for fundamental education for the participation of managers and individuals responsible for or in charge of administrative education as well as individuals responsible for or in charge of promotion.

Human Rights and Aeon Code of Conduct Training has provided guidance to each company conducted under themes selected to be in-line with the training needs of each Group company while linking to the Aeon Human Rights Enlightenment Office and Corporate Ethics Team.

We also published a Human Rights Enlightenment Guidebook in 2015 as a tool to promote basic knowledge about human rights. We will continue to strive to build tools and develop training materials that utilize this guidebook. In FY 2017, we plan to continue conducting Human Rights and Aeon Code of Conduct Training with all of our employees.



Human Rights Enlightenment Guidebook

Aeon Basic Human Rights Policies

1. Respect human rights

In accordance with the Aeon Code of Conduct and the principles of the UN Global Compact joined in 2004, Aeon not only adheres to Japanese laws related to human rights and labor but also the human rights standards that are set out in the International Bill of Human Rights and the conventions of the International Labour Organization (ILO).

2. Prevent discrimination

Aeon respects the diverse values, personalities, and privacy of individuals and never discriminates on grounds of human rights, nationality, ethnicity, gender, age, place of birth, religion, educational background, physical or mental disability, sexual orientation, or gender identity.

3. Establish a friendly working environment

Aeon fosters a working environment that respects human rights in which all Aeon people listen to the views of colleagues working alongside them and accord them equal respect. Aeon establishes a friendly working environment that is free from sexual harassment and power harassment, which are acts that undermine personal identity and dignity.

4. Conduct fair employment

Aeon practices impartial and fair selection in employment based entirely on the abilities and aptitude of the individual concerned.

5. Introduce human rights enlightenment training

Aeon strives to provide human rights enlightenment training to deepen a correct awareness and understanding of human rights by all Aeon people in order to resolve issues concerning human rights.

Workshop on LGBT

Responding to increasing attention to human rights of sexual minorities (LGBT: Lesbian, Gay, Bisexual, and Transgender), Aeon is holding workshops on LGBT to provide the latest knowledge on human rights and to create a workplace where individual employees can work in their own ways.

Since FY 2015, this training has also been incorporated into the new employee orientation with roughly 8,000 new employees taking the program. Group-wide, an approximate total of more than 20,000 employees have taken the program.

In FY 2016, Aeon Co., Ltd. and Aeon Topvalu Co., Ltd. both received a Silver Award in the PRIDE Index, formulated by work with Pride* as Japan's first index for the evaluation of LGBT initiatives. We aim for further penetration to all Group companies in the future while collecting examples from companies who are actively engaged in these efforts.



* A private organization that supports the promotion and consolidation of LGBT diversity management.

Human Rights / Labor Practices Creating Pleasant, Comfortable Workplaces

Supporting the Balance between Work Life and Child Raising

Aeon is a strong advocate of helping employees balance work life with child raising needs. Specifically, we strive to encourage employees raising children to reduce their overtime work, take childcare leave (including fathers), and take annual paid leave.

We promoted initiatives at each Aeon Group company, of our general business action plan developed under the Act for Measures to Support the Development of the Next Generation. As a result, as of May 2016, Aeon Co., Ltd. has been certified with the Platinum Kurumin. 14 Group companies have also been certified to display the Kurumin logo.*

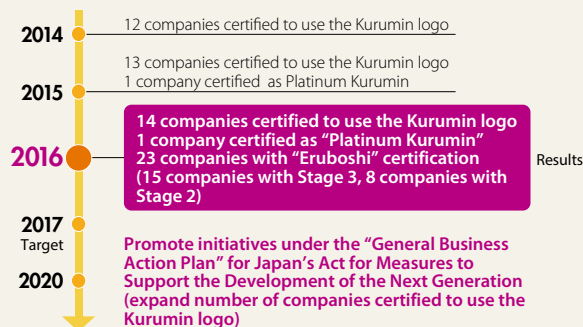
Going forward, we will continue to implement measures aimed at achieving a balance between work life and child rearing.

* Companies that have acquired Platinum Kurumin: Aeon Co., Ltd. Companies that have acquired the Kurumin certification: Aeon Credit Service Co., Ltd., Aeon Global SCM Co., Ltd., Aeon Topvalu Co., Ltd., Aeon Big Co., Ltd., Aeon Kyushu Co., Ltd., Aeon Mall Co., Ltd., Aeon Retail Co., Ltd., Aeon Ryukyu Co., Ltd., The Daiei, Inc., Kasumi Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinippon Co., Ltd., Origin Toshu Co., Ltd., and Sunday Co., Ltd. (in alphabetical order)



FY 2016 Results and Target of KPI

Creating Pleasant, Comfortable Workplaces



Creating Infrastructure to Support the Balance between Work Life and Child Raising

We installed Aeon Yumemirai Nurseries at Group business establishments so that not only our employees but also employees working at tenants inside of Aeon Mall as well as the locals can be assured of both work and childcare.

For the purposes of employees' smooth return to work from childbirth and subsequent child rearing, and to support employees working while raising children, the nursery opens from 7:00 AM to 10:00 PM almost every day, including Saturdays, Sundays, national holidays, and year-end and New Year holidays. The childcare fees are calculated from hours of care regardless of the day or time period in order to reduce the burden on employees from paying additional fees or arranging secondary childcare.



Aeon Yumemirai Nursery
Chigasaki Nursery

In addition to opening nurseries at Aeon Style Shonan Chigasaki and Aeon Lake Town mori in April 2016 and Aeon Mall Saga Yamato in June, we also opened nurseries at Aeon Mall Natori, Aeon Mall Nagoya Chaya, Aeon Mall Nagakute, and Aeon Mall Mito Uchihara in November. In FY 2017, we will also open nurseries at Aeon Mall Shin-Komatsu and Aeon Mall Fukuoka Higashi. Going forward, we will continue to support employees working while raising children.

Furthermore, in April 2015, we opened Aeon After-school Class at the Aeon Marinpia Annex and at Daiei Narimasu Store. The classes, which offer a comprehensive after-school care program with physical, academic, moral, and dietary education, are located near train stations, making it convenient for parents to drop off and pick up their children and for children to come to the class.



Moreover, based on the belief that the existence of bosses and organizations that recognize diversity and make use of it in management is key in achieving a balance between work life and child raising, Aeon Co., Ltd. and The Daiei, Inc. became the first retailers to join the IkuBoss* Alliance in June 2015. 39 Group companies have joined the IkuBoss Alliance as of April 2017.



* IkuBoss: The ideal advocated and promoted by non-profit organization Fathering Japan. It refers to a boss who considers the work-life balance of subordinates and staff working with him or her in the workplace and supports their career and lives while producing outcomes for the organization and being able to enjoy his or her own work and private life.

Topics

Gained Top Ranking for Active Use of Women's Ability in "100 Best Companies Where Women Play Active Part" 2017

In May 2017, Aeon Co., Ltd. gained the top ranking out of 4,300 companies for Active Use of Women's Ability in the "100 Best Companies Where Women Play Active Part 2017"* published based on the Survey on Female Workers' Workplace Opportunities conducted jointly by Nikkei Woman and Nikkei Womenomics Project. This was due to the high rating received by the establishment of a dedicated organization for women to participate actively in rewarding work, the implementation of activities to promote diversity in partnership with Group companies, the provision of organization-wide training for female employees, the revision of the personnel system, and the fostering of IkuBoss. As a top-ranking company, Aeon received a commendation at the ceremony held on May 19.

Going forward, Aeon will continue to promote human resources development and the establishment of the workplace environment, implementing diversity management to enable diverse human resources to play an active part.

* In the Survey on Female Worker's Workplace Opportunities implemented from January to February Japanese companies are scored in four categories: promotion to managerial positions, active use of women's ability, work-life balance, and penetration of diversity, and an overall score is calculated.



Award ceremony held on May 19

Voice

Hitoshi Ishikawa

Deputy Manager,
The Big Extra Tamaki Store,
AEON BIG CO., LTD.



In October 2016, I received the Grand Prize in the "IkuBoss-san Irasshai" category at the third Father of the Year in Mie organized by Mie Prefecture. I think this was in recognition of my efforts to streamline work to achieve work-life balance for my subordinates based on the idea that work is dependent on family. In the future, I will continue working to create an environment that is easy for my subordinates to work in as even more of an IkuBoss.

Securing Work-Life Balance

Aeon Retail Co., Ltd., which accounts for about one quarter of all Group employees, introduced a personnel system in 2017 based on the concepts of “fairness” and “challenge.”

The system aims for an environment in which employees with diverse abilities feel more active participation and fulfillment with a career style that capitalizes on their own desires and aptitudes and can continue to work with enthusiasm and grow in accordance with their own lifestyle.

Moreover, the system includes the Career Style Plan as a program to support independent career development and the Lifestyle Plan as a program to support the ability to keep working long-term in the midst of changes in life stage.

Going forward, we will further develop our programs and systems so that female employees in particular have a workplace environment where they can thrive professionally, while achieving a work-life balance between their job and marriage or childcare.

Aeon Retail Co., Ltd.

“3 career paths” “Employee working area”

Career paths

- General path
A path which aim for career development across a wide area while building up diverse experience
- Unit path
A path which aims for specialization while advancing specialist knowledge and skills
- Professional path
A path which aims for an advanced profession

Employee duty area

- Category N employee: Basically, nationwide transfers, including overseas
- Category R employee: Transfers within a certain block
- Category L employee: No transfers that require moving house
- Community employee and part-time: No transfers that require moving house/part-time only

Childcare and Nursing Care Support Programs

Aeon Retail Co., Ltd. makes childcare leave available for up to April 20 of the year the child enters middle school. While the legal requirement under Japan’s Child Care and Family Care Leave Act is to attempt to make this available until the child enters elementary school, we have provided extra time because workers often want to take time off after that for other events in their child’s life.

For employees with families for which nursing care is deemed necessary, we have established a nursing care leave program and a nursing care work program that provide time off or shortened working hours.

Welfare Programs

The Aeon Good Life Club, Aeon’s mutual aid society, in which some 275,000 Aeon Group employees are enrolled. Programs include the payment of gift money for celebratory occasions or condolences (mutual assistance), subsidies for childcare and nursing care, various forms of insurance (self-help support), and support for leisure activities and health (motivational assistance). We aim to administer various programs contributing to the achievement and enhancement of common welfare to enable Group employees to have a sense of security, solidarity and pride.

Health and Safety Committees

Health and Safety Committees are organized at the store and business office level in order to ensure the safety and health of employees and promote the creation of pleasant, comfortable working conditions. For example, at stores of Aeon Retail Co., Ltd., store managers, managers of personnel and general affairs departments, employee representatives and labor union representatives attend the committee meetings, which are held once a month. Points for improvement in employee working conditions and the workplace environment are considered by labor and management, paving the way for improvements.

Labor Union Status

Aeon emphasizes dialogue between labor and management, and discussions are held with the labor union through Safety and Sanitation Committees and the labor management council.

The labor union has encouraged part-time employees to become members, and as of the end of April 2017, the labor union had roughly 265,000 members, including 216,000 part-time employees. We actively work to incorporate employee feedback through workplace meetings participated in by union members and promote efforts to resolve issues with labor and management.

Global Framework Agreements

In November 2014, Aeon Co., Ltd. signed the Global Framework Agreement on labor, human rights, and the environment with UNI Global Union, which is an international labor organization, UA zensen, and Federation of Aeon Group Workers’ Union. The agreement is a commitment acknowledging that the multinational enterprise and the labor union are mutual partners and will work together as the enterprise expands business globally.

More than 100 companies worldwide have entered into the Global Framework Agreement, and the four parties are jointly promoting their efforts on labor, human rights, and the environment so as to become a role model for the labor-management relationship in Asia.



Interview on conclusion of Global Framework Agreements

Aeon's Health Management

Aeon promotes health management based on the belief that the promotion of employees' health is a cornerstone of corporate activity and that we will be able to provide services to local customers because employees are healthy.

In FY 2016, we made the Aeon Health Management Declaration, aiming for the physical and mental health of our employees and their families and continuously growing human resources able to continue working over the long term.

Aeon Health Management Declaration

Aeon will support the health of employees and their families
Aeon will achieve health and happiness in the local community together with employees

Aeon is working to ensure that all of its employees receive regular health exams and that it thoroughly conducts follow-up, which includes recommendations for additional medical screenings and work schedule adjustments based on the results of the exams, in order to properly manage employees' health in compliance with the provisions of Japan's Industrial Safety and Health Act. To help employees maintain or improve their health, we also have developed an insurance program to provide more comprehensive health exams to employees aged 40 and over that are enrolled in Aeon's corporate health insurance society. We also hold an annual Health Challenge Campaign for all enrolled members and have implemented initiatives to make activities to improve health into a habit in everyday life.

A counseling office is provided to support good mental health as part of the member services provided by the Aeon Good Life Club, Aeon's mutual aid society.

Going forward, Aeon will build a system for promoting health management led by Group health managers and move forward with further initiatives, establishing key areas such as visualization of employees' health condition, prevention of lifestyle diseases, promotion of mental health, and promotion of health for older people.

Topics

Aeon Co., Ltd. and Aeon Retail Co., Ltd. Certified as White 500 Outstanding Health and Productivity Management Organization

Aeon Co., Ltd. and Aeon Retail Co., Ltd. were certified in the first fiscal year for the new Outstanding Health and Productivity Management Company (White 500) commenced jointly by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.*

◆ White 500 Outstanding Health and Productivity Management Company

It is a new program that Japan's Ministry of Economy and Industry and Nippon Kenko Kaigi initiated jointly in 2016 to certify corporations that practice outstanding health management with plans to certify 500 companies by 2020.



* Nippon Kenko Kaigi: an action group organized to implement effective activities related to extending the healthy life expectancy of individual citizens and appropriate health care in collaboration with private sector organizations with full administrative support. The aim is for private sector organizations, such as economic groups, health care groups, and life insurers, to collaborate with local governments and achieve concrete measures in the workplace and the community.

Employee Satisfaction Survey

Aeon conducts an employee satisfaction survey on morale targeting all Aeon Group employees every other year. The results of this survey and employee feedback will be utilized to develop our organization and systems to improve motivation and make our workplaces more employee-friendly to enhance employee and customer satisfaction.

Aeon objectively identifies the situation and works to further enhance employee satisfaction by drafting and implementing concrete measures to enhance satisfaction based on the results of the survey.

Training Programs Supporting the Growth of Employees

Aeon believes that the greatest form of welfare is education. This phrase embodies the thought that education, in addition to wages and benefits, is key to enriching the lives of its employees. Given this, we have created a wide range of training programs that support the growth of employees and their desire for advancement.

In addition, we have created a system for employees to meet twice a year with their supervisors to discuss and reflect on their work performance and work challenges, and to look ahead to their future aspirations. There are also regular assessments of individual work results and career achievements.

Aeon Fundamental Education

This is provided for the first three years following employment with the same content Group-wide. Besides sharing Aeon's basic philosophy and set of values, the education aims to get employees to completely master the corporate culture and basic skills as Aeon people.

Aeon Group Self Declaration Form System

This system encourages transfer within the Aeon Group beyond the framework of the company amid the many different business domains covered by the Aeon Group. In FY 2016, the system was implemented targeting the senior management level at 43 Group companies.

Sending Personnel to Graduate Schools in Japan

Under this system, Aeon selects employees from Group companies to enter graduate school in Japan (MBA course) as a means to develop human resources that will take charge of managing the Aeon Group in the future. The aims are for them to learn specialized knowledge related to management and build networks outside of the company.

Global Trainee System

Under this system, Aeon posts outstanding human resources across national borders to Group companies in Japan, China and ASEAN in order to train the future leaders of the overseas business and human resources with the ability to act at the global level. The aim is acquisition of essential knowledge and skills through operational experience and training overseas.

Aeon Business School

The Aeon Business School provides courses for personnel to learn the knowledge necessary for the jobs they aspire to. The system supports self-actualization of motivated personnel. 13 courses were held in FY 2016 and up to 452 people attended.

Group Recruitment System

This system enables personnel to challenge the business and job position they aspire to without being restricted by the domain or company they belong to. In FY 2016, we introduced staff recruitment (including global trainees) at Aeon Marketing Co., Ltd., Aeon Insurance Service Co., Ltd., Aeon IBS Co., Ltd., Aeon Topvalu Co., Ltd., and overseas businesses (China/ASEAN).

Internal Certification Systems

Aeon has established a wide array of internal certification systems for specific jobs. Eight of these certifications have been accredited by the Ministry of Health, Labour and Welfare and recognized for their high quality.



Sengyo-shi skill competition

Internal Certifications and Number of Holders* (As of the end of February 2017)

◎ Fresh fish master (grade 1)	19
◎ Fresh fish master (grade 2)	1,815
◎ Fresh fish master (grade 3)	3,304
• Baby advisor	781
• Fashion advisor	1,215
• Liquor advisor	743
• Fish advisor	442
• Digital advisor	290
• Home appliance advisor	83
• General appliance advisor	63
• Cycle advisor	1,257
• Senior cycle advisor	297
• Beauty advisor	875
• Handcraft advisor	595
• Senior care advisor	64
◎ Hot deli master	2,562
◎ Sushi master	2,445
◎ Farm product master	1,327
◎ Greenery master	687
◎ Gardening master	365
• Energy Advisor	474

◎ denotes qualifications accredited by the Ministry of Health, Labor and Welfare.

* Total for Aeon Retail Co., Ltd., Aeon Supercenter Co., Ltd., Aeon Hokkaido Corporation, Aeon Kyushu Co., Ltd., Aeon Ryukyu Co., Ltd., Maxvalu Hokkaido Co., Ltd., Maxvalu Tohoku Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Kyushu Co., Ltd., Maxvalu Minami Tohoku Co., Ltd., Maxvalu Kanto Co., Ltd., Maxvalu Nagano Co., Ltd., Maxvalu Hokuriku Co., Ltd., Maxvalu Nishinippon Co., Ltd., Aeon Big Co., Ltd., Kohyo Co., Ltd., Aeon Liquor Co., Ltd., Aeonbike Co., Ltd., Aeon Retail Store Co., Ltd., Aeon Store Kyushu Co., Ltd. (20 companies)

Aeon DNA University

In September 2012, Aeon instituted the Aeon DNA University to train the next generation of Aeon management by instilling the philosophy and values of the company passed down since its founding. The Group CEO himself is an instructor at the university.

In FY 2016, we started with guidance for 19 eighth term students in April and 20 ninth term students in October. Approximately 160 employees have trained and are active in each Group company as of the end of April 2017.



DNA University Class

Collaborate with the Community

Management Approach

Recognition of Challenges

Each region faces distinctive social challenges, such as poverty, education, food, healthcare, health, low birthrate, and aging population. Under these circumstances, in many countries and regions, local governments, NPOs and NGOs, and international organizations have been working together to solve these challenges. However, in recent years, there have been more active moves attempting to continuously demonstrate even greater power through the effective harnessing of corporate

resources such as technology, knowledge, information, funds, and management know how.

Meanwhile, there has been a growing recognition among corporations that the development of local communities is essential for stable business operations, including the development of products and services that respond to social challenges and smooth business operations through human networks.

Aeon's Approach

Aeon has established "rooted in local community life and making a contribution to the community" as a basic principle, and set out The Local Community and Aeon in the Aeon Code of Conduct formulated in 2003. We have been working to solve social challenges in each region by interacting with people in Japan, China and the ASEAN region over many years.

We have also put our efforts into developing a value chain

which aims to stimulate industry in the regions where we do business, including actively developing and selling products that match the local food culture.

Aeon aims to be a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

Future Initiatives

Aeon will continue to communicate with local people through business activities in order to put into practice our belief that "the retail industry is rooted in the local community" going forward.

One of these initiatives is the construction of Local Ecosystem (P. 9). This aims to achieve a lifestyle and industry platform that supports the sustainable development of local communities

through mechanisms to jointly develop the appeal and competitive edge of a community while various community members, including local people, government administration, and corporations, work together to solve the challenges the community faces.

Aeon Code of Conduct – Its Partners and AEON – The Local Community and Aeon

Aeon aims to set an example as a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

At Aeon, we promote management practices that are in step with the local community.

We believe that AEON forms a "partnership" with the local community. We proactively exchange information with local partners about the lifestyles of our customers in the community, reflecting local community values in our business practices.

At Aeon, we respond to the needs of the local community, and provide a place where people can come together.

We conduct business that anticipates the wide variety of our customers' lifestyle needs, offering high-quality products and services, in convenient and pleasant facilities. At the same time, we provide a place for the local community to gather for educational and information-sharing opportunities.

At Aeon, we work in partnership with the local community to promote environmental conservation activities.

We endeavor to bring about clean streets with lush greenery, and support a recycling society by reusing resources and reducing the amount of garbage we produce to as great an extent as possible. Our objective is to be the leading corporation working beyond local and national borders, showing the world how to preserve our beautiful planet Earth.

At Aeon, we actively support volunteer activities together with the citizens of local communities.

We actively support welfare and other volunteer activities, working together with others in the local community who share the AEON philosophy. We believe that both locally and internationally, contact and interaction with others is an important, worthwhile activity.

At Aeon, we respect the culture and traditions of local communities, offering support whenever and wherever we can.

We respect the oral traditions and culture handed down over generations in individual local communities. We support local efforts to discover and preserve these valuable cultural links with the past.

FY 2016 KPI Progress

Main Category	Subcategory	KPI	Scope Covered	Target	FY 2016 Results	Summary of Actions/Initiatives in FY 2016
Community Involvement	Making Contributions to Local Communities	Aeon Yellow Receipt Campaign Submission Rate	Consolidated Group companies in Japan for GMS, SM and DS businesses	FY 2016: Submission rate of 20 % or more in the GMS all stores Submission rate of 15 % or more in the SM/DS all stores FY 2020: Submission rate of 30 % or more in the GMS all stores Submission rate of 20 % or more in the SM/DS all stores	GMS companies: Submission rate of 20 % or more in 384 stores (Entire rate 62.7 %) SM/DS companies: Submission rate of 15 % or more in 534 stores (Entire rate 49.4 %)	1) Strengthening communication in stores 2) Strengthening communication utilizing media 3) Proper management
		Handling of region-specific products	Consolidated Group companies in Japan for GMS and SM businesses	Expand handling of region-specific products Expand handling of Food Artisan Products Promote sixth industrialization using Food Artisan ingredients	"Food Artisan products": ASC: 27 prefectures, 37 items (As of the end of February, 2017)	Local goods such as <i>Kokubu Ninjin</i> (carrot) produced in Takasaki city, Gunma Prefecture and <i>Aizu Mishirazu</i> Persimmon produced in Aizuwakamatsu city, Fukushima Prefecture are sold.
	Develop the Human Resources of the Future	Number of activities by the Aeon Cheers Club	Consolidated GMS companies and some SM companies in Japan	Conducted more than four times the activities in all stores to carry out the activities	Stores with more than 4 activities/year: 336 stores (overall 74.2 %)	1) Strengthening of basic and thorough management foundation of • Implementation of "Aeon Cheers Club start expression" in all stores • Implementing trial of upgraded version of coordinator training (Kyushu area, June 23 and 24) 2) In addition to the one-off Aeon TOPVALU Agricultural Eco-experience Project and Aeon Agri Experience Farm Program, initiating new Farmers Program, an ongoing program, at two locations in Tokai and Kinki areas 3) Strengthening of publicity
Tohoku earthquake reconstruction assistance	Tree planting in affected areas	Regeneration of coastal forest in the affected area	Consolidated Group companies in Japan	300,000 tree planting in 10 years (FY 2012–FY 2021)	56,403 trees (Total 202,682 trees)	Implement tree planting activities to reproduce coastal forests lost in a tsunami in cooperation with governments (country, prefecture, municipalities)
	Volunteer activities participation of Group employees	Volunteer Activities Promotion of Group employees as disaster relief	Consolidated Group companies in Japan	300,000 employees participated in volunteer activities in 10 years (FY 2012–FY 2021)	41,177 people (Total 237,905 people)	1) Conducted local volunteer activities in affected areas 2) Each Group company conducted volunteer activities in each company and region to enable support without going to Tohoku 3) Promoted Aeon Future Co-creation Program with aim of supporting solution of local challenges through interaction

Community Involvement Making Contributions to Local Communities

Aeon Happy Yellow Receipt Campaign

Countless volunteer organizations* throughout local communities in Japan are in need of support. At the same time, countless Aeon customers would like to support organizations devoted to their local communities. Aeon, as a local community member, launched the Aeon Happy Yellow Receipt Campaign to link customers and volunteer organizations. The "Aeon Happiness Yellow Receipt Campaign" started from these feelings. Customers participate in the Campaign simply by taking the yellow receipts they receive when making purchases on "Aeon Day," the 11th of every month, and placing them in a box labeled with the name of an organization or a particular activity. Aeon then contributes goods accordingly at a value of 1% of the total amount of the receipts.

In FY 2016, the Campaign had expanded to include 1,690 stores, and we contributed goods worth approximately 331.180 million JPY to a total of around 25,300 organizations. Of participating stores, 54.2 % had a submission rate of at least 20 % for GMS companies and at least 15% for supermarket and discount store companies, targets which have been established as a KPI.

Since the Campaign's inception in 2001, 267,900 organizations have received support totaling around 3,115.4 million JPY.

The campaign was also launched at Aeon (China) in 2012, and Aeon (Thailand) and Aeon (Cambodia) in 2015.

We encourage our customers to participate in the Aeon Happy Yellow Receipt Campaign. Among other efforts, we offer volunteer organizations a chance to come into stores to talk about their activities. We plan to actively pursue new initiatives that will allow participation by as many of our customers as possible.

* Volunteer organizations' activities should fall under one of the following five categories.

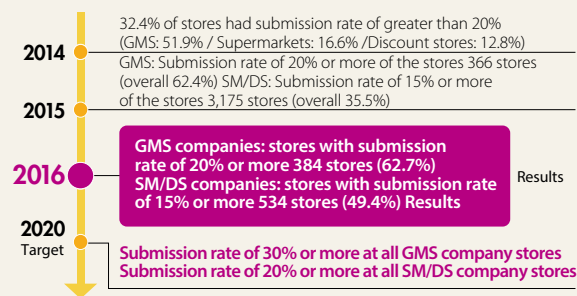
1. Activities to promote welfare
2. Activities to promote environmental preservation and environmental education
3. Activities to promote urban development
4. Activities to advance arts and culture
5. Activities to enhance the health and safety of children

● How Aeon Happy Yellow Receipt Campaign works



FY 2016 Results and Target of KPI

Aeon Yellow Receipt Campaign Submission Rate



Voice

Kiyomi Omori

Environmental and Social Contribution Staff,
Aeon Funabashi Store,
AEON Retail Co., Ltd.



I feel that the Aeon Happy Yellow Receipt Campaign is really worthwhile in that it allows me to feel the wonder of bonds and mutual aid with local people. I always work with the feeling of "togetherness with the volunteer groups." The volunteer groups help with PR activities at stores on Aeon Day on the 11th of every month. In the future, we will continue to cooperate with each other while connecting through our aspirations for local communities and activities.

Clean & Green Activities

Aeon is actively involved in community landscaping projects around its stores. Clean & Green Activities, conducted since 1991, consist of employees volunteering to clean up parks and rivers around stores and areas surrounding public facilities. These activities have been conducted every month on the 11th, Aeon Day, since 2001 at all General Merchandise Stores and supermarkets as well as head office and other business offices.

We began collecting garbage and removing weeds from the area where trees were planted for the Aeon Hometown Forests Program as part of the Clean & Green Activities.

Issuing Local WAON Cards

WAON is a system of e-money pre-paid cards available at over 286,000 participating stores throughout Japan. In the case of Aeon's Local WAON cards, a part of the proceeds from sales goes to social contributions for communities.*

The social contributions that result from Local WAON card use are wide-ranging, and include community environment conservation efforts, promotion of tourism and sports, preservation of cultural assets, and animal welfare. As of the end of February 2017, there are 126 different Local WAON card programs featuring wonderful local color. The aggregate amount of local contributions comes to about 980 million JPY.

Aeon can offer customers the convenience of an e-money prepaid card while at the same time actively contributing to the support of local communities.

* Some exceptions exist

● **Types of Local WAON Cards**
Current as of the end of February 2017



Concluding Comprehensive Cooperation Agreements

Aeon has entered cooperation agreements with local governments to effectively combine respective resources for expanding sales of local products, disaster preparedness, public health, social welfare, and environmental conservation, and, through Local WAON cards, to stimulate commerce and tourism. The first Agreement was concluded in June 2010 with the Osaka Prefectural government. The first agreement was concluded in June 2010 with the Osaka prefectural government. At the end of February 2017, we had agreements with 44 prefectural governments, 16 government ordinance-designated cities, and 42 cities and towns.

Through these agreements, we are, providing emergency supplies and emergency shelters for times of disaster upon request, holding local product fairs and promoting local tourism through our stores, and working with local governments to plan and market boxed lunches made with local foods. In this way, we are also helping to stimulate local communities and improve daily life services.



Signing ceremony (Kahoku city)

Supporting the revitalization of local industries and preservation of traditional food culture

Aeon actively contributes to Local Ecosystem and the preservation of local traditions.

Direct Business Dealings with Fishery Cooperatives

Aeon has done business directly with fishery cooperatives since 2008 in an effort to raise customer satisfaction by providing even fresher fish while at the same time helping maintain cultural practices associated with consuming fish through a sustainable fishing industry. As of the end of February 2017, we directly deal with four fishery cooperatives.*

Provision of “fresh fish caught in the morning” started from July 2013. By arranging fresh fish that landed in the morning over-the-counter in the afternoon of the same day, we enjoy giving fresh fish to homes. We provide delicious menu suggestions for children who don’t like to eat fish as well.

We also began an initiative in which we will freeze freshly caught seasonal fish in order to ensure consumers can enjoy them during other times of the year. We do minced fish processing of rockfish caught in season, and also sell minced fish products using small fish that do not meet standards and cannot be shipped to market.

Through dialogue with the National Federation of Fisheries Cooperative Associations, Aeon intends to continue conducting initiatives that benefit our customers, and continue to help to solve problems in marine products.

* JF Shimane, JF Hiroshima, JF Ishikawa, JF Katase-Enoshima



All fish caught by this fishing vessel is purchased by Aeon



Fresh fish caught in the morning

Promoting Food Artisan Project

Aeon has conducted the Food Artisan Project since 2001 with many producers across Japan dedicated to preserving local flavors. The project seeks to preserve and build local culinary cultures as brands. Everyone involved pools their wisdom and works to publicize the ingredients and traditional techniques that support exceptional local culinary cultures in an effort to protect, preserve and create new brands.

As of the end of February 2017, food artisan activities have covered 27 prefectures and 37 dishes, whose unique local flavors are being delivered to the dinner tables of people across Japan.





Kokubu Ninjin (a traditional variety of carrot)
Kokubu Ninjin cultivated in Takasaki city, Gunma Prefecture. The carrots are long at around 60cm and sweet with a strong fragrance and a soft texture.



Aizu Mishirazu Persimmon
Cultivated in Aizuwakamatsu city, Fukushima Prefecture. The origin of the name comes from being praised as "a persimmon of yet unknown taste" when presented to the shogun during the Tokugawa period.

FY 2016 Results and Target of KPI

Handling of region-specific products



Aeon Welfare Fund

The Aeon Welfare Fund was established in 1977 to promote the welfare of persons with disabilities and to support their independent participation in society. Aeon has carried out various projects, focusing on donating special vehicles and contributing to volunteer activities, through 50-JPY monthly employee contributions matched by the employer. As of the end of February 2017, 66,240 Aeon employees from 90 companies are participating in this program.

In FY 2016, neighborhood welfare facilities for people with disabilities were presented with welfare vehicles upon opening new stores. This brings the total number of donated special vehicles to 75 since the inception of the Welfare Fund. In addition, our volunteer activities included roughly 1,000 visits to welfare facilities, with events such as Christmas parties. About 11,110 facilities have been visited so far.



Welfare vehicle presentation ceremony

Signing Disaster Prevention Agreements

Aeon strives to ensure that employees working at our stores constantly act as members of the community. The same applies during natural disasters. We continue to sign disaster prevention agreements with local authorities throughout Japan, pledging cooperation and support in the event of an emergency in an effort to be of use to people in the local community.

As of the end of May 2017, disaster prevention agreements have been signed with about 750 municipalities around Japan, and they will provide parking spaces as evacuation sites or provide relief supplies during a disaster. We are also strengthening cooperation and cooperating in local disaster prevention activities such as implementing disaster prevention training in addition to joint activities.

Introducing Balloon Shelters

Aeon has promoted installation of "balloon shelters"—large tents for use in emergency evacuations—since 2004 to be ready in the event of an earthquake or other major natural disaster. The tents have been placed at a total of 29 locations, primarily shopping centers around the country (as of the end of February 2017). The tents are lightweight and easy to carry, so those stored close by can be brought to locations affected by disasters.



A balloon shelter
Balloon shelters can be easily inflated with a special blower and be ready for use in around 40 minutes. They come two to a set and one set has room for around 100 people to lie down.

Community Involvement Develop the Human Resources of the Future

Aeon Cheers Club

The Aeon Cheers Club provides hands-on opportunities for first through ninth-grade students to learn about the environment. Young people can come together once a month or once every two months to participate in Aeon Cheers Club environmental activities.

The theme for FY 2016 was "Animals." Around 450 clubs and around 7,800 students from all over Japan participated in the activities. In July and August 2016, the Aeon Cheers Club National Meetings were held in Okinawa and Hokkaido, respectively. A total of 50 clubs, representing the top clubs selected at regional meetings, and 235 awardees gathered, with each club reporting on learning outcomes for the year and participating in nature experience programs.

A collaborative program was also implemented with Group company Aeon Pet Co., Ltd. as an educational program with the "Animals" theme. Students learned about conditions for pets in Japan and a society that allows people and animals to coexist as well as Aeon Pet Co., Ltd.'s LIFE HOUSE activities through which it helps to find new families for dogs and cats in

cooperation with local government administrative organizations. Approximately 80 members of Cheers Clubs at seven stores around Japan took part in the program.

In FY 2017, we will be working on activities under the theme "Recycling Garbage."



Observing insects near a store



Observing organisms on farmland

FY 2016 Results and Target of KPI

Number of activities by the Aeon Cheers Club



Expansion in China and ASEAN

The Aeon Cheers Club began activities at Aeon Malaysia in 2012 and at Aeon China in 2014.

At Aeon Malaysia, approximately 1,600 children have participated in activities at about 30 clubs and at Aeon China approximately 1,600 children have participated in activities at about 60 clubs.

Running a Farming Experience Program

Since 2012, we have been running the Agricultural Eco-experience Project for children who belong to the Cheers Club. The aim is for children to learn about environmentally friendly vegetable production, innovations for safety and security, and the commitment to taste while having fun by visiting TOPVALU production sites around Japan to experience farming, including vegetable harvesting and packaging. In FY 2016, 534 children, including Cheers Club member from a total of 42 stores, took part, with a total of 26 visits to 19 production sites. A cumulative total of 4,856 children have participated in visits at 112 production sites up to FY 2016.

Further, in FY 2016, we initiated the Aeon Cheers Club Farmers Program for consistent learning about the agricultural product development process. In its initial fiscal year, we ran the program a total of seven times at Aeon Mie Inabe Farm and Aeon Hyogo Miki Satowaki Farm operated by Aeon Agri Create Co., Ltd. with 127 participants from six clubs.

In FY 2017, we will expand the program to six areas around Japan.



Learning about the workings of the roots of Chinese cabbage

Aeon Sucusuku Laboratory

The Aeon Sucusuku Laboratory has been carried out every year since FY 2007 in order to assist those raising children. This is directed to families raising children in areas across Japan and includes seminars on childcare led by experts in the field, as well as the singing of Japanese nursery rhymes and songs, with children and parents enjoying a meaningful chance to sing together.

In FY 2016, Aeon Sucusuku Laboratory was held in four cities across Japan. A total of 657 attended the four sessions, including 394 adults and 263 children. As of the end of March 2017, the Aeon Sucusuku Laboratory had been held a cumulative total of 46 times with a cumulative total of approximately 9,300 participants.

In FY 2017, we plan on holding three sessions nationwide.



Child-raising Seminar by Prof. Katsumi Tokuda, professor in the Faculty of Medicine, University of Tsukuba



Ms. Saori Yuki and Ms. Sachiko Yasuda holding a nursery rhyme concert

TOPVALU Rice Project

The TOPVALU Rice Project was conducted at four schools in four prefectures with the hope for the children to learn about the nature we are blessed with and the importance of food through the cultivation of rice. This is an ongoing effort undertaken with local agricultural cooperatives, government administration, and educational committees to teach children about food and sustenance by letting them experience the production process, from planting through harvest, and, ultimately, the sale of rice at a retail store with activities tailored to each region of each prefecture.

At Hayami Elementary School in Shiga Prefecture, students also learn the importance of protecting and raising living creatures, by raising juvenile nigorobuna fish (Lake Biwa's endemic crucian carp) in rice paddies.

We will mark the 10th year of activities in Shiga Prefecture and Akita Prefecture in FY 2017.



Rice retail marketing experience
(Akamatsu Elementary School, Saga Prefecture)



Observation of *nigorobuna* fish
(Hayami Elementary School, Shiga Prefecture)



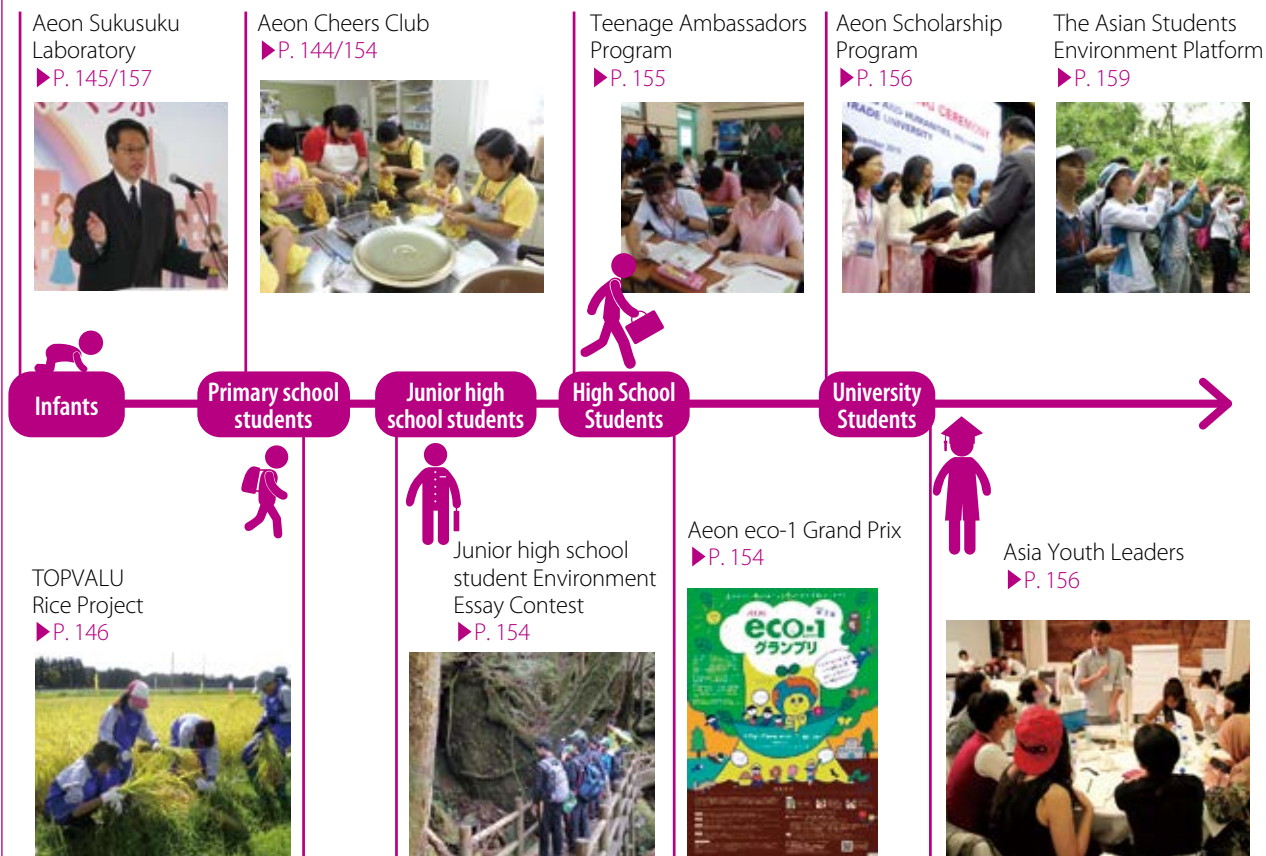
Rice harvesting experience
(Kyowa Elementary School, Akita prefecture)



Rice retail marketing experience
(Shibutami Elementary School, Iwate prefecture)

Aeon and AEON 1% Club Foundation's training initiatives for the next generation

We provide a host of programs to support the learning development of youth in various life stages, from infants to university students.



PET Bottle Cap Collection Campaign

Aeon collects PET bottle caps from customers at its stores from 2008. The caps are converted into money as recycling resources, which is then donated to three international support organizations.*1 This effort plays a role in supporting the children in developing Asian countries.

In FY 2016, 4,918,131 JPY from 383.12 million bottle caps*2 was donated to these organizations. The funds will provide vaccines, nutritious food, and books to children in Asia.

*1 The three international organizations are:

- Plan International Japan
- Save the Children Japan
- Vaccines to children around the world Japan Committee

*2 Caps collected from March 1, 2016 through February 28, 2017.



Nutritious food for children in Vietnam
© Save the Children in Vietnam



Children in Vietnam receiving training about using the library
© Plan International



Vaccinations to children of Mon people in Laos
© JCV



Fundraising Activities (FY2016)

Activity	period	Number of participating stores and locations	Funds raised from customers and employees	AEON 1% Club Contributions	Total Amount	Donees
Donation to the school establishment support in Myanmar	April 2, 2016 to April 15, 2016	6,525	6,892,752 JPY	51,107,248 JPY	58,000,000 JPY	ADRA Japan specified non-profit Corporation
24-hour television 39 fundraising	June 11, 2016 to September 4, 2016	12,641	297,657,897 JPY	—	297,657,897 JPY	24-Hour Television Charity Committee
Aeon and UNICEF Safe Water Campaign Fund	October 4, 2016 to October 30, 2016	6,781	12,331,492 JPY	13,205,092 JPY	25,536,584 JPY	The Japan Committee for UNICEF
Fundraising for Support for People with Disabilities in Asia	November 5, 2016 to December 4, 2016	8,134	15,558,751 JPY	15,558,751 JPY	31,117,502 JPY	Association of Aid and Relief, Japan (AAR Japan)
Fundraising for Support for Ground wo Tsukuro Project (limited area)	January 28, 2017 to February 28, 2017	346	3,421,560 JPY	—	3,421,560 JPY	Charity.org
Disability manufacturing supportfund	February 11, 2017 to March 12, 2017	7,850	17,989,762 JPY	17,989,762 JPY	35,979,524 JPY	Association of Aid and Relief, Japan (AAR Japan)
Total			353,852,214 JPY	97,860,853 JPY	451,713,067 JPY	

Emergency Relief Fundraising Activities

Activity	Activity period	Number of participating stores and locations	Funds raised from customers and employees	AEON 1% Club Contributions	Contributions from Aeon Co., Ltd. and Group Companies	Total Amount	Donees
Kumamoto Earthquake Emergency Relief Fund Round 1	April 15, 2016 to April 24, 2016	8,683	176,069,640 JPY	100,000,000 JPY	—	276,069,640 JPY	Kumamoto prefecture
Kumamoto-Oita Earthquake Emergency Relief Fund Round 2	April 25, 2016 to June 22, 2016	10,120	264,750,779 JPY*1	—	68,698,535 JPY*2	333,449,314 JPY	Kumamoto and Oita prefectures
2016 Typhoon No. 10 Rain Damage Emergency Relief Fund (limited area)	September 3, 2016 to September 20, 2016	354	4,098,096 JPY	10,000,000 JPY	—	14,098,096 JPY	Iwate prefecture
Central Italy Earthquake Emergency Relief Fund (Italy Fair companies)	September 6, 2016 to October 2, 2016	957	8,822,751 JPY	10,000,000 JPY	4,637,921 JPY*3	23,460,672 JPY	Embassy of Japan in Italy
Hokkaido August Typhoon Damage Emergency Relief Fund (limited area)	September 8, 2016 to September 25, 2016	174	3,796,599 JPY	5,000,000 JPY	—	8,796,599 JPY	Kitami city, Ikeda town, Memuro town, Shimizu, Shintoku town, Makibetsu town, Minamifurano town (1 city, 6 towns)
Itoigawa Large-Scale Fire Damage Emergency Relief Fund (limited area)	December 24, 2016 to January 9, 2017	1,567	6,283,220 JPY	—	3,716,780 JPY	10,000,000 JPY	Niigata prefecture
Total			463,821,085 JPY	125,000,000 JPY	77,053,236 JPY	665,874,321 JPY	

*1 Includes WAON point funds

*2 Donations from Group companies through Kumamoto Oita Reconstruction Support Aeon Yellow Receipt Campaign

*3 Donation of 1% from sales of Italy Fair products

Continuous Fundraising Activities

Activity	Activity period	Funds raised from customers and employees	Accumulated funds	Donees
Red Feather Community Chest	October 1, 2016 to December 31, 2016	19,396,703 JPY	293,864,704 JPY	The Central Community Chest of Japan

Support After the 2016 Kumamoto Earthquakes

— Initiatives Evolved from Experience After the Great East Japan Earthquake —

The 2016 Kumamoto earthquakes that struck Kumamoto and Oita prefectures on April 14, 2016 recorded a maximum magnitude of 7, which devastated the region greatly. We share our deepest sympathy with everyone who was afflicted by the disaster. Aeon has strived with all of its capabilities in the reconstruction and recovery of afflicted areas which have been influenced by its experience after the Great East Japan Earthquake by combining the strengths of the Entire Group to fulfill our duty as a lifeline center in our retail businesses.

As a Member of the Local Community

● Providing emergency relief supplies according to comprehensive agreements

According to comprehensive agreements with each municipality (▶P. 143), we have taken advantage of Aeon product procurement capabilities and distribution network. We took charge of roughly 5.3 million emergency relief supplies that were required from 11 organizations that included afflicted areas of Kumamoto prefecture, Kumamoto City, Ozu, Mifune, Oita prefecture, the Ministry of Economy, Trade and Industry, Japan Self-defense Force, and Japanese Red Cross Society to deliver daily necessities immediately after the earthquakes struck.

We entered into external partnerships through shipping memorandums for emergency relief supplies with Japan Airlines Co., Ltd., the Japan Self-defense force, various municipalities and other organizations to facilitate smooth and fast shipping.



Japan Airlines Co., Ltd. transported emergency relief supplies and store goods for sale by using a total of 49 aircrafts over five days from when the disaster struck.

● Offering Temporary Shelter

The Earthquake that struck on April 14th left Mifune in the Kamimashiki District of Kumamoto prefecture in need. We worked with Japan Airlines Co., Ltd. to transport balloon shelters (▶P. 144), which are large tents for use in emergency evacuations, from Haneda Airport to Nagasaki Airport. We quickly provided temporary shelters with the help of the self-defense force in Nagasaki prefecture to transport these balloon shelters by truck to the Mifune Fureai Square where they were installed by our Group company, Aeon Delight Co., Ltd.



As Local Lifestyle Infrastructure

● Aiming to Resume Business as Quickly as Possible

Aeon aims to resume business unified as a Group to return usual lifestyles for everyone in the local area afflicted by the disaster as soon as possible. We suspended or limited operations at 84 of our stores in Kumamoto and Oita prefectures right after the earthquake struck, but we have worked to resume business with the support of 1,017 employees from our Group companies in the afflicted areas.



● Introducing Mobile Retailers and Opening Temporary Stores

We introduced mobile retailers from May 20th to July 13th in Aso, Kumamoto prefecture where recovery of major roadways was uncertain. We also opened temporary stores on September 6th at the Tekuno temporary housing site in Mishiki, Kumamoto prefecture, which is the largest temporary housing site in Kumamoto prefecture.



● Other Initiatives

We provided assistance by utilizing our Group as a whole from installing mobile Aeon Bank ATMs (automated teller machine) through Aeon Financial Service Co., Ltd. to caring for pets affected by the disaster through Aeon Pet Co., Ltd.



As a Company Expanding Stores Throughout Japan

● Hosting a Special Revitalization Support Project

The Support Delicious Food from Kumamoto and Oita special revitalization project was hosted at approximately 510 Aeon and Aeon Style stores in Japan at the end of May fueled by our passion and the passion of our customers in Japan to encourage all of the producers in afflicted areas.



● Fundraising Activities

We accepted donations for the Kumamoto Earthquake Emergency Relief Fund at our stores and businesses in Japan from April 14th to May 31st. A total of 540,820,419 JPY was donated to Kumamoto and Oita prefectures with the money raised by Aeon Co., Ltd. and our overseas Group companies as well as the money raised with WAON points.



● Aeon Happy Yellow Receipt Campaign

The Aeon Happy Yellow Receipt Campaign to Support the Recovery of Kumamoto and Oita was held at approximately 600 stores in Japan from Aeon and Aeon Style to Aeon Super Centers over two days from May 29th to May 30th in order to deliver our and our customer's hopes and wishes for quick reconstruction and recovery. 1% of the total value of receipts mailed by customers was donated to Kumamoto and Oita prefectures, which was equivalent to 68,698,535 JPY.



● Supporting Manufacturing of All People with Disabilities

In August 2016, The AEON 1% Club Foundation endowed the Kumamoto Prefecture Vocational Aid Center Conference with 30,000,000 JPY in funding to offer for offices aiding in the employment of people with disabilities that were afflicted by the 2016 Kumamoto Earthquake.

This earthquake results in devastation that included damage to buildings and production equipment at offices that aid in the employment of people with disabilities in Kumamoto prefecture. We provided funding to 51 offices that aid in the employment of people with disabilities in Kumamoto prefecture to assist in constructing an environment where all people with disabilities are able to work in manufacturing. Each Aeon Group company also strives to secure and support the provision of routes to deliver manufactured goods produced by people with disabilities to an even greater number of customers.

Through this type of support, we are contributing to the sustainable growth for the future of disaster afflicted areas while hoping to further promote the independence and social participation of everyone with a disability.

Activity Report for Second Period of Project Aeon Joining Hands (FY 2016)

Project Aeon Joining Hands was launched in March 2012. In the next ten years leading to 2021, we will aim to drive creativity and contribute to recovery after the Great East Japan Earthquake by utilizing diverse resources gained in the management activities of all Aeon employees.

In the second period from FY 2015 to FY 2017, we are working with local communities in the Aeon Future Co-creation Program, which is a community-exchange support activity, while understanding that the sustainable recovery of local communities is a social challenge facing the disaster afflicted areas of Tohoku. We are advancing this project to connect learning and networks through project activities energizing the local industry of Aeon.

Project Aeon Joining Hands 10-year Project

First Period

Period of Establishing Initial Structures

Objective: To ensure that everyone within the Group is aware of and understands the details of our project activities.

- Partner with non-profit and other organizations, support planned activities that meet local needs, and encourage the recovery of people's lifestyles
- Build links with local people by having Aeon people periodically visit the same areas throughout the year

2012

2013

2014

Second Period

Expanding Independence

Objective: Our Group companies, management and workforce will build relationships with different communities through interaction with local residents, supporting them over the long term, and implementing continuous support

2015

Aeon Tohoku Reconstruction Hometown Forests Program

Outline of First Period Initiatives

- Conduct tree-planting activities on the costs of Iwate, Miyagi, and Fukushima
- Engage with everyone in the local community through tree-planting activities with the objective to revitalize a richly natural homeland



Outline of Second Period Initiatives

- Promote interaction with local communities through tree-planting activities in each region of Tohoku
- Plant fruit and shrubs in addition to trees and support reconstruction of industry and tourism
- Conduct recovery of the woods in the village shrine, a favorite spot of local people, and plant trees in squares in front of stations, many of which were washed away

Deployment of Volunteers to Disaster Afflicted Areas

Outline of First Period Initiatives

- Continue activities currently underway in Rikuzentakata city, Iwate prefecture, since FY 2012, and active in Minamisoma city, Fukushima prefecture since FY 2013
- Conduct volunteer activities for many Aeon people to visit disaster-afflicted areas to engage through their own efforts and experience what is happening on the ground first hand.
- Work in a manner that is able to best match the hopes of everyone in the community



Outline of Second Period Initiatives

- Confirm the challenges in disaster-afflicted areas on-site through activities in Hamadori, Fukushima to regenerate the local community and bring people back from the places they dispersed to after the nuclear accident
- Utilize this experience gained through these activities in the social lives and work of each Aeon person



Aeon Future Co-creation Program

- We will strive together with regions afflicted by the disaster and our Group companies in the Aeon Future Co-creation Program, engaging in community exchange and support activities by understanding that the sustainable recovery of local communities is a social challenge facing the disaster afflicted areas* of Tohoku

Volunteer Activities Conducted by Each Group Company

Outline of First Period Initiatives

- Allocate a person in charge of advancing activities at each company within our Group, and continually implementing local training in the disaster-hit areas
- Develop our own unique activities at each of our Group companies, and with each member of our management and workforce
- Conduct Tohoku Recovery Markets and communicate the start of the project both inside and outside the company through activities such as the screening of the Utogokoro documentary-film in each region



Outline of Second Period Initiatives

- Promote ongoing support able to be conducted from a distance in order for Group companies to generate recovery in Tohoku
- Advance support encompassing local communities with voluntary and independent thinking toward generating recovery in areas afflicted by the disaster at each Group company

"Project Aeon Joining Hands"

● Basic Concept

Based on the three principles of Aeon, which are "Peace," "People" and "Community," Aeon people throughout the world are committed to utilizing the diverse resources made available through Aeon's business activities, exercising their creativity and contributing in creative ways to the recovery of the areas affected by the Great East Japan Earthquake disaster. For Aeon people, this is an opportunity to both realize and experience firsthand Aeon's principles, as well as an opportunity for personal growth. By extension, it is also an opportunity for them to grow as business people.



● The Purpose of Supporting Recovery

We are supporting the sustainable recovery of local communities, in which people and industry coexist with nature, and where individuals feel connected with one another.

● The Project Vision

By combining the three principles of Aeon, which are "Peace," "People" and "Community," with the purpose of supporting recovery, we are able to objectively consider what we want to do and what we are able to do in order to achieve our aims. We will continue to contribute by being creative, engaging in activities, and walking alongside people living in disaster-affected areas, who are standing up to rebuild their communities.

- Utilize the unique ideas and characteristics that our Group companies, management, and workforce learn in this exchange to create and conduct autonomous activities able to contribute to the communities afflicted by the disaster
- Follow the key concepts of "Interaction and Creativity"

Third Period

Organization and Fulfillment

Objective: Systematize the results of the project, and link them to further activities

- Deepen crisis management awareness as a lifeline with measures to limit disasters that includes prevention
- Utilize the knowledge and resources gained through practical activities toward the revitalization of the Tohoku region, which is the same as the revitalization of society in Japan

2016

2017

2018

2019

2020

2021



April 2016
Tree-Planting Ceremony at the Soma Matsukawaura coastal disaster prevention forest



March 2016
Tree-Planting Ceremony to grow woods around Hayama Jinja Shrine

Support performance as of the end of February 2017

The number of trees planted in the affected area

202,682 trees

Support targets by FY 2021

300,000 trees



October 2016
3rd volunteer gathering

Support performance as of the end of February 2017

Employees who participated in the disaster area as volunteers

Total **3,100** employees

*6 regions in Iwate, Miyagi, and Fukushima prefectures

1. Kamaishi city and Ootsuchi town, Iwate prefecture
2. Kome-dori, Tono city, Iwate prefecture
3. Ooshima, Kesenuma city, Miyagi prefecture
4. Marumori town, Miyagi prefecture
5. Namie town (Nihonmatsu city), Fukushima prefecture
6. Odaka, Minamisoma city, Fukushima prefecture



From September 2016
Aeon Future Co-creation Program in Kamaishi city and Ootsuchi town, Iwate prefecture



December 2016 "100 Santas Visit" Christmas event for reconstruction support (Aeon Retail Co., Ltd. Tokai & Nagano Company, Aeon Kyushu Co., Ltd., Aeon Credit Service Co., Ltd.)



August 2016 Rikuzentakata Tanabata Festival Experience 2016 (Kasumi Co., Ltd.)

Support performance as of the end of February 2017

Employees who participated in volunteer activities in and around the Company

Total **234,805** employees

Support targets by FY 2021

300,000 employees

*Includes number of full-time employees who participated in volunteer activities in disaster-hit areas



“Bustling Tohoku—connect with hometown power” Main FY 2016 Tohoku reconstruction support activities

Aeon carried out various support activities for disaster-stricken areas immediately after the Great East Japan Earthquake. In March 2012, one year after the calamity, Aeon commenced recovery and reconstruction activities under the slogan, “Making our wishes for recovery from the 3.11 disaster come true.” From March 2016, with five years having passed since the catastrophe, Aeon aims to move from “reconstruction assistance” to the next stage of “creation of local areas (hometowns),” and has started efforts, under the catchphrase “Bustling Tohoku,” to help connect the energy of Tohoku throughout Japan and around the world. With these thoughts of wanting to create the future of Tohoku with “bustling energy,” and with four policy pillars, we will walk together with everyone towards creation in Tohoku.

4 policies toward Recreating Tohoku

- ① Activation of local industry through business
- ② Creation of employment and creation of an environment that is easy to work in
- ③ Environmental and social contribution activities that “mutually make” the future of the region
- ④ Development of towns where people can live with safety and peace of mind

1. Activation of local industry through business

In order to make Tohoku even more vibrant than in the past, we are engaged in projects to bring amazing products developed by local Tohoku producers into the hands of customers in Tohoku, across Japan, and around the world, while stimulating a robust cycle of vitality.

Expand sales of Tohoku products by holding Bustling Tohoku Fairs

Group companies centered in Tohoku are planning Bustling Tohoku Fairs in order to expand sales routes of Tohoku products. In March 2017, fairs included a Fukushima Fair at the Aeon Lake Town store, a Miyagi Fair at the Aeon Itabashi store, a Shiogama Fair at the Aeon Asuta store, and an Iwate Fair at the Aeon Natori store.



March 2017 Miyagi Fair at Aeon's Itabashi store

2. Creation of employment and creation of an environment that is easy to work in

We are creating employment by opening stores in areas afflicted by the disaster.

We are also working to build an environment anyone can work easily in, including employees who are raising children, with initiatives such as the installation of nursery facilities at our business establishments.

Nursing facility opens at the Aeon Mall Natori

We opened an Aeon Yumemirai Nursery at Aeon Mall Natorishi in the fall of 2016 in light of the increasing number of children on waiting lists in Natorishi due to factors such as families moving from other areas. We are working to build a secure environment everyone in the region can work in with peace of mind now and into the future.



Aeon Yumemirai Nursery in other communities

3. Environmental and social contribution activities that “mutually make” the future of the region

We are also working in environmental and social contribution activities with the people of local communities in activities such as Project Aeon Joining Hands (P. 150). This is supporting the healthy growth of Tohoku, urbanization, and the children of the region.

Support Tohoku Aeon Happy Yellow Receipt Campaign

We would like to encourage everyone affected by the earthquake in Iwate, Miyagi, and Fukushima with our customers throughout Japan. On the 11th of every month, which is Aeon Day, we conduct the “Aeon Happy Yellow Receipt Campaign.” Beginning in 2012, we extended our March campaign to three days, from 9th to 11th. During this campaign period, we will donate 1% of the total amount on receipts given to us by our customers. The total accumulated donations given to the areas afflicted by the disaster through this campaign by the spring of 2017 was 815.92 million JPY.



Supporting children through Tohoku Reconstruction Support WAON

In May 2012, we issued the Tohoku Reconstruction Support WAON to donate 0.1% of the amount used to scholarship funds to support the lives and learning of children in the three prefectures of Iwate, Miyagi, and Fukushima who were affected by the disaster. The total amount donated was 25,893,683 JPY by the spring of 2017.



4. Development of towns where people can live with safety and peace of mind

We are aiming to build safe and secure place for people to live by enhancing preventative measures based on our experience after the Great East Japan Earthquake.

Expanding local temporary shelters

Aeon is strengthening safety measures that include securing energy supply systems such as independent power generation facilities, which allows shopping centers to be used as disaster prevention centers during a disaster. We have already completed the installation of these facilities at 33 locations and aim to have 100 locations outfitted by 2020.

External Awards List (FY 2016)

Date	Awards
MAR, 2016	Certified with Eruboshi certifications by the Minister of Health (Aeon Hokkaido Corporation)
MAY, 2016	Certified with Eruboshi certifications by the Minister of Health (Aeon Mall Co., Ltd., Aeon Fantasy Co., Ltd.)
JUN, 2016	Certified with both Eruboshi and Platinum Kurumin certifications by the Minister of Health (Aeon Co., Ltd.)
JUN, 2016	Certified with Eruboshi certifications by the Minister of Health (Aeon Retail Co., Ltd.)
JUL, 2016	Ranked 4th overall in the Nikkei BP Eco Brand Survey 2016
JUL, 2016	Shizuoka WAON receives a Medal with Dark Blue Ribbon in recognition of its contribution to the public good through vegetation preservation and other activities in the foothills of Mt. Fuji (Aeon Retail Co., Ltd., MaxValu Tokai Co., Ltd.)
SEP, 2016	Selected by the Dow Jones Sustainability Indices for inclusion in both the DJSI World and the DJSI Asia Pacific (Aeon Co., Ltd.)
OCT, 2016	Deputy manager of The Big Extra Tamaki Store (Aeon Big Co., Ltd.) receives the grand prize in the "IkuBoss-san Irasshai!" division of the 3rd Father of the Year in Mie awards
OCT, 2016	Awarded a silver medal by the Pride Index, Japan's first LGBT index (Aeon Co., Ltd., Topvalu Collection Co., Ltd.)
NOV, 2016	Department manager of the Ministop Overseas Headquarters' Overseas Division recognized as an "IkuBoss" (caring boss) by the Chiba IkuBoss Corporate Alliance Award 2016
DEC, 2016	TOPVALU fururi receives the grand prize of the 13th Eco-Products Award (Aeon Topvalu Co., Ltd.)
DEC, 2016	Eight Aeon Group companies receive Dark Blue Ribbon Medals in Mie Prefecture for initiatives in support of the Mie Citizens' Council for the Ise-Shima Summit (Aeon Co., Ltd., Aeon Bank, Ltd., Aeon Credit Service Co., Ltd., Aeon Delight Co., Ltd., Aeon Mall Co., Ltd., Aeon Retail Co., Ltd., Maxvalu Chubu Co., Ltd., Ministop Co. Ltd.)
DEC, 2016	"Junction transportation of trailers" initiative by Aeon and Kao awarded the METI Minister's Award by the Ministry of Economy, Trade and Industry's Excellent Green Logistics Commendation Program (Aeon Co., Ltd.)
DEC, 2016	Aeon Malaysia's Aeon Hometown Forests Program receives the Best Volunteer Initiative in the Private Sector at the VOLUNTEER MALAYSIA AWARDS 2016 (Aeon Co., Ltd., Aeon Co. (M), Bhd.)
JAN, 2017	First retail group certified under the JFS-E-C standard for food safety management (Aeon Co., Ltd., Aeon Food Supply Ltd.)
FEB, 2017	Aeon Sustainability Report wins in the "Environmental Reports" category at the 20th Environmental Communication Awards (Aeon Co., Ltd.)
FEB, 2017	Recognized in the "White 500" (large enterprise category) of the Certified Health and Productivity Management Organization Recognition Program newly inaugurated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Aeon Co., Ltd., Aeon Retail Co., Ltd.)
MAR, 2017	Earned the highest rank in the Development Bank of Japan's environmental rankings; received a special award as a retailer (Aeon Co., Ltd.)
MAR, 2017	Acquired ISO 22301 certification, the international standard for business continuity management (Aeon Co., Ltd.)
MAY, 2017	In the 2017 Best 100 Companies with Active Female Employees joint survey by Nikkei Woman and Nikkei Womenomics Project, received first place for degree of promotion of female participation (Aeon Co., Ltd.)



■ Overseas ■ Japan

Primary environmental conservation and social contribution activities

- 1965 Donation of 1,000 cherry trees to Okazaki city at the opening of the Okazaki Okadaya Store
- 1977 Established the JUSCO Company Welfare Fund (present day the Aeon Welfare Fund)
- 1979 Established Cultural Foundation of Okada
- 1989 Aeon Group 1% Club (present day AEON 1% Club Foundation) was established
- 1990 Launched the JUSCO Earth-Friendly Committee AEON 1% Club started the Small Ambassadors (present day Teenage Ambassadors) Program
Established the Aeon Group Environmental Foundation (present day the AEON Environmental Foundation)
- 1991 Launched the Aeon Hometown Forests Program, at JUSCO Malacca Store (present day Aeon Malacca Store) in Malaysia as its first store Started Clean & Green activities
Started Clean & Green activities
Commenced the Bring Your Own Shopping Bag Campaign on a trial basis
(Began trial operation of the food tray collection and recycling campaign)
- 1992 Planted trees at JUSCO Shin Hisai Store (present day Aeon Hisai) the first store in Japan under the Aeon Hometown Forests Program
- 1993 Started development of organic and other agricultural produce as the Gurinai (present day TOPVALU Gurinai) private label
- 1994 Formulated the independent Aeon Heart Building Design Standards based on the Heart Building Law (the Barrier Free New Law from December 2006). Opened JUSCO Minamikata Store as the first building in Japan certified under the Heart Building Law
- 1995 Introduced returnable food container and reusable hanger systems
- 1996 Launched the Environment Committee
- 1997 Founded the JUSCO Children's Eco Club (present day the Aeon Cheers Club)
- 1998 AEON Environmental Foundation conducted the 1st tree planting project to revitalize the forests at the Great Wall of China
- 2000 Launched the My Basket and My Bag Campaigns
Commenced development of SELF+SERVICE ecology shops
Acquired ISO 14001 certification across the entire company
- 2001 Changed company name to AEON CO., LTD. and started the Aeon Day
Started the Aeon Happy Yellow Receipt Campaign
AEON 1% Club started support for the construction of schools
- 2002 Started Aeon Clean Road Activities in partnership with the Volunteer Support Program of the Ministry of Land, Infrastructure, Transport and Tourism
- 2003 Began use of biomass packaging materials
Formulated the Aeon Supplier Code of Conduct
- 2004 Formulated the Basic Policy for the Prevention of Global Warming
Announced participation in the Global Compact advocated by the United Nations
Achieved SA8000 certification for TOPVALU supplier management and Aeon headquarters operations
Commenced sales of TOPVALU Fairtrade Coffee under the TOPVALU label
- 2005 First Eco Store, Aeon Chikusa SC (present day Aeon Town Chikusa), opened
- 2006 Stores and shopping centers acquired chain of custody certification for processing and distribution of MSC-certified products (MSC-CoC), the first such certification by a general retailer in Japan AEON 1% Club started Aeon Scholarship Program
- 2007 Stop Free Plastic Shopping Bag Program began with the JUSCO Higashiyamanijou Store
AEON CO., LTD. became the first company in the general retailing industry to sign an agreement on initiatives towards the establishment of a recycling-oriented society with the Japanese Ministry of the Environment
AEON 1% Club started Aeon Sukusuku Laboratory
- 2008 AEON CO., LTD. formulated the Aeon Manifesto on the Prevention of Global Warming, becoming the first retailer in Japan to name a specific goal for reducing output of CO₂
Started Aeon Clean Japan Campaign
Started PET Bottle Cap Collection Campaign
Started Rice Paddy Activities for Elementary School Students
- 2009 Trial sales of Carbon Footprint product labeling for nine varieties across seven TOPVALU products
AEON Environmental Foundation established Japan Awards for Biodiversity
Participated in Japan Climate Leaders' Partnership as a founding member
Opened a FSC® certified store for the first time as a convenience store in Japan
- 2010 Established Aeon Biodiversity Principle
AEON 1% Club started ASEAN University Students Environmental Forum (present day Asia Youth Leaders) and Aeon-UNICEF Safe Water Campaign
The Tree planting project to revitalize the forests at the Great Wall of China by the AEON Environmental Foundation, the number of seedling planted reached one million
The MIDORI Prize for Biodiversity established by the AEON Environmental Foundation
- 2011 Established Aeon Sustainability Principle
Announced Aeon Natural Refrigerants Declaration
- 2012 Developed KPI System
AEON Environmental Foundation started Asian Students Environment Platform
AEON 1% Club started Aeon Eco-1 Grand Prix
Twelfth Eco Store, Aeon Mall Funabashi, opened
Established the Sustainable Management Committee
Started Aeon Eco Project
Started Project Aeon Joining Hands
- 2013 The first store of Smart Aeon, Aeon Mall Yahata Higashi, opened
Obtained ISO 50001 for the first time in the Japanese retail industry
Total number of tree planting exceeded 10 million
- 2014 Formulated the Aeon Sustainable Procurement Principle / Aeon Sustainable Seafood Procurement Policy
Started sales of Aquaculture Stewardship Council (ASC) certified products
Seventh Smart Aeon, Aeon Mall Kisarazu, opened
Global Framework Agreements
- 2015 Eight and ninth Smart Aeon, Aeon Mall Okinawa Rycom and Aeon Mall Sijonawate, opened
Aeon Yumemirai Nursery in Aeon Mall Makuhari New City acquired certification in Chiba City
The first Completely Farm-Raised Bluefin Tuna Japanese private brand product commenced sales
- 2016 25 years of Aeon tree planting activities
Opened our 10th Smart Aeon store: Aeon Mall Sakai Teppochō
"Organic," "natural" and "free-from" products launched by TOPVALU Gurinai

Initiatives by Aeon Public Interest Incorporated Foundations

Aeon is contributing environmentally and socially through business operations, and also through promoting initiatives of the AEON 1% Club Foundation and the AEON Environmental Foundation.

AEON 1% Club Foundation

AEON 1% Club Foundation

The AEON 1% Club Foundation was established in 1989 with the philosophy that Aeon is a company that makes proper use of the benefits received from customers for the future and for the community. Our activities are centered around the sound upbringing of children who will lead the next generation, the promotion of international friendship and goodwill, and sustainable development of the local community. Major companies in the Aeon Group contribute 1% of pre-tax profits.

The Sound Upbringing of Children Who Will Lead the Next Generation

Aeon Cheers Club

The Aeon Cheers Club provides hands-on opportunities for first through ninth-grade students to learn about the environment. Young people can come together once a month or once every two months to participate in Aeon Cheers Club environmental activities.

The theme for FY 2016 was "Animals." Around 450 clubs and around 7,800 students from all over Japan participated in the activities. In July and August 2016, the Aeon Cheers Club National Meetings were held in Okinawa and Hokkaido, respectively. A total of 50 clubs, representing the top clubs selected at regional meetings, and 235 awardees gathered, with each club reporting on learning outcomes for the year and participating in nature experience programs.

In FY 2017, we will be working on activities under the theme "Recycling Garbage."



Observing insects



Observing organisms on farmland

Held Biodiversity Training Program on Yakushima for Winners of the Environmental Essay Contest

The AEON 1% Club Foundation held a Junior High School Student Environmental Essay Contest for students across Japan and invited the top participants to attend a training program about environmental issues and biodiversity. Training programs have been held in Germany, home to advanced environmental initiatives, and Tasmania Island in Australia, home to vibrant nature.

Following FY 2014 and FY 2015, this training was conducted in FY 2016 in Yakushima town (Kumage county, Kagoshima Prefecture), which has been designated as a World Natural Heritage Site. In addition to the 35 contest winners, 4 junior high school students selected from children who are doing Aeon Cheers Club activities in Malaysia also participated. The program taught the children about biodiversity through hands-on experience with the natural surroundings, which include Japanese cedar trees that are more than 1,000 years old and primordial old growth forest.



In front of Oko Falls

Aeon eco-1 Grand Prix

The Aeon eco-1 Grand Prix recognizes commendable eco-activities by high school students. The event offers a forum for high school students from across Japan to report results and share information on their environmental activities. The Grand Prix was started in 2012 with the hope that it would be an opportunity for the young people who will lead the next generation to think about and act on environmental issues.

In addition to the Grand Prix, an "Environmental Ring" school registration system and an Easy Entry System were established to support on-going activities at schools and to further proliferate ecological activities.



Planting a "green curtain" using gourds, a popular local plant (Gifu Prefectural Ogaki Yoro High School, FY 2016 Grand Prix contestants)



Recipients of the top prize, the "Prime Minister's Award"

School Construction Support Project

Under the belief that “enhancing basic education is indispensable for achieving a peaceful society,” school construction support projects have been taking place since 2000 in five Asian countries with lagging educational infrastructure.

Donations from Aeon customers across Japan and funding from the AEON 1% Club have been utilized to build a total of 401 schools in five countries: Nepal, Vietnam, Laos, Myanmar, and Cambodia. Some 370,000 students are studying at the schools that have been constructed.

In addition to physically building the schools and establishing plumbing facilities, we are also offering less tangible support in the form of faculty education and so on. Part of the opening ceremonies have included a concert featuring children's songs performed by sisters Saori Yuki and Sachiko Yasuda, in addition to visiting schools with participants who came from Japan in order to share in the joy of the events.

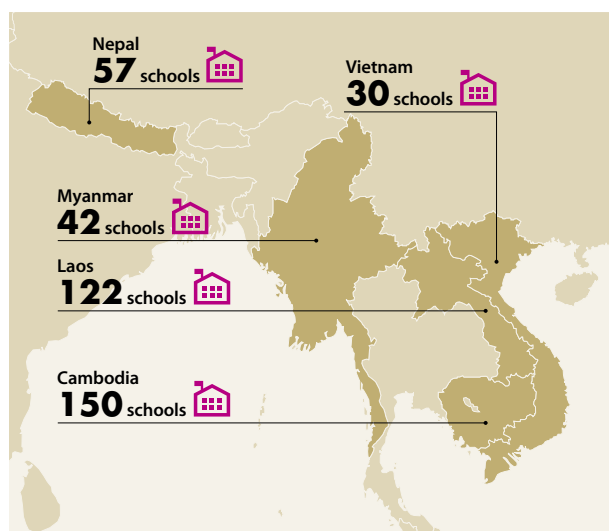
In FY 2017, we plan to support the construction of schools in Myanmar and Cambodia.



Happy children smiling in their new classroom (Vietnam)



Visitors from Japan spending time with students making paper balloons and origami creations (Myanmar)



Aeon and UNICEF Safe Water Campaign

In some areas of Cambodia, Laos, and Myanmar, it is difficult to obtain clean water, so water for daily use is drawn from unhygienic ponds or from groundwater that may contain unhealthy substances. Furthermore, children have to spend valuable time walking long distances to collect water, with some of them unable to attend school. The Aeon and UNICEF Safe Water Campaign was started in 2010 in order to support the health and education of children in this situation. Through the Japan Committee for UNICEF, donations from Aeon customers across Japan and funding from the AEON 1% Club go to supply safe water and build water supply infrastructure. To date, the campaign has brought safe drinking water to approximately 493,000 people in three countries (Myanmar, Laos, and Cambodia), while it has also lessened the labor required to collect water, which thereby allows more children to attend school.

In FY 2017, we plan to carry out the campaign in Cambodia and Myanmar.



A sink set up to supply clean water (Myanmar)

Promoting Friendship with Foreign Countries

Teenage Ambassadors Program

The Teenage Ambassadors Program facilitates school visits for Japanese and foreign students and builds international understanding and friendship through exchange. Interaction takes place through ambassador activities, exchange activities, and history/culture activities that bring together students of similar age but different cultures, traditions, and lifestyles. This program has been carried out every year since 1990, with 2,256 students from 18 countries (including Japan) participating to date. The bonds of friendship between Japan and foreign countries continue to spread through activities including a 2009 reunion that invited past participants from around the world to come to Japan.

Japan – ASEAN Teenage Ambassadors

Since the first Teenage Ambassadors Program was held in Malaysia in 1990, exchange programs have included the eight ASEAN countries of Indonesia, Cambodia, Thailand, the Philippines, Vietnam, Myanmar, and Laos. In each country, the program has been able to step outside its specific boundaries by, for example, visiting schools built with the support of the AEON 1% Club and observing welfare facilities of international NGOs receiving support through fundraising activities inside Japan. This provides ambassadors with the opportunity to deepen their understanding of social circumstances in each country. In FY 2016, exchange was carried out with Myanmar and Vietnam. Plans for FY 2017 include conducting exchange

AEON 1% Club Foundation

programs with high school students from Indonesia and Cambodia.



A visit by the Republic of the Union of Myanmar's Vice Minister of Education

● Japan – China Teenage Ambassadors

The Teenage Ambassadors Program held with China in 2009 brought students together from Japan and Beijing. The exchange received high praise from both the governments involved and from the participants. To facilitate further friendship between Japan and China, the program has been held every year since 2009, with the program area expanded to include Wuhan and Qingdao, thanks to cooperation between the Chinese Ministry of Foreign Affairs, the People's Government of Beijing Municipality, and the Chinese Embassy in Japan. To date, a total of 1,050 high school students from Japan and China have become small ambassadors for building bonds of friendship.

The program was also selected by Japan's Foreign Ministry as one of the activities commemorating the 45th anniversary of the normalization of diplomatic relations between Japan and China.



Chinese high school students experiencing class in a Japanese high school (Tokyo)

Asia Youth Leaders

Asia Youth Leaders is a program for bringing together youth from different Asian countries to address social problems in the host country by taking part in discussions after doing field work and listening to lectures by experts. Students with different backgrounds from six countries (Indonesia, Thailand, China, Japan, Vietnam, and Malaysia) use debates in English and dialogues exploring solution ideas to foster global sensitivity and mutual understanding of diverse values.

In FY 2017, the program is scheduled to be held in Japan with the theme of "Food & Health."



Students working out campaign proposals for improving water quality in Bangkok



Submitting a written proposal to the Bangkok Metropolitan Administration

Aeon Scholarship Program

The Aeon Scholarship Program is a subsidy program for college students from countries throughout Asia, as well as privately financed international students from Asia coming to study in Japan. The program started in 2006 with the hope that recipients would serve as a bridge between Japan and students' home countries by helping these students actively engage in their future fields of specialty. In addition to economic support throughout the year in Japan, scholarship recipients are provided with assistance for furthering their growth as global human resources by holding training seminars and offering opportunities to participate in volunteer activities. At certificate award ceremonies in each country, scholarship students present speeches highlighting their dreams and aspirations.

To date, the program has supported 5,047 students at 34 universities in 7 countries.

In FY 2017, we plan to hold certificate award ceremonies in Japan, China, and each ASEAN country.



Thai students smiling with their certificates

Sustainable Development of Local Communities

Hometowns and Future Support

As a member of local communities, the AEON 1% Club works to spread traditional culture and historically significant customs that deserve to be handed down to children in future generations, while providing opportunities for local people to deepen ties and form better communities.

● Supporting Local Traditional Events

Aiming to carry on traditional culture and history rooted in local communities, Aeon supports festivals and citizen events across Japan. In FY 2016, we provided support for 33 events, while also assisting with hosting a Traditional Handicrafts Exhibition whose theme was "Look, Use, Enjoy, and Buy." The event helped serve to bring traditional handicrafts closer into people's lives.



Sansa Festival (Morioka city)

● Hometowns and Folktales

Seeking to help reacquaint children who will lead the next generation with the appealing aspects of their hometowns, we enlisted actress Atsuko Asano to perform readings of local folktales on stages erected at shrines and famous historical sites throughout Japan. The project started as a restoration support effort in the Tohoku region in 2012, then branched out to other regions. Currently, junior high school students are invited to attend local performances across Japan. The event took place in 2016 at two shrines, Kurosaki Jinja in Rikuzentakata city, Iwate prefecture, and

Togakushi Jinja in Nagano prefecture. In FY 2017, we plan on holding sessions in the Tohoku and Sanin regions.



Reciting a story about the god enshrined in Gosha-Suwa Jinja Shrine (Hamamatsu city)



© Tokai Shinposha
An animated reading by actress Atsuko Asano

● Aeon Sukusuku Laboratory

The Aeon Sukusuku Laboratory has been carried out every year since FY 2007 in order to assist those raising children. This is directed to families raising children in areas across Japan and includes seminars on childcare led by experts in the field, as well as the singing of Japanese nursery rhymes and songs, with children and parents enjoying a meaningful chance to sing together.

In FY 2016, Aeon Sukusuku Laboratory was held in four cities across Japan. A total of 657 attended the four sessions, including 394 adults and 263 children. As of the end of March 2017, the Aeon Sukusuku Laboratory had been held a cumulative total of 46 times with a cumulative total of approximately 9,300 participants.

In FY 2017, we plan on holding three sessions nationwide.



Child-raising Seminar by Prof. Katsumi Tokuda, professor in the Faculty of Medicine, University of Tsukuba



Ms. Saori Yuki and Ms. Sachiko Yasuda holding a nursery rhyme concert

● Supporting Food and Agriculture

Support for Food and Agriculture is an effort, in collaboration with groups striving to revitalize farming, to support the providers of Japan's food and agriculture in the future. This project began in 2016 in order to help promote agriculture, which is facing a period of transition brought on by various factors as the number of farmers decreases, Japan's society ages, and Japan's level of food self-sufficiency declines. In the first year of the project, we held a Grand Prix to recognize innovative agricultural ideas from women and young people, while also hosting an agricultural summit led by university students. In FY 2017, we will continue the project's support efforts for groups striving to revitalize farming.



Awards ceremony of the Daichi-no Chikara competition

Supporting Disaster Recovery

The AEON 1% Club earnestly wishes for recovery and greater development for disaster-affected areas. Support is being provided for restoration and recovery so that people in disaster-stricken areas can resume their normal lives as quickly as possible. Furthermore, support efforts are being implemented to assist with further future development in areas affected by the Great East Japan Earthquake.

● Fukushima Kids Forest Project

After the Great East Japan Earthquake, there has been concern that children in Fukushima Prefecture are not getting enough playtime outside and are not receiving enough experience with nature. In response, children were invited to Shinano town, Nagano Prefecture, and the Afan Woodland in the Kurohime area of this town, because these locations are known for their advanced forest therapy. The program provides children with the opportunity to exercise and come in closer contact with nature.



Fukushima children experiencing nature at Afan Woodland

● Emergency Relief and Recovery Donations

In order to be of service to recovery efforts in disaster-stricken areas inside and outside Japan, we are quick to seek contributions for emergency relief and recovery donations. In FY 2016, we sought contributions for emergency relief and recovery donations for areas affected by the Kumamoto earthquake, the central Italy earthquake, and Typhoon No. 10 (in Iwate Prefecture and Hokkaido).



Presentation ceremony at the Italian Embassy

● Support Fund for Manufacturing by People with Disabilities

Aeon started this project in 2011 to support recovery efforts and revitalization in Tohoku. Through an NPO called the Association for Aid and Relief, Japan, donations have been provided to Iwate, Miyagi, and Fukushima Prefecture facilities that support employment opportunities for people with disabilities. The aim is to be of assistance in further independence and social participation for people with disabilities.

Additionally, from 2016, we started fundraising activities for people with disabilities in countries throughout Asia.



A business that manufactures sweets



AEON 1% Club Foundation

<http://aeon1p.or.jp/1p/en/>

AEON Environmental Foundation

AEON Environmental Foundation

The AEON Environmental Foundation was founded in 1990 to provide support to like-minded groups actively developing projects to protect the global environment. The Foundation has planted trees around the world and promoted a variety of joint environmental protection initiatives, such as the development of human resources in the fields of the environment and conservation of biodiversity.

AEON Environmental Foundation's Tree Planting Activities

The AEON Environmental Foundation, with cooperation at the national and local government level of each country, conducts tree-planting activities that aim to regenerate forests devastated by natural disasters. The Foundation's current tree-planting initiatives are being carried out in different parts of the world, particularly in Asia, in addition to Japan.

In FY 2016, tree planting was carried out in Chiba city, Chiba Prefecture; Atsuma town, Hokkaido; Watari town, Miyagi Prefecture; Taketa city, Oita Prefecture; and Okazaki city, Aichi Prefecture in Japan, and Phnom Penh, Cambodia; Yangon, Myanmar; Miyun District in Beijing, China; and Hanoi, Vietnam overseas.

In FY 2017, tree planting was carried out in Atsuma town, Hokkaido; Iwaki city, Fukushima Prefecture; Watari town, Miyagi Prefecture; Taketa city, Oita Prefecture; and Itoman city, Okinawa Prefecture in Japan, and Phnom Penh, Cambodia; Yangon, Myanmar; Miyun District in Beijing, China; and Hanoi, Vietnam overseas.



Tree planting activities in Atsuma town, Hokkaido (July 2, 2016)



Tree planting activities in Watari town, Miyagi Prefecture (October 1, 2016)



Tree planting activities in Phnom Penh, Cambodia (June 11, 2016)



Tree planting activities in Yangon, Myanmar (July 16, 2016)

Giving Grants for Environmental Activities

Since its establishment in 1990, the AEON Environmental Foundation has awarded grants for activities related to sustainable use and the preservation of biodiversity in Japan and developing countries.

In FY 2016, 97.97 million JPY was awarded to 99 organizations in Japan and overseas that are engaged in tree planting and forest improvement, anti-desertification, regeneration of mountain villages and the nearby woodlands and ocean, cleanup of lakes and rivers, wildlife protection, and endangered species conservation. A total of 2,744 organizations were given grants, with a total of 2,497 million JPY in grant money.

We will also continue in FY 2017 to provide grants toward environmental activities.



Ikaw-Ako NPO: tree planting activities with local high school students in the Philippines

Excellence in Biodiversity Maintenance Award

The AEON Environmental Foundation inaugurated the "Japan Awards for Biodiversity" in 2009 to promote biodiversity conservation and sustainable use of biodiversity in Japan, as



Alfonso Aguirre-Muñoz (Mexico)



Yury Darman (Russia)



Vandana Shiva (India)



Smiles from the award recipients

well as the MIDORI Prize for Biodiversity in 2010 (with the latter award being an international prize). Honoring excellent projects by recipients, these two awards are given in alternate years. In FY 2016, the 4th MIDORI Prize for Biodiversity (International Prize) was given to three awardees: Alfonso Aguirre-Muñoz (Mexico), Yury Darman (Russia), and Vandana Shiva (India). In FY 2017, the 5th Japan Awards for Biodiversity (Domestic Prize) will be conferred.

Promoting Environmental Education

The Asian Students Environment Platform

The Asian Students Environment Platform (ASEP) has been held since FY 2012, following the 2011 United Nations Decade on Biodiversity. The objective of this forum is to develop human resources who will be active globally in the field of the environment. University students from across Asia gather to exchange views on biodiversity while learning about differences in the natural environment, history, culture, and values of each other's countries.

FY 2016 was the fifth year for ASEP and followed the theme of "Biodiversity – Wisdom." A total of 84 students, from the Royal University of Phnom Penh (Cambodia), Tsinghua University (China), Universitas Indonesia (Indonesia), Waseda University (Japan), Korea University (South Korea), the University of Malaya (Malaysia), and Vietnam National University, Hanoi (Vietnam), gathered for the Platform hosted in Japan.

At the gathering, they took part in discussions on the status of environmental preservation and living in harmony with nature, engaged in fieldwork in Shiretoko, Hokkaido, listened to expert lectures, and interviewed people in the community.

In FY 2017, the forum is scheduled to be held in Japan with the theme of "Biodiversity & Renovation."



Forum participants posing in front of Waseda University's Okuma Auditorium (August 3, 2016)

Donating Solar Systems to Junior High Schools

Since 2009, the AEON Environmental Foundation has been donating solar systems to elementary and junior high schools with the aim of promoting and spreading the use of renewable energy, and to provide schools with the opportunity to utilize the systems for environmental studies. In 2016, systems were donated to a total of 40 schools in Japan, Malaysia, Vietnam, and China.

Plans for FY 2017 are to provide systems to five elementary and junior high schools in the city of Wuhan, China.



Donation of a solar system to commemorate the 20th anniversary of Aeon's entry into the Chinese market at Wuhan Guanggu No. 9 Elementary School (October 16, 2016)



AEON Environmental Foundation

<https://www.aeon.info/ef/en/>

GENERAL STANDARD DISCLOSURES

Strategy and Analysis

Indicator	Description	Page
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	- Message from the CEO
G4-2	Provide a description of key impacts, risks, and opportunities	- Message from the CEO - Aeon Group CSR - Special Feature 1: Promotion of CSR in the Value Chain - Special Feature 2: Dialogue with Stakeholders - Risk Management

Organizational Profile

Indicator	Description	Page
G4-3	Report the name of the organization	- Aeon Group Overview
G4-4	Report the primary brands, products, and services	- Aeon Group Overview
G4-5	Report the location of the organization's headquarters	- Aeon Group Overview - Back cover
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	- Aeon Group Overview
G4-7	Report the nature of ownership and legal form	- Aeon Group Overview
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	- Aeon Group Overview
G4-9	Report the scale of the organization	- Aeon Group Overview
G4-10	a. Report the total number of employees by employment contract and gender b. Report the total number of permanent employees by employment type and gender c. Report the total workforce by employees and supervised workers and by gender d. Report the total workforce by region and gender e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	- Aeon Group Overview
G4-11	Report the percentage of total employees covered by collective bargaining agreements	- Labor Union Status
G4-12	Describe the organization's supply chain	-
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	-

Commitment to External Initiatives

G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	- Risk Management - Compliance - Aeon Supplier Code of Conduct - Quality Management of TOPVALU Brand Products
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	- Aeon Group CSR
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	-

Identified Material Aspects and Boundaries

Indicator	Description	Page
G4-17	- List all entities included in the organization's consolidated financial statements or equivalent documents - Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	- Aeon Group Overview
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	- Aeon Group CSR
G4-19	List all the material Aspects identified in the process for defining report content	- Aeon Group CSR
G4-20	For each material Aspect, report the Aspect Boundary within the organization	- FY2016 KPI Progress in Key Issue 1-7
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	-
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	- The Number of the Third-Party Audits Enforcement Factories
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not applicable

Stakeholder Engagement

Indicator	Description	Page
G4-24	Provide a list of stakeholder groups engaged by the organization	- Aeon Group CSR
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	- Editorial Policy - Aeon Group CSR

G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	- Special Feature 2: Dialogue with Stakeholders
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	- Special Feature 2: Dialogue with Stakeholders

Report Profile

Indicator	Description	Page
G4-28	Reporting period (such as fiscal or calendar year) for information provided	- Editorial Policy
G4-29	Date of most recent previous report	- Editorial Policy
G4-30	Reporting cycle (such as annual, biennial)	- Editorial Policy
G4-31	Provide the contact point for questions regarding the report or its contents	- Back cover

GRI Content Index

G4-32	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured	- GRI Guidelines Indicators
-------	--	-----------------------------

Assurance

G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report - If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organization and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	-
-------	--	---

Governance

Indicator	Description	Page
-----------	-------------	------

Governance Structure and Composition

G4-34	a. Report the governance structure of the organization, including committees of the highest governance body b. Identify any committees responsible for decision-making on economic, environmental and social impacts	- Corporate Governance - CSR Promotion Framework
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	- CSR Promotion Framework
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	- CSR Promotion Framework
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	- Corporate Governance
G4-38	Report the composition of the highest governance body and its committees	- Corporate Governance
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	- Corporate Governance
G4-40	- Report the nomination and selection processes for the highest governance body and its committees - Criteria used for nominating and selecting highest governance body members	- Corporate Governance
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.	- Corporate Governance

Role of Highest Governance Body in Setting the Purpose, Value and Strategies

G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	- CSR Promotion Framework
-------	--	---------------------------

Ability of the Highest Governance Body and Evaluation of its Performance

G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	- CSR Promotion Framework
G4-44	- Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment - Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	- Aeon Group CSR

Role of the Highest Governance Body in Risk Management

G4-45	- Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes - Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	- Risk Management
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	- Risk Management
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	-

GRI Guidelines Indicators

Role of the Highest Governance Body in the Sustainability Report		
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	- CSR Promotion Framework
Role of the Highest Governance Body in the Evaluation of Social, Environmental and Social Performance		
G4-49	Report the process for communicating critical concerns to the highest governance body	- Risk Management
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	-
Remuneration and Incentives		
G4-51	Remuneration policies for the highest governance body and senior executives	- Corporate Governance
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	- Corporate Governance
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	- Corporate Governance
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	-
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	-
Ethics and Integrity		
Indicator	Description	Page
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	- Aeon Basic Principles - Aeon Sustainability Principle - Aeon Code of Conduct
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	- Code of Conduct Hotline - System for Listening to the Opinions of Customers
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	- Code of Conduct Hotline - System for Listening to the Opinions of Customers

SPECIFIC STANDARD DISCLOSURES

Indicator	Description	Page
Disclosures on Management Approach		
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material b. Report how the organization manages the material Aspect or its impacts c. Report the evaluation of the management approach	- Aeon Group CSR - Feature 2: Dialogue with Stakeholders - Management Approach of Each Key Issues

Economic

Indicator	Description	Page
Aspect: Economic Performance		
G4-EC1	Direct economic value generated and distributed	- Aeon Group Overview
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	- Developing and Selling Products that Help Reduce CO ₂ Emissions
G4-EC3	Coverage of the organization's defined benefit plan obligations	-
G4-EC4	Financial assistance received from government	-
Aspect: Market Presence		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-
G4-EC6	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-
Aspect: Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investments and services supported	- Special Feature1 Promotion of CSR in the Value Chain - Smart Aeon development - Community Involvement
G4-EC8	Significant indirect economic impacts, including the extent of impacts	-
Aspect: Procurement Practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	-

Environment

Indicator	Description	Page
Aspect: Materials		
G4-EN1	Materials used by weight or volume	- Environmental Load in Business Activities
G4-EN2	Percentage of materials used that are recycled input materials	-

Aspect: Energy		
G4-EN3	Energy consumption within the organization	- Environmental Load in Business Activities
G4-EN4	Energy consumption outside of the organization	-
G4-EN5	Energy intensity	- Enhancing Energy Efficiency
G4-EN6	Reduction of energy consumption	- Enhancing Energy Efficiency
G4-EN7	Reductions in energy requirements of products and services	-
Aspect: Water		
G4-EN8	Total water withdrawal by source	- Environmental Load in Business Activities
G4-EN9	Water sources significantly affected by withdrawal of water	-
G4-EN10	Percentage and total volume of water recycled and reused	-
Aspect: Biodiversity		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	- Conservation of Biodiversity
G4-EN13	Habitats protected or restored	- Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 - Aeon Forest Circulation Program - Initiatives Through our Stores - Tree Planting Activity of AEON Environmental Foundation
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not applicable
Aspect: Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	- Greenhouse Gas Emissions
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	- Greenhouse Gas Emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	- Scope 3 Emissions
G4-EN18	Greenhouse gas (GHG) emissions intensity	- Reducing Total CO ₂ Emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions	-
G4-EN20	Emissions of ozone-depleting substances (ODS)	-
G4-EN21	NO _x , SO _x , and other significant air emissions	-
Aspect: Effluents and Waste		
G4-EN22	Total water discharge by quality and destination	-
G4-EN23	Total weight of waste by type and disposal method	- Environmental load in FY 2016 business activities - Initiatives for Zero Waste in Stores and Products
G4-EN24	Total number and volume of significant spills	Not applicable
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	-
Aspect: Products and Services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	- Smart Aeon Development - Installation of Recharging Stations for Electric Vehicles - Developing and Selling Products that Help Reduce CO ₂ Emissions - Sustainable Resource Usage - Initiatives for Zero Waste in Stores and Products - Reducing Waste together with Customers
G4-EN28	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	- Use of Returnable Containers - Reducing Waste by Collecting Resources in Stores
Aspect: Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Not applicable
Aspect: Transport		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	- Promote Visualization in Logistics
Aspect: Overall		
G4-EN31	Total environmental protection expenditures and investments by type	- Environmental Accounting
Aspect: Supplier Environmental Assessment		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	-
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	- Aeon Supplier Code of Conduct
Aspect: Grievance Mechanisms		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Not applicable

GRI Guidelines Indicators

Society

Indicator	Description	Page
Labor practices and decent work		
Aspect: Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	-
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	-
G4-LA3	Return to work and retention rates after parental leave, by gender	- Creating Pleasant, Comfortable Workplaces - Securing Work-Life Balance
Aspect: Labor/Management Relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	-
Aspect: Occupational Health and Safety		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	- Health and Safety Committees - Labor Union Status
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	-
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	- Global Framework Agreements
Aspect: Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	-
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	- Training Programs Supporting the Growth of Employees
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	- Training Programs Supporting the Growth of Employees
Aspect: Diversity and Equal Opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	- Promoting Diversity - Employment for People with Disabilities - Workshop on LGBT
Aspect: Equal Remuneration for Women and Men		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-
Aspect: Supplier Assessment for Labor Practices		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	-
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	- Aeon Supplier Code of Conduct
Aspect: Labor Practices Grievance Mechanisms		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	- Global Framework Agreements
Human Rights		
Aspect: Investment		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	- Human Rights Training
Aspect: Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	-
Aspect: Freedom of Association and Collective Bargaining		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	- Aeon Supplier Code of Conduct
Aspect: Child Labor		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	- Aeon Supplier Code of Conduct
Aspect: Forced or Compulsory Labor		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	- Aeon Supplier Code of Conduct
Aspect: Security Practices		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-
Aspect: Indigenous Rights		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-

Aspect: Assessment		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-
Aspect: Supplier Human Rights Assessment		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	-
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	- Aeon Supplier Code of Conduct
Aspect: Human Rights Grievance Mechanisms		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Not applicable
Society		
Aspect: Local Communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	- Special Feature1 Promotion of CSR in the Value Chain - Community Involvement
G4-SO2	Operations with significant actual or potential negative impacts on local communities	Not applicable
Aspect: Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	-
G4-SO4	Communication and training on anti-corruption policies and procedures	- Compliance education and training - Promoting Corporate Ethics at Group Companies Overseas
G4-SO5	Confirmed incidents of corruption and actions taken	Not applicable
Aspect: Public Policy		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	-
Aspect: Anti-competitive Behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Not applicable
Aspect: Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Not applicable
Aspect: Supplier Assessment for Impacts on Society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	-
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	- Aeon Supplier Code of Conduct
Aspect: Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not applicable
Aspect: Customer Health and Safety		
Aspect: Customer Health and Safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	- Quality Management of TOPVALU Brand Products
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	-
Aspect: Product and Service Labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	- Labeling and Disclosing Product Information - Labeling of Nutritional Contents
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-
G4-PR5	Results of surveys measuring customer satisfaction	- System of Dialog with Customers
Aspect: Marketing Communications		
G4-PR6	Sale of banned or disputed products	Not applicable
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Not applicable
Aspect: Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not applicable
Aspect: Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable

Financial Section

Financial Review	167
Consolidated Balance Sheet	172
Consolidated Statement of Income	174
Consolidated Statement of Comprehensive Income	175
Consolidated Statement of Changes in Equity	176
Consolidated Statement of Cash Flows	177
Notes to Consolidated Financial Statements	178

Note: In this section, "FY" refers to the fiscal year ended February 28 or 29, as applicable.

Financial Review

Years Ended February 28, 2013, 2014 and 2015,
February 29, 2016 and February 28, 2017

	Millions of Yen					Thousands of U.S. Dollars*1
	'13	'14	'15	'16	'17	'17
OPERATING RESULTS						
OPERATING REVENUES						
Net sales	¥5,061,929	¥5,619,270	¥6,202,210	¥7,235,084	¥7,253,529	\$64,763,656
Operating revenues from financial services business	168,171	256,445	294,387	319,174	329,923	2,945,747
Rental and other revenues - net	455,201	519,426	581,978	622,473	626,691	5,595,464
Total operating revenues	5,685,303	6,395,142	7,078,577	8,176,732	8,210,145	73,304,868
OPERATING COSTS						
Cost of sales	3,695,896	4,101,766	4,525,231	5,268,101	5,245,626	46,835,951
Operating costs in financial services business	14,700	24,863	27,198	30,233	28,842	257,526
Total operating costs	3,710,596	4,126,630	4,552,430	5,298,334	5,274,469	47,093,477
Operating profit	1,974,707	2,268,512	2,526,146	2,878,398	2,935,675	26,211,390
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,784,080	2,097,079	2,384,778	2,701,420	2,750,935	24,561,928
Operating income	190,626	171,432	141,368	176,977	184,739	1,649,462
OTHER INCOME (EXPENSES)-NET	1,238	(23,892)	3,492	(7,752)	(35,400)	(316,076)
INCOME BEFORE INCOME TAXES	191,865	147,540	144,860	169,225	149,339	1,333,385
INCOME TAXES	83,345	64,445	65,457	108,399	73,617	657,300
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS*3	34,009	37,493	37,333	54,816	64,466	575,592
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT*3	74,511	45,600	42,069	6,008	11,255	100,491
COMPREHENSIVE INCOME	¥ 151,971	¥ 119,069	¥ 146,389	¥ (3,523)	¥ 70,710	\$ 631,344
CASH FLOWS						
Net cash provided by operating activities	¥ 142,289	¥ 482,765	¥ 398,453	¥ 43,156	¥ 294,893	\$ 2,632,975
Purchases of property, buildings and equipment	328,011	375,331	435,466	518,317	519,897	4,641,942
FINANCIAL POSITION						
Total assets	¥5,724,835	¥6,815,241	¥7,859,803	¥8,225,874	¥8,750,856	\$78,132,647
Long-term liabilities	1,335,678	1,465,426	1,741,691	1,874,432	1,969,985	17,589,156
Equity	1,446,676	1,684,569	1,829,980	1,819,474	1,862,410	16,628,667
	Yen					U.S. Dollars*1
	'13	'14	'15	'16	'17	'17
PER SHARE OF COMMON STOCK DATA						
Basic net income	¥95.49	¥55.92	¥50.22	¥7.19	¥13.44	\$0.12
Diluted net income	87.42	50.13	49.56	7.02	13.20	0.12
Cash dividends applicable to the year*2	24.00	26.00	28.00	28.00	30.00	0.27

*1 For convenience only, U.S. dollar amounts were translated at the rate of ¥112=\$1, the rate of exchange as of February 28, 2017.

Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

*2 Cash dividends per share of FY'15 include a commemorative dividend of ¥2.00.

*3 The company adopted revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and others, effective from the fiscal year ended February 28, 2017, some changes were made to the presentation of net income and other related accounting titles.

"MINORITY INTERESTS IN NET INCOME" was changed to "NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS" and "NET INCOME" was changed to "NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT."

These changes in presentation were applied retrospectively to accounting titles of past fiscal years.

Performance Overview

For the fiscal year from March 1, 2016 to February 28, 2017, Aeon Co., Ltd. (hereinafter "Aeon") posted year-on-year increases in consolidated sales and profits covering the results of Aeon and its 296 consolidated subsidiaries. Consolidated operating revenue totaled a record high of ¥8,210.1 billion (USD 73,304.8 million) (up 0.4% year on year). Consolidated operating income totaled ¥184.7 billion (USD 1,649.4 million) (up 4.4% year on year). Consolidated ordinary income totaled ¥187.3 billion (USD 1,672.7 million) (up 4.3% year on year). Net income attributable to owners of the parent totaled ¥11.2 billion (USD 100.4 million) (up 87.3% year on year). Regarding business segments, six of the eight segments (Supermarket and Discount Store Business, Financial Services Business, Drugstore and Pharmacy Business, Services and Specialty Store Business, Small-sized Store Business, and Shopping Center Development Business) posted year-on-year increases in operating income, which bolstered consolidated results. This reflected the

success of ongoing business portfolio diversification which has been conducted in response to customers' changing needs and lifestyles.

Common Group Strategy:

- In June 2016, Aeon began a new Group-wide point service, WAON POINT, for cash payments. The new program is gradually merging the separate point card programs operated by each Group company. As of the end of August, the number of WAON POINT Card users had surpassed 30 million. Besides purchases at participating stores, users can accumulate points through walking and other health-promotion activities, as well as through environmental protection activities. Going forward, Aeon will further promote the use of points for donations and other social contributions activities as well as collaboration with each region of Japan, aiming to create an exceptionally social-and public-oriented common point service, which can serve as a platform for local communities.

- In June 2016, Aeon established Aeon Saveur Co., Ltd. based on an agreement with Picard Surgelés SAS (head office: Paris, France), which operates small-scale frozen food supermarkets in Europe, primarily France, to jointly pursue the full-scale launch of the “Picard” frozen-food supermarkets in Japan. Three stores were opened during the period to establish Japan’s first specialty frozen foods supermarkets, including “Picard Aoyama Kottodori Store” as the first store on November 23, 2016. Backed by the management philosophy of “delicious meals anytime, for everyone, 365 days a year,” the new chain’s delicious and attractive products—prepared using the most advanced frozen foods technologies—have elicited a positive customer response.
- In June 2016, Aeon established Bio c’Bon Japon Co., Ltd. as a joint venture with Marne & Finance Europe (head office: Brussels, Belgium), which operates small-scale organic supermarkets “Bio c’Bon” in Europe, primarily France. The venture opened its first store, Bio c’Bon Azabujuban Store, on December 9, 2016. The store features a delicatessen area with an open kitchen where customers can purchase and conveniently enjoy organic foods at the store, including ready-to-eat meals and sandwiches. Customers are responding positively to the chain’s proposals for new organic lifestyles.
- As part of its strategic shift to Asian markets, Aeon established Aeon Orange Co., Ltd. (hereinafter “Aeon Orange”) in the fast-growing market of Myanmar as a joint venture with a local company, Creation Myanmar Group of Companies Limited (hereinafter “CMGC”), which manages supermarkets, specialty stores, real-estate and other businesses. In August 2016, Aeon Orange acquired 14 stores from a CMGC affiliate, Hypermart, to launch supermarket operations, and on September 30, 2016, Aeon Orange opened its first store as a new company, Aeon Orange North Okkalapa Store, in Yangon City, the Myanmar’s largest city.
- Aeon is striving to build local ecosystems based on a new framework for regional development that unites a wide range of community members, from residents to governments and corporations. As part of the program, Aeon launched a mobile sales van on November 17, 2016 in the Kotehashidai district of Hanamigawa Ward, Chiba City, to serve customers who have difficulty traveling to stores for daily shopping. The company also signed an agreement with the Chiba Kita police station to help preserve a safe and secure environment for the community in addition to shopping support.
- In November 2016, amid rising interest in health and wellness products among customers, Aeon launched a rebranding program for the Topvalu Green Eye brand, which features a lineup at healthy and environmentally-friendly products. Based on customer input, a lineup of 22 new products, mostly processed foods, was launched with consideration

of 109 additives and ingredients. Another 12 products under the sub-brand “Yasashi Gohan,” which do not use seven specified ingredients, were launched for customers with food allergies. Some of the products are available in family-size portions to enable entire families to share the same meal, in contrast to the one-serving portions typically offered for customers with allergies.

Review by Reportable Segment

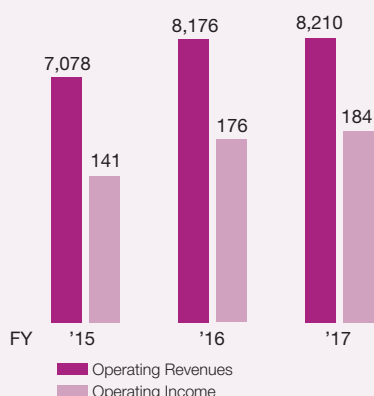
GMS Business

The GMS (General Merchandise Store) Business recorded operating income of ¥2.4 billion (USD 22.1 million) (down 73.6%) and operating revenue of ¥3,012.2 billion (USD 26,895.2 million) (up 6.1% year on year) for the current fiscal year. Performance was impacted by the transfer of stores from The Daiei, Inc. (hereinafter “Daiei”), which operates under the Supermarket and Discount Store Business segment. Additionally, the main operating companies, including Aeon Retail Co., Ltd. (hereinafter “Aeon Retail”), Aeon Hokkaido Corporation (hereinafter “Aeon Hokkaido”), Aeon Kyushu Co., Ltd., and Sunday Co., Ltd., recorded a steady improvement in profitability.

Aeon Retail continued to develop sales floors meeting customers’ changing lifestyles and needs, also actively making new proposals to customers. To support the growing number of working women and dual-income households, the company introduced “Mainichi Yoruichi” evening food promotions between 6 p.m. and 9 p.m. Additionally, Aeon Retail became Japan’s first major general retailer to launch a “Black Friday” sale event over three days of November 25 and 27, 2016. The event proved popular with consumers, with year-on-year same-store sales surging more than 15% during the promotion period and apparel sales alone jumping more than 30%. Aeon Retail’s same-store sales declined by 2.3% year on year due in part to a poor weather condition, including a record number of typhoons in August and September 2016 (apparel sales declined by 4.1%, food sales declined by 1.3%, and housing and recreational product sales declined by 3.1% year on year). Gross profit margin improved, however, by 0.8% year on year due to continued profitability improvement driven by product and sales floor reforms promoted since the previous fiscal year. Additionally, SG&A expenses at existing stores declined by 1.5% year on year. As a result, Aeon Retail achieved year-on-year increases in both operating revenue and operating income, with operating income improving by ¥3.5 billion (USD 31.7 million) year on year.

Aeon Hokkaido took measures to bolster stores transferred from Daiei. The company completed large-scale refurbishments of the Sapporo Asabu Store, Higashi Sapporo Store, and Shin Sapporo Store to create new sales floors matching the needs of customers about

Operating Revenues /
Operating Income
(¥ billion)



Ratio of Operating Income to
Operating Revenues
(%)



Revenue and Income Share
by Business Segment
(%)

	Revenues	Operating Income
General Merchandise Store	36.7	1.3
SM and DS	35.2	16.9
Small-sized Store	4.6	1.5
Drug Store and Pharmacy	7.6	11.9
Financial Services	4.5	33.5
SC Development	3.8	25.4
Service and Specialty Store	9.3	14.3
International	4.9	(2.9)
Other	0.2	(2.2)
Adjustments*	(6.9)	0.2

* Adjustments include figures of shared function companies, corporate, and/or eliminations.

urban-style stores directly connected to subway stations. As a result of the refurbishments and store specialization, combined sales of the transferred stores increased by 5.0% year on year, including sales from the period prior to the transfer, making a significant contribution to Aeon Hokkaido's performance. Regarding the transferred stores' operating income, the company accelerated by one full year its plan for making the stores profitable, achieving profitability in the current year.

Supermarket and Discount Store Business

The Supermarket and Discount Store Business recorded operating income of ¥31.2 billion (USD 279.3 million) (up 47.9% year on year) and operating revenues of ¥2,890.2 billion (USD 25,805.6 million) (down 5.3% year on year) for the current fiscal year. Excluding the impact of the transfer of Daiei's GMS stores to GMS operational companies, the business showed a year-on-year increase in operating revenues.

Daiei, which is concentrating its operations in the Tokyo metropolitan area and the Keihanshin area (the Kyoto-Osaka-Kobe metropolitan area) and focusing its business on food, refurbished 12 stores during the period, which elicited positive response from urban customers. Daiei's same-store gross profit margin increased by 0.8% year on year due to reduced markdowns and other improvements resulting from enhanced sales floor management. The company also continued to make progress in its structural reform program, which includes rationalization of head office expenses and productivity improvements. As a result, Daiei achieved a significant improvement in operating profitability.

United Super Markets Holdings Inc. continued to promote joint procurement among its three subsidiaries aimed at lowering the cost of sales, implement cost-reduction measures to lower store materials and fixture expenses, and take other measures to enhance Group synergy. The three subsidiaries also held joint sales promotions during the period, which contributed to higher customer traffic. In October 2016, consolidated subsidiary, Kasumi Co., Ltd., built a meat processing center within its Sakura distribution center in Sakura City, Chiba Prefecture. The new center will raise logistics efficiency and expand capacity for processed meats to serve the planned growth in the number of stores.

Maxvalu Tokai Co., Ltd. (hereinafter "Maxvalu Tokai") focused initiatives on strengthening product freshness. For agricultural products, the company shortened delivery time from farms to stores, while for marine products, it established supply routes from producers at ports. Maxvalu Tokai also continued to further develop its commitment to locally rooted management by developing new products using local materials and expanding sales corners for local products. As a result, the company achieved growth in both revenue and income.

Small-sized Store Business

The Small-sized Store Business recorded operating income of ¥2.7 billion (USD 24.7 million) (up 119.4% year on year) and operating revenues of ¥378.7 billion (USD 3,381.2 million) (up 0.5% year on year) for the current fiscal year.

In Japan, Ministop Co., Ltd. posted a year-on-year increase in operating revenue due to an expanded number of stores and an improved lineup of chilled bento lunch boxes, stuffed bread, and other daily food items. Operating income declined, however, due to higher selling and administrative expenses resulting from an increase in new store openings and active refurbishment of existing stores. Ministop Korea Co., Ltd. posted a year-on-year decline in operating revenue, as the previous fiscal year's results covered a 14-month period and foreign exchange rates impacted results in yen terms.

My Basket Co., Ltd. (hereinafter "My Basket") posted higher operating revenue and operating income. The company enhanced its fresh foods and delicatessen products, improved sales floor layouts while implementing training for services and customer engagement techniques. My Basket also strove to raise profitability by generating Group synergy through the use of joint-logistics networks and other means.

Drugstore and Pharmacy Business

The Drugstore and Pharmacy Business recorded operating income of ¥22.0 billion (USD 196.9 million) (up 18.6% year on year) and operating revenues of ¥623.6 billion (USD 5,568.1 million) (up 5.3% year on year) for the current fiscal year.

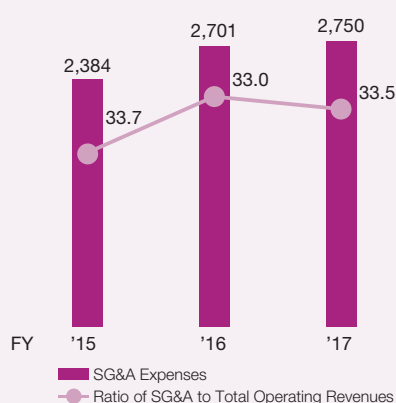
Welcia Holdings Co., Ltd. (hereinafter "Welcia Holdings") and its consolidated subsidiaries actively promoted the "Welcia Model" through refurbishment of existing stores. The company raised the percentage of drugstores offering prescription drugs, while promoting 24-hour stores to enhance customer convenience. These and other measures raised sales of the prescription drugs section and led to higher same-store sales.

B.B.ON Co., Ltd., a consolidated subsidiary of Welcia Holdings, actively promoted new initiatives, including the opening of new urban-style drugstores in Nihonbashi, Tokyo, and Kawaramachi, Kyoto, which support both inner and outer health and beauty by combining beauty, prescription drugs, and health products. Furthermore, to raise business efficiency, Welcia Yakkyoku Co., Ltd. carried out a merger of CFS Corporation on September 1.

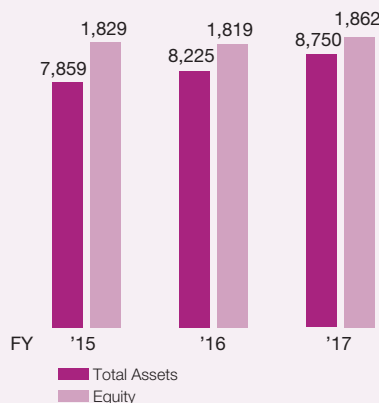
Financial Services Business

The Financial Services Business earned operating income of ¥61.9 billion (USD 552.7 million) (up 12.5% year on year) and operating revenue of ¥372.0 billion (USD 3,321.8 million) (up 4.1% year on year) for the current fiscal year.

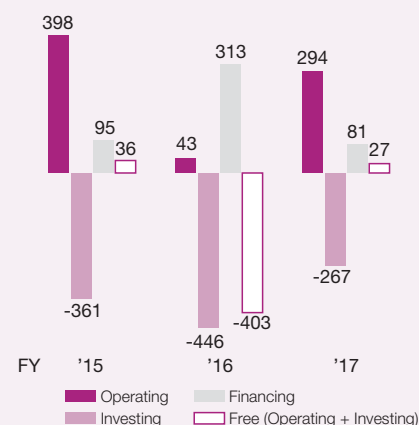
SG&A Expenses
Ratio of SG&A to Total Operating Revenues
(¥ billion / %)



Total Assets / Equity
(¥ billion)



Cash Flows
(¥ billion)



Aeon Financial Service Co., Ltd. (hereinafter "Aeon Financial Service") continued to take initiatives to improve work efficiency through digitalization of operations on a global scale, enhance product and service convenience, and optimize its balance sheet to improve profitability. As a new initiative, the company held a contest, "Aeon Financial Service Innovation 2016," in which participants used Fintech to create new services designed to raise the convenience of products and services used by consumers in their daily lives. In the credit card business, the company offered double TOKIMEKI points to customers using Aeon credit cards at designated Aeon Group stores. Aeon Financial Service also strengthened promotion of the "Aeon Wallet" smartphone application, which allows customers to confirm and manage their credit card payment information and Aeon Bank account balances from a single application.

In the banking business, Aeon Bank, Ltd. continued to expand its branch network by opening a new branch at Aeon Mall Nagakute (Aichi Prefecture), raising the total number of branches to 134. In the housing loan business, the bank offered competitive special interest rate plans while continuously strengthening the promotion of the Aeon Select Club featuring a daily 5% discount for housing loan customers on purchases at Aeon Group stores. In the unsecured loan business, the bank carried out campaigns for education and other special-purpose loans while bolstering Internet promotions. Furthermore, to accelerate the provision of customer services, the bank installed a self-service device at its Aeon Lake Town branch offering various transactions via videophone.

In the overseas business, joint promotions was conducted with partner companies to increase the number of Aeon credit card holders. It also refurbished branches through the installment of tablet devices and digital signage designed to raise customer service and promote greater productivity through low-cost operations.

In the fee-based services business, measures were taken in the e-money business to further develop the network of WAON participating stores, mainly members offering products and services closely related to customers' daily needs and lifestyles. As a result of these and other activities, cumulative issuance of WAON e-money cards grew to approximately 64 million cards as of the end of the current fiscal year, with the WAON e-money transaction volume in the period totaling approximately ¥2,082.4 billion, a 1.1% year-on-year increase.

Shopping Center Development Business

The Shopping Center Development Business earned operating income of ¥46.8 billion (USD 418.3 million) (up 4.0% year on year) and operating revenue of ¥315.9 billion (USD 2,820.9 million) (up 16.1% year on year) for the current fiscal year.

Aeon Mall Co., Ltd. (hereinafter "Aeon Mall") opened six new shopping centers and refurbished 20 existing shopping centers in Japan, including two expansions, during the period.

At shopping centers in Japan, Aeon Mall promoted the use of Aeon credit cards and WAON e-money cards in its Group-wide sales promotions and held customer participation-style events, leading to strong tenant sales. OPA Co., Ltd. (hereinafter "OPA"), which became a subsidiary of Aeon Mall in March 2016, promoted a shift from its previous fashion orientation to a new lifestyle proposal company. In the overseas business, which promises to be a future growth driver, Aeon Mall opened shopping centers in Vietnam and Hebei Province, China. Of the 17 existing shopping centers, 10 turned profitable in the period, boosting the overall profitability of the overseas business. As a result, Aeon Mall posted higher operating revenue and income for the current year.

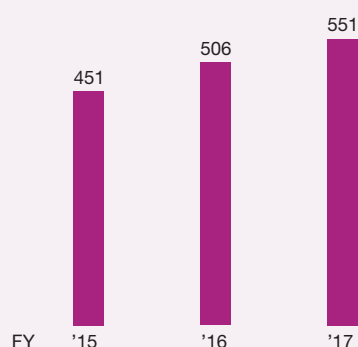
Services and Specialty Store Business

The Services and Specialty Store Business recorded operating income of ¥26.3 billion (USD 235.6 million) (up 0.3% year on year) and operating revenue of ¥765.6 billion (USD 6,836.3 million) (up 3.3% year on year) for the current fiscal year.

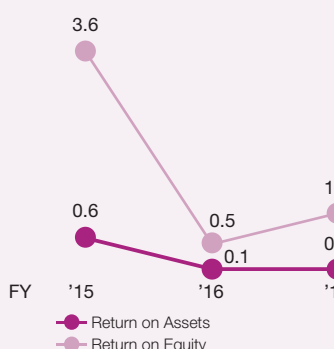
In the facilities management business, Aeon Delight Co., Ltd. (hereinafter "Aeon Delight") began offering integrated facility management (IFM) services, which integrate, manage and operate all facility outsourcing services. The company also successively expanded its sanitation and cleaning services, which had been designed primarily for hospitals, into other types of facilities requiring high levels of sanitation, including laboratories operated by foreign capital IT companies, clean rooms, and offices. As a result, Aeon Delight earned higher operating revenue and income for the year.

Aeon Fantasy Co., Ltd. (hereinafter "Aeon Fantasy") continued to enjoy higher sales of amusement machines in Japan, which have risen since September 2015. Same-store product sales began to rise year on year in September 2016 for the first time in 31 months and continued to improve thereafter, leading to a 7.3% year-on-year increase for the second half of the current fiscal year. Aeon Fantasy actively replaced amusement machines at outlets of Fun Field Co., Ltd., which merged into Aeon Fantasy in June 2015, to enhance outlet appeal. Additionally, the branding of former Fun Field outlets was changed to Mollyfantasy and PALO at all stores. Owing to these initiatives, monthly same-store sales at outlets previously managed by Fun Field began to rise year on year from July 2016. In its overseas business, Aeon Fantasy recorded operating income, continuing its profitability from the previous year. As a result, Aeon Fantasy recorded higher operating revenue and income for the current year.

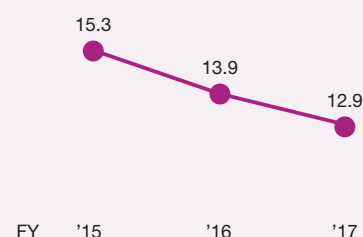
Capital Expenditures
(¥ billion)



Return on Assets /
Return on Equity*
(%)



Equity Ratio*
(%)



International Business

(Aeon's consolidated financial statements include the operating results of the International Business mainly for January through December.)

The International Business recorded operating revenue of ¥398.3 billion (USD 3,557.0 million) (down 6.6% year on year) and an operating loss of ¥5.4 billion (a decline of ¥2.952 billion (USD 26.3 million) year on year).

In Malaysia, Aeon Co. (M) Bhd. opened one of the largest shopping centers in the country, Aeon Mall Shah Alam, in Shah Alam, the capital of Selangor State, in March 2016 as a flagship shopping center. In May 2016, the company opened Aeon Mall Kota Bharu, its first on the eastern coast of the Malay Peninsula as part of the strategy to develop new markets. The shopping center has enjoyed a positive response from local customers since its opening. In ASEAN, Aeon Vietnam Co., Ltd. and Aeon Cambodia Co., Ltd. both turned profitable on an operating basis for the year.

In China, Aeon Stores (Hong Kong) Co., Ltd. introduced the Aeon Style brand overseas by completely refurbishing its flagship stores into Aeon Style Kornhill in July 2016 and Aeon Style Whampoa in September 2016. In the China mainland, the earnings of existing stores improved during the period as the business continued to take initiatives to strengthen the business foundation and bolster earnings.

Cost of Sales and Selling, General and Administrative Expenses

Consolidated operating costs decreased to ¥5,274.4 billion (USD 47,093.4 million) (down 0.5% year on year). The ratio of operating costs to operating revenues improved by 0.6 percentage points to 64.2%.

SG&A expenses rose to ¥2,750.9 billion (USD 24,561.9 million) (up 1.8 % year on year). The ratio of SG&A expenses to operating revenues increase by 0.5 percentage points to 33.5%.

As a result, consolidated operating income for the year ended February 28, 2017 amounted to ¥184.7 billion (USD 1,649.4 million) (up 4.4% year on year). The ratio of operating income to operating revenues increased by 0.1 percentage point to 2.3%, reflecting the increase in operating income against the increase in revenues.

Consolidated Net Income

Income from continuing operations, before income taxes, decreased by ¥19.8 billion (USD 177.5 million) to ¥149.3 billion (USD 1,333.3 million), after deducting income taxes of ¥73.6 billion (USD 657.2 million), which decreased ¥34.7 billion (USD 310.5 million) year over year. Net income increase by ¥14.8 billion (USD 133.0 million) year over year to ¥75.7 billion (USD 676.0 million). After deducting net income attributable to non-controlling interests of ¥64.4 billion (USD 575.5 million), Aeon Co., Ltd. posted Net income attributable to owners of the parent of ¥11.2 billion (USD 100.4 million), an increase of ¥5.2 billion (USD 46.8 million) year over year.

Consolidated Financial Position

Consolidated assets at February 28, 2017 totaled ¥8,750.8 billion (USD 78,132.6 million), an increase of ¥524.9 billion (USD 4,687.3 million), or 6.4%, from the end of the previous fiscal year (February 29, 2016). The increase was chiefly attributable to the increases of ¥252.7 million (USD 2,256.8 million) in loans and bills discounted for banking business, ¥106.6 billion (USD 952.2 million) in cash and time deposits, and ¥92.5 billion (USD 826.6 million) in notes and accounts receivable-trade, consisting mostly of installment plan accounts receivable at financial subsidiaries.

Consolidated liabilities at February 28, 2017 totaled ¥6,888.4 billion (USD 61,503.9 million), an increase of ¥482.0 billion (USD 4,303.9 million), or 7.5%, from February 29, 2016. The increase was chiefly attributable to the increases of ¥382.5 billion (USD 3,415.6 million) in deposits for banking business and ¥73.9 billion (USD 660.3 million) in corporate bonds (including bonds redeemable within one year).

Consolidated net assets at February 28, 2017 totaled ¥1,862.4 billion (USD 16,628.6 million), an increase of ¥42.9 billion (USD 383.3 million), or 2.4%, from February 29, 2016. The increase was chiefly attributable to an increase of ¥53.5 billion (USD 477.7 million) in non-controlling interest in financial and other subsidiaries, which outweighed a decline of ¥11.4 billion (USD 102.4 million) in foreign currency translation adjustments.

Consolidated Cash flow and capital Expenditures

Consolidated Cash flows

The balance of cash and cash equivalents at February 28, 2017 was ¥802.0 billion (USD 7,161.5 million), an increase of ¥101.5 billion (USD 907.0 million), or 14.5%, from February 29, 2016.

Net cash provided by operating activities in the current fiscal year ended February 28, 2017 was ¥294.8 billion (USD 2,632.9 million) (up 583.3% year on year). The ¥251.7 billion (USD 2,247.6 million) increase from the previous fiscal year resulted from the increases of ¥63.8 billion (USD 570.3 million) in notes and accounts receivable-trade and ¥63.5 billion (USD 567.5 million) in loans in banking business, factors reducing cash flows, and were outweighed by increases of ¥202.9 billion (USD 1,812.3 million) in deposits received in banking business, ¥67.4 billion (USD 601.8 million) in notes and accounts payable-trade, and ¥56.1 billion (USD 501.5 million) income before income taxes excluding depreciation and amortization and other non-cash expenses, which were factors increasing cash flows.

Net cash used in investing activities during the current fiscal year ended February 28, 2017, was ¥267.7 billion (USD 2,390.2 million) (down 40.1% year on year). This ¥178.9 billion (USD 1,597.3 million) decrease from the previous fiscal year reflects an increase of ¥149.3 billion (USD 1,333.0 million) in purchase of marketable securities in banking business, as well as increases of ¥254.4 billion (USD 2,271.6 million) in proceeds from sale and redemption of marketable securities in banking business and ¥104.3 billion (USD 931.8 million) proceeds from sale of fixed assets.

Net cash provided by financing activities during the fiscal year ended February 28, 2017, was ¥81.4 billion (USD 727.2 million) (down 74.0% year on year). This ¥231.8 billion (USD 2,070.4 million) decrease mainly reflects an increase of ¥36.8 billion (USD 328.9 million) in proceeds from issuance of bonds, as well as decreases of ¥199.7 billion (USD 1,783.8 million) in short-term borrowings and commercial paper and ¥90.4 billion (USD 807.7 million) in proceeds from long-term debt.

Capital Expenditures

Capital expenditures during the year under review (including payments for fixed leasehold deposits to lessors) amounted to ¥551.5 billion (USD 4,924.1 million), a ¥44.6 billion, or 8.8%, increase from the previous fiscal year. Capital expenditures of the Shopping Center Development Business increased by 1.5% to ¥183.9 billion (USD 1,642.7 million), which accounts for 33.4% of total capital expenditures.

Consolidated Financial Ratios

The return on assets for the year ended February 28, 2017, was 0.1%. The return on equity* increased by 0.5 percentage points to 1.0%. The equity ratio* decreased by 1.0 percentage point to 12.9% reflecting the increase in total liabilities.

* The equity figures used in calculation of the return on equity and the equity ratio do not include stock acquisition rights and minority interests.

Consolidated Balance Sheet

As of February 28, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	'16	'17	'17
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 9, 16.a, and 18)	¥ 702,400	¥ 805,646	\$ 7,193,275
Time deposits (Note 18)	18,750	15,078	134,627
Call loans (Note 18)		25,000	223,214
Marketable securities (Notes 5, 9, and 18)	237,767	185,098	1,652,662
Receivables:			
Notes and accounts—trade (Note 18)	69,651	65,529	585,080
Installment (Notes 4, 9, and 18)	1,025,255	1,121,959	10,017,492
Financial loans (Notes 4, 9, and 18)	300,854	299,271	2,672,067
Loans and bills discounted in banking business (Notes 4, 18, and 23)	1,217,376	1,470,142	13,126,270
Other (Note 18)	183,888	232,068	2,072,039
Inventories (Note 6)	575,620	586,202	5,233,947
Deferred tax assets (Note 15)	43,249	53,257	475,513
Prepaid expenses and other current assets (Notes 9 and 23)	112,534	113,583	1,014,134
Allowance for doubtful accounts (Note 18)	(51,409)	(53,061)	(473,767)
Total current assets	4,435,940	4,919,774	43,926,560
PROPERTY, BUILDINGS, AND EQUIPMENT (Notes 2.h, 7, 8, and 9):			
Land	811,128	804,884	7,186,467
Buildings and structures	1,472,547	1,487,044	13,277,186
Furniture and fixtures	209,414	224,190	2,001,698
Vehicles	5,596	4,592	41,000
Lease assets	49,612	68,483	611,459
Construction in progress	67,142	70,584	630,217
Total property, buildings, and equipment	2,615,442	2,659,779	23,748,030
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 9, and 18)	133,424	137,135	1,224,424
Investments in, and advances to, unconsolidated subsidiaries and associated companies (Note 18)	67,463	74,026	660,949
Asset for retirement benefits (Note 10)	7,976	10,693	95,477
Goodwill (Notes 2.a and 7)	181,806	161,694	1,443,704
Intangible assets (Notes 7 and 9)	120,024	133,142	1,188,768
Fixed leasehold deposits to lessors (Notes 18 and 23)	413,330	404,255	3,609,424
Deferred tax assets (Note 15)	87,687	87,341	779,835
Other (Notes 7 and 9)	187,084	181,966	1,624,702
Allowance for doubtful accounts (Note 18)	(24,304)	(18,953)	(169,230)
Total investments and other assets	1,174,491	1,171,302	10,458,056
TOTAL	¥8,225,874	¥8,750,856	\$78,132,647

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	'16	'17	'17
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 18)	¥ 444,070	¥ 397,973	\$ 3,553,338
Current portion of long-term debt (Notes 2.x, 9, and 18)	300,257	347,326	3,101,129
Deposits received in banking business (Note 18)	2,116,171	2,498,725	22,310,051
Payables:			
Notes and accounts—trade (Note 18)	892,629	888,422	7,932,344
Construction	121,762	103,093	920,475
Other	111,874	109,350	976,345
Income taxes payable	58,715	49,277	439,978
Accrued expenses	118,145	121,846	1,087,914
Provision for store closing expenses	7,468	5,505	49,154
Provision for point program	24,649	21,358	190,701
Other (Notes 9, 11, and 17.a)	336,223	375,579	3,353,388
Total current liabilities	4,531,966	4,918,460	43,914,823
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.x, 9, and 18)	1,426,473	1,507,206	13,457,205
Lease deposits from lessees (Notes 9 and 18)	264,976	262,850	2,346,876
Liability for retirement benefits (Note 10)	27,432	25,735	229,780
Retirement allowances for directors and Audit & Supervisory Board members	1,428	1,345	12,015
Provision for store closing expenses	4,317	4,237	37,837
Provision for loss on refund of interest received	4,474	3,808	34,002
Asset retirement obligations (Note 11)	75,119	80,734	720,843
Deferred tax liabilities (Note 15)	36,410	48,350	431,705
Other (Notes 9 and 17.a)	33,800	35,715	318,890
Total long-term liabilities	1,874,432	1,969,985	17,589,156
COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)			
EQUITY (Notes 2.x and 13):			
Common stock—authorized, 2,400,000,000 shares; issued 871,924,572 shares in 2016 and 2017	220,007	220,007	1,964,357
Capital surplus	316,894	315,813	2,819,759
Stock acquisition rights	1,979	1,820	16,253
Retained earnings	588,306	575,147	5,135,246
Treasury stock—at cost, 35,181,560 shares in 2016 and 33,734,908 shares in 2017 (Note 2.y)	(42,538)	(40,709)	(363,478)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	42,815	52,440	468,214
Deferred loss on derivatives under hedge accounting	(5,237)	(2,588)	(23,108)
Foreign currency translation adjustments	21,651	10,178	90,877
Defined retirement benefit plans	(104)	1,091	9,748
Total	1,143,774	1,133,201	10,117,869
Non-controlling interests	675,700	729,209	6,510,798
Total equity	1,819,474	1,862,410	16,628,667
TOTAL	¥8,225,874	¥8,750,856	\$78,132,647

See notes to consolidated financial statements.

Consolidated Statement of Income

For the Year Ended February 28, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	'15	'16	'17	'17
OPERATING REVENUES				
Net sales	¥6,202,210	¥7,235,084	¥7,253,529	\$64,763,656
Operating revenues from financial services business	294,387	319,174	329,923	2,945,747
Rental and other revenues—net (Note 17.b)	581,978	622,473	626,691	5,595,464
Total operating revenues	7,078,577	8,176,732	8,210,145	73,304,868
OPERATING COSTS				
Cost of sales	4,525,231	5,268,101	5,245,626	46,835,951
Operating costs in financial services business	27,198	30,233	28,842	257,526
Total operating costs	4,552,430	5,298,334	5,274,469	47,093,477
Operating profit	2,526,146	2,878,398	2,935,675	26,211,390
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 2.s)	2,384,778	2,701,420	2,750,935	24,561,928
Operating income	141,368	176,977	184,739	1,649,462
OTHER INCOME (EXPENSES):				
Interest and dividend income	5,770	5,538	5,241	46,802
Interest expense	(13,156)	(13,760)	(14,945)	(133,440)
Impairment loss (Notes 7, 17.a, and 24)	(46,163)	(46,518)	(45,253)	(404,047)
Amortization of goodwill (Note 2.a)	(9,780)	(6,181)	(3,443)	(30,742)
Net gain on sales of securities (Note 5)	1,078	18,503	3,673	32,802
Gain on negative goodwill	10,593	1,475		
Gain on sales of investments in consolidated subsidiaries	172	7,570		
Dilution gain from changes in equity interest of consolidated subsidiaries	3,787	510		
Gain resulting from step acquisitions (Note 3)	33,686	7,698		
Equity in (losses) earnings of associated companies	6,689	2,012	(40)	(365)
Gain on return of assets from retirement benefits trust (Note 23)		13,603		
Gain on sales of fixed assets	4,341	9,207	26,342	235,198
Other—net (Note 14)	6,470	(7,412)	(6,975)	(62,284)
Other income (expenses)—net	3,492	(7,752)	(35,400)	(316,076)
INCOME BEFORE INCOME TAXES	144,860	169,225	149,339	1,333,385
INCOME TAXES (Note 15):				
Current	73,069	98,621	75,475	673,888
Deferred	(7,612)	9,778	(1,857)	(16,587)
Total income taxes	65,457	108,399	73,617	657,300
NET INCOME	79,403	60,825	75,721	676,084
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	37,333	54,816	64,466	575,592
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 42,069	¥ 6,008	¥ 11,255	\$ 100,491

	Yen			U.S. Dollars (Note 1)
	'15	'16	'17	'17
PER SHARE OF COMMON STOCK (Note 22):				
Basic net income	¥50.22	¥ 7.19	¥13.44	\$0.12
Diluted net income	49.56	7.02	13.20	0.12
Cash dividends applicable to the year	28.00	28.00	30.00	0.27

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended February 28, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	'15	'16	'17	'17
NET INCOME	¥ 79,403	¥ 60,825	¥75,721	\$676,084
OTHER COMPREHENSIVE (LOSS) INCOME (Note 21):				
Unrealized gain (loss) on available-for-sale securities	26,228	(6,074)	9,743	86,997
Deferred gain (loss) on derivatives under hedge accounting	(2,355)	(2,323)	4,398	39,270
Foreign currency translation adjustments	42,847	(34,269)	(20,544)	(183,429)
Defined retirement benefit plans		(21,664)	1,466	13,092
Share of other comprehensive (loss) income in associated companies	266	(18)	(75)	(670)
Total other comprehensive (loss) income	66,986	(64,349)	(5,010)	(44,739)
COMPREHENSIVE INCOME (LOSS)	¥146,389	¥ (3,523)	¥70,710	\$631,344
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the parent	¥ 90,925	¥(39,381)	¥13,253	\$118,331
Non-controlling interests	55,464	35,857	57,457	513,013

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended February 28, 2017

	Thousands	Millions of Yen											
	Outstanding Number of Shares of Common Stock	Accumulated Other Comprehensive Income											
		Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 1, 2014	837,874	¥220,007	¥285,917	¥1,670	¥589,943	¥(10,933)	¥23,318	¥(2,122)	¥13,964		¥1,121,766	¥562,802	¥1,684,569
Net income					42,069						42,069		42,069
Cash dividends, ¥27 per share					(22,843)						(22,843)		(22,843)
Issuance of common stock	25,527		30,977								30,977		30,977
Purchase of treasury stock	(30,050)					(35,948)					(35,948)		(35,948)
Disposal of treasury stock	2,058				(44)	2,646					2,602		2,602
Net change in the year				240			26,254	(1,021)	23,622	20,497	69,593	58,960	128,553
BALANCE, FEBRUARY 28, 2015	835,409	220,007	316,894	1,910	609,125	(44,235)	49,573	(3,144)	37,587	20,497	1,208,217	621,763	1,829,980
Cumulative effects of changes in accounting policy					(3,244)						(3,244)		(3,244)
BALANCE, MARCH 1, 2015 (as restated)	835,409	220,007	316,894	1,910	605,881	(44,235)	49,573	(3,144)	37,587	20,497	1,204,973	621,763	1,826,736
Net income					6,008						6,008		6,008
Cash dividends, ¥28 per share					(23,564)						(23,564)		(23,564)
Purchase of treasury stock	(53)					(86)					(86)		(86)
Disposal of treasury stock	1,386				(18)	1,783					1,765		1,765
Net change in the year				68			(6,758)	(2,093)	(15,936)	(20,601)	(45,320)	53,937	8,616
BALANCE, FEBRUARY 29, 2016	836,743	220,007	316,894	1,979	588,306	(42,538)	42,815	(5,237)	21,651	(104)	1,143,774	675,700	1,819,474
Net income attributable to owners of the parent					11,255						11,255		11,255
Cash dividends, ¥29 per share					(24,407)						(24,407)		(24,407)
Purchase of treasury stock	(12)					(19)					(19)		(19)
Disposal of treasury stock	1,459				(6)	1,848					1,842		1,842
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(1,081)								(1,081)		(1,081)
Net change in the year				(159)			9,624	2,649	(11,472)	1,196	1,838	53,508	55,347
BALANCE, FEBRUARY 28, 2017	838,189	¥220,007	¥315,813	¥1,820	¥575,147	¥(40,709)	¥52,440	¥(2,588)	¥10,178	¥ 1,091	¥1,133,201	¥729,209	¥1,862,410

	Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income					Non- controlling Interests	Total Equity	
						Unrealized Gain (Loss) on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total			
BALANCE, MARCH 1, 2016	\$1,964,357	\$2,829,419	\$17,676	\$5,252,732	\$(379,806)	\$382,279	\$(46,765)	\$193,314	\$(937)	\$10,212,269	\$6,033,040	\$16,245,310	
Net income attributable to owners of the parent				100,491						100,491		100,491	
Cash dividends, \$0.26 per share				(217,922)						(217,922)		(217,922)	
Purchase of treasury stock					(178)					(178)		(178)	
Disposal of treasury stock				(55)	16,506					16,451		16,451	
Change in treasury shares of the parent arising from transactions with non-controlling shareholders		(9,660)								(9,660)		(9,660)	
Net change in the year			(1,422)			85,934	23,656	(102,437)	10,685	16,417	477,757	494,174	
BALANCE, FEBRUARY 28, 2017	\$1,964,357	\$2,819,759	\$16,253	\$5,135,246	\$(363,478)	\$468,214	\$(23,108)	\$ 90,877	\$9,748	\$10,117,869	\$6,510,798	\$16,628,667	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended February 28, 2017

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	'15	'16	'17	'17
OPERATING ACTIVITIES:				
Income before income taxes	¥144,860	¥169,225	¥149,339	\$1,333,385
Adjustments for:				
Income taxes—paid	(86,241)	(84,486)	(84,877)	(757,837)
Depreciation and amortization	188,344	215,033	231,904	2,070,571
Amortization of goodwill	22,963	22,700	19,058	170,165
Gain on negative goodwill	(10,593)	(1,475)		
Gain on return of assets from retirement benefits trust		(13,603)		
Foreign exchange (gain) loss—net	3,470	(1,357)	(172)	(1,542)
Equity in (losses) earnings of associated companies	(6,689)	(2,012)	40	365
Gain on sales of property, buildings, and equipment	(4,341)	(9,207)	(26,342)	(235,198)
Loss on disposals and sales of property, buildings, and equipment	4,073	5,907	12,421	110,902
Loss on impairment of long-lived assets	46,163	46,518	45,253	404,047
Gain on sales of investments in consolidated subsidiaries	(172)	(7,570)		
Gain resulting from step acquisitions	(33,686)	(7,629)		
Dilution gain from changes in equity interest of consolidated subsidiaries, net	(3,753)	1,004		
Gain on sales of short-term and long term investment securities	(1,078)	(18,503)	(3,673)	(32,802)
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(142,426)	(60,196)	(124,076)	(1,107,822)
Decrease (increase) in financial loans receivable	16,267	(17,110)	2,540	22,687
Increase in cash loans and bills discounted in banking business	(137,297)	(197,306)	(260,874)	(2,329,235)
Increase in inventories	(27,789)	(18,477)	(13,825)	(123,445)
Increase (decrease) in notes and accounts payable—trade	106,026	(66,732)	675	6,032
Increase in deposits received in banking business	235,278	179,565	382,554	3,415,662
Increase (decrease) in allowance for doubtful accounts	(3,809)	1,914	906	8,096
Increase (decrease) in liability for retirement benefits	(12,799)	(33,608)	175	1,570
(Decrease) increase in provision for loss on refund of interest received	1,759	(370)	(666)	(5,946)
Other assets and liabilities	109,573	(60,322)	(29,045)	(259,336)
Other—net	(9,647)	1,260	(6,422)	(57,344)
Total adjustments	253,592	(126,068)	145,554	1,299,589
Net cash provided by operating activities	398,453	43,156	294,893	2,632,975
INVESTING ACTIVITIES:				
Purchases of marketable securities	(42)		(167)	(1,496)
Proceeds from sales of marketable securities	165	50	100	892
Purchases of securities in banking business	(202,858)	(190,184)	(339,487)	(3,031,136)
Proceeds from sales and redemption of securities in banking business	228,012	135,973	390,398	3,485,698
Purchases of property, buildings, and equipment	(435,466)	(518,317)	(519,897)	(4,641,942)
Proceeds from sales of property, buildings, and equipment	47,616	80,361	184,730	1,649,376
Purchases of investment securities	(17,467)	(5,534)	(9,630)	(85,985)
Proceeds from sales of investment securities	2,395	50,700	12,823	114,495
Proceeds from sales of investments in subsidiaries	871	5,462		
Cash paid in conjunction with purchases of consolidated subsidiaries (Note 16.b)	(11,274)	(5,304)		
Cash received in conjunction with purchases of consolidated subsidiaries		509		
Collection of loans receivable	794	1,033	406	3,630
Payments for fixed leasehold deposits to lessors	(15,626)	(21,651)	(31,609)	(282,226)
Collection of fixed leasehold deposits to lessors	34,129	31,845	40,753	363,868
Proceeds from lease deposits from lessees	33,168	27,826	25,521	227,871
Repayments of lease deposits from lessees	(26,247)	(24,646)	(26,596)	(237,470)
Other—net	(10)	(14,739)	4,944	44,150
Net cash used in investing activities	(361,838)	(446,612)	(267,710)	(2,390,273)
FINANCING ACTIVITIES:				
Net (decrease) increase in short-term borrowings	15,188	155,450	(44,336)	(395,860)
Proceeds from long-term debt	408,340	510,635	457,013	4,080,478
Repayments of long-term debt	(270,591)	(315,950)	(327,731)	(2,926,177)
Purchase of treasury stock	(35,948)	(86)	(19)	(178)
Proceeds from share issuance to non-controlling shareholders	29,561	4,094	17,292	154,399
Repayments to non-controlling shareholders	(25,009)	(8,260)	(731)	(6,533)
Dividends paid to shareholders	(22,843)	(23,564)	(24,407)	(217,922)
Dividends paid to non-controlling interests	(16,183)	(18,863)	(19,350)	(172,773)
Proceeds of ownership interests in a subsidiary without a change in consolidation scope			10,560	94,285
Other—net	13,012	9,890	13,162	117,517
Net cash provided by financing activities	95,527	313,344	81,450	727,235
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	12,884	(2,147)	(7,044)	(62,896)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,027	(92,258)	101,588	907,040
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	633,123	778,151	700,511	6,254,566
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE TRANSFER (Note 16.c)		13,745		
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER		873		
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 16.a)	¥778,151	¥700,511	¥802,099	\$7,161,606

NON-CASH INVESTING AND FINANCING ACTIVITIES (Note 16.c)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

As of and for the Year Ended February 28, 2017

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS") and accounting principles generally accepted in the United States of America ("U.S. GAAP").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 and 2016 consolidated financial statements to conform to the classifications used in 2017.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Aeon Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112 to \$1, the approximate rate of exchange as of February 28, 2017. Such translation should not be interpreted as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million, except for per share data.

U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand, except for per share data.

2 Summary of significant accounting policies

a. Consolidation—The consolidated financial statements as of February 28, 2017, include the accounts of the Company and its 296 (284 in 2015 and 295 in 2016) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 32 (31 in 2015 and 33 in 2016) associated companies are accounted for by the equity method.

Investments in four (five in 2015 and 2016) unconsolidated subsidiaries and four (two in 2015 and 2016) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition are recorded as goodwill and are amortized within 20 years (estimated

effective period) for the Company and domestic consolidated subsidiaries.

Goodwill recorded upon the acquisition of Origin Tosho Co., Ltd., of ¥41,903 million, Diamond City Co., Ltd. (current Aeon Mall Co., Ltd.), of ¥55,625 million, Aeon Bank, Ltd. ("Aeon Bank"), of ¥21,810 million, and Welcia Holdings Co., Ltd. of ¥54,024 million is amortized over a period of 20 years.

The Company recognized a writedown of its investment in a consolidated subsidiary on the nonconsolidated financial statement for the fiscal years ended February 28, 2015, February 29, 2016 and February 28, 2017. Accordingly, the Company expensed goodwill of ¥9,780 million, ¥6,181 million and ¥3,443 million (\$30,742 thousand), which is included in other expenses in the consolidated statements of income for the years ended February 28, 2015, February 29, 2016, and February 28, 2017, respectively, in accordance with Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (the Accounting Practice Committee Report No. 7, issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the latest revision on November 28, 2014).

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business combination—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary.

Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet—In the consolidated balance sheet, “minority interest” under the previous accounting standard is changed to “noncontrolling interest” under the revised accounting standard.

(c) Presentation of the consolidated statement of income—In the consolidated statement of income, “net income before minority interest” under the previous accounting standard is changed to “net income” under the revised accounting standard, and “net income” under the previous accounting standard is changed to “net income attributable to owners of the parent” under the revised accounting standard.

(d) Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after March 1, 2016. Earlier application is permitted from the beginning of annual periods beginning on or after March 1, 2015, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation

of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after March 1, 2016. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after March 1, 2015.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective March 1, 2016, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after March 1, 2016. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the 2016 consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 and 2016 consolidated financial statements have been accordingly reclassified and presented in line with those in 2017.

In the consolidated statement of cash flows for the year ended February 28, 2017, cash flows regarding purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

The effect of these changes on consolidated financial statements was not material.

c. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

—Under ASBJ Practical Issues Task Force (“PITF”) No. 18, ‘Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements’, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; and (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Cash equivalents—Cash equivalents in the consolidated balance sheets are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits; certificates of deposit; marketable securities, such as Money Management Fund; and others, all of which mature or become due within three months of the date of acquisition. Deposit with the Bank

of Japan in the banking subsidiary is also included in cash equivalents. In the consolidated statements of cash flows, the ending balance of bank overdraft is excluded from cash equivalents (see Note 16).

e. Inventories—Substantially all merchandise of consolidated subsidiaries are stated at the lower of cost, determined by the retail method or net selling value. Other merchandise of certain consolidated subsidiaries are stated at the lower of cost determined by the moving-average method or net selling value. Raw materials and supplies are principally stated at the lower of cost determined by the most recent purchase price.

f. Marketable and investment securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for doubtful accounts

(Allowance for doubtful accounts)

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in receivables and other assets, such as fixed leasehold deposits to lessors.

(Allowance for doubtful accounts in the financial services business)

The allowance for doubtful accounts in the financial services business is stated in accordance with its internally developed standards for write-offs and provisions mainly described as follows:

The financial services subsidiaries classify their obligors into five categories for self-assessment purposes, namely, "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For credits to obligors classified as normal or in need of caution, the allowance for doubtful accounts is provided based on the bad debt ratio derived from past credit loss experience over a certain period.

For credits classified as possible bankruptcy, the allowance for doubtful accounts is provided only for the required amount of the following: credit amount, less the expected amount recoverable through the disposal of collateral or execution of guarantee.

For credits classified as virtual bankruptcy or legal bankruptcy, the allowance for doubtful accounts is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

All claims are assessed initially by the relevant departments based on the financial services subsidiaries' internal standards for self-assessment of asset quality. The Internal Audit Department, which is independent from the relevant departments, reviews the results of the self-assessments.

h. Property, buildings and equipment (excluding lease assets)—Property, buildings, and equipment are stated at cost. Depreciation of property, buildings, and equipment is computed using the straight-line method based on the estimated useful lives of the assets. The range

of useful lives is principally from 20 to 39 years for store buildings, from 38 to 50 years for office buildings, from three to 20 years for structures, from two to 20 years for furniture and fixtures, and from four to six years for vehicles. Accumulated depreciation of property, buildings, and equipment, including lease assets, as of February 29, 2016 and February 28, 2017, was ¥2,120,510 million and ¥2,180,827 million (\$19,471,678 thousand), respectively.

i. Intangible assets (excluding goodwill and lease assets)—Intangible assets are carried at cost, less accumulated amortization. Amortization of intangible assets of the Group is calculated using the straight-line method. Software is amortized mainly over five years.

j. Long-lived assets—The Company and its domestic consolidated subsidiaries review their long-lived assets, including goodwill, for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Foreign consolidated subsidiaries review their long-lived assets for impairment based on IFRS principally.

k. Provision for store closing expenses—The provision for store closing expenses, including rental agreement cancellation penalties, is recognized at the time when a decision to close a store is made by management and such expenses may be reasonably estimated.

l. Retirement and pension plans—The Company and certain domestic consolidated subsidiaries have a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are mainly recognized in profit or loss on a straight-line basis over 10 years, no longer than the expected average remaining service period of the employees.

Retirement allowances for directors and Audit & Supervisory Board members are recorded by certain domestic subsidiaries as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

m. Provision for loss on refund of interest received—The provision for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by the consolidated credit services subsidiaries and is stated in amounts considered to be appropriate based on the subsidiary's past refund experiences.

n. Provision for point program—The provision for the point program is stated in amounts considered to be appropriate based on the companies' past redemption experience.

o. Asset retirement obligations—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

p. Employee stock ownership plan—In accordance with PITF No. 30, Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts,' upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

q. Leases—Finance lease transactions are capitalized lease assets and lease obligations in the balance sheet. Finance lease assets that deem to transfer ownership of the leased property to the lessee are depreciated using the same method for property, buildings, and equipment. Finance lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

r. Income taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

s. Advertising costs—Advertising costs that are expensed as incurred and included in selling, general and administrative expenses were ¥172,196 million, ¥194,798 million, and ¥193,753 million (\$1,729,945 thousand) for the years ended 2015, 2016, and 2017, respectively.

t. Foreign currency transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each consolidated balance sheet date. The foreign exchange gains and losses from

translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

u. Foreign currency financial statements—The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of foreign consolidated subsidiaries are translated into yen at the average exchange rate.

v. Derivatives and hedging activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange and interest rates. Derivative financial instruments are composed principally of foreign exchange forward contracts, currency swaps, and interest rate swaps utilized by the Group to reduce foreign currency exchange and interest rate risks.

The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Gains or losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized in income or loss when the hedged transactions occur.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. In principle, these swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gain or loss, net of applicable taxes, is deferred until maturity as "Deferred Gain (Loss) on Derivatives under Hedge Accounting" in a separate component of equity.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

w. Per share information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

x. Additional information

Accounting Treatment for the Employee Stock Ownership Plan Trust

The Company has introduced an Employee Stock Ownership Plan Trust (the "ESOP Trust"), which is a trust-type incentive scheme that provides the Company's workforce with ownership interests in the Company, aiming to enhance the corporate value over the medium to long term.

The Company's stock held by the ESOP Trust is accounted for as treasury stock within Equity by using the look-through approach for the trust account. As of February 29, 2016 and February 28, 2017, the book value and the number of treasury stock recorded under the look-through approach were ¥6,084 million and 4,794,600 shares, and ¥4,290 million (\$38,303 thousand) and 3,380,600 shares respectively. The book values of long-term loans, including the current portion, recorded under the look-through approach, as of February 29, 2016 and February 28, 2017, were ¥6,000 million and ¥3,600 million (\$32,142 thousand), respectively.

y. New accounting pronouncements

Tax Effect Accounting

On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by JICPA. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary difference, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for deductible temporary differences for which it was specifically prohibited to recognize deferred tax assets under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective March 1, 2017, and is in process of measuring the effects of applying the new guidance in future applicable periods.

Foreign consolidated subsidiaries

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, not yet adopted by the foreign consolidated subsidiaries and which may have potential impacts are as follows:

The Company is currently evaluating the potential impacts of applying the following in the future period to be adopted.

Standard/interpretation		Outline of the new/revised standards	To be adopted by the Group
IFRS 9	Financial Instruments	IFRS 9 replaces a part of the previous IAS 39. Main revisions are: to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement; to revise the treatment of changes in fair values of financial liabilities measured at fair value; to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.	From the fiscal year ending February 28, 2019
IFRS 15	Revenue from contracts with customers	IFRS 15 replaces the previous IAS 11 and IAS 18. Main revisions are: to require revenue recognition by the following five steps: a. identify the contract with the customer b. identify the performance obligations in the contract c. determine the transaction price d. allocate the transaction price to each performance obligation in the contract e. recognise revenue when (or as) a performance obligation is satisfied to revise the treatment for contract costs, license and guarantee of products	From the fiscal year ending February 28, 2019
IFRS 16	Leases	IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are: Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and Revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.	From the fiscal year ending February 29, 2020

3 Acquisitions

Establishment of a new joint-holding company through management integration of The Maruetsu, Inc., KASUMI CO., LTD., and Maxvalu Kanto Co., Ltd., and the acquisition of Kasumi (FY'16)

KASUMI Co., Ltd. ("Kasumi"), an associated company of the Company accounted for using the equity method, and The Maruetsu, Inc. ("Maruetsu") and Maxvalu Kanto Co., Ltd. ("MV Kanto"), consolidated subsidiaries of the Company, completed a joint share transfer and established a joint-holding company, United Super Markets Holdings Inc. ("U.S.M. Holdings"). As a result, Kasumi became a consolidated subsidiary of the Company. The overview of this business combination is described below.

Objectives of business combination

The Tokyo metropolitan area is a rapidly evolving market, where new customer needs are generated on a daily basis. It is one of the richest and most promising areas in Japan and is expected to continue its sustainable growth, while competition in the supermarket ("SM") industry intensifies and spreads beyond the SM industry. Maruetsu, Kasumi, and MV Kanto (the "Three Operating Companies") intend to contribute to customers by offering products that enrich their diet and lead them to healthy lifestyles, and becoming a community-based company that will support local communities' development and prosperity by enhancing their management know-how cultivated over the years as SM companies based in the metropolitan area. Further, the Three Operating Companies seek to remain as companies of continuous renovation and confronting new challenges by flexibly adapting their business directions to the changing trends. Under these basic principles, the Three Operating Companies established a joint-holding company, U.S.M. Holdings through management integration, and Kasumi became a consolidated subsidiary as a result of the joint share transfer.

Overview of the share transfer

i) Share transfer date

March 2, 2015

ii) Share transfer method

The new joint-holding company, U.S.M. Holdings, was established through a joint share transfer and became the wholly owning parent, with the Three Operating Companies being its wholly-owned subsidiaries

iii) Details of the allocation pertaining to the share transfer (share transfer ratio)

The share transfer ratio is as follows:

Company name	Maruetsu	Kasumi	MV Kanto
Share transfer ratio	0.51	1	300

iv) Outline of the joint-holding company established through the share transfer

- 1) Company name: United Super Markets Holdings Inc.
- 2) Business description: Management of the supermarket business
- 3) Shareholding ratio by the Company's consolidated subsidiary (the JV company): 51.0%

Company name and business description of the acquired company, the date and legal form of the business combination, the company name after the business combination, the percentage of voting rights of Kasumi acquired by the Company's consolidated subsidiaries, and the primary reasons for determining an acquired company

i) Company name and business description of the acquired company Company name: KASUMI Co., Ltd.

Business description: Supermarket business involved in retail of food products, household goods, and clothes

ii) Date of the business combination

March 2, 2015

iii) Legal form of the business combination

Establishment of a joint-holding company through a joint share transfer

iv) Company name after the business combination

No change – remains the same

v) Percentage of voting rights acquired

Voting rights held immediately before the acquisition: 32.40%
Additionally acquired voting rights on the business combination date: 67.60%

Voting rights held after the acquisition: 100.00%

vi) Primary basis for determining an acquired company

U.S.M. Holdings and Kasumi became the Company's consolidated subsidiaries through a joint share transfer. As such, it was determined that Maruetsu and MV Kanto, which had been consolidated subsidiaries of the Company from before the share transfer, were identified as acquirers, and Kasumi as an acquiree.

Period of the acquired company's financial results included in the consolidated financial statements

From March 1, 2015 to February 29, 2016

Acquisition cost of the acquired company and its breakdown

The total acquisition cost was ¥64,257 million, consisting of the following:

	Millions of Yen
Consideration for the acquisition - fair value of shares of U.S.M. Holdings issued to the shareholders of Kasumi on the date of the business combination	¥64,137
Direct costs of the acquisition (advisory fee and others)	119
Acquisition cost	¥64,257

Gain resulting from the step acquisition of Kasumi of ¥7,473 million is recorded in the Consolidated Statement of Income for the year ended February 29, 2016.

Goodwill generated, underlying factors for the goodwill, and amortization method and period

i) Goodwill generated

¥8,977 million

Goodwill is measured based on the proportionate number of shares held by the consolidated subsidiary of the Company (the JV company).

ii) Underlying factors for the goodwill

Goodwill was generated due to an excess in earning power, which is expected from future business operations of Kasumi.

iii) Amortization method and period

Amortized over 20 years on a straight-line basis

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen
Current assets	¥28,858
Fixed assets	64,430
Total assets	¥93,289
Current liabilities	35,246
Long-term liabilities	10,096
Total liabilities	¥45,342

4 Receivables

Installment and financial loans are operating receivables of the consolidated credit services subsidiaries.

Loans and bills discounted in the banking business are housing, personal, and other loans of the consolidated banking subsidiary.

5 Marketable and investment securities

Marketable securities as of February 29, 2016 and February 28, 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Securities in banking business	¥233,513	¥180,731	\$1,613,675
Monetary claims bought in banking business	4,097	4,031	35,994
Others	156	335	2,992
Total	¥237,767	¥185,098	\$1,652,662

The cost and aggregate fair values of marketable and investment securities as of February 29, 2016 and February 28, 2017, were as follows:

		Millions of Yen			
February 29, 2016		Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:					
Available-for-sale:	Equity securities	¥ 52,492	¥62,968	¥(1,465)	¥113,995
	Debt securities	227,148	3,105	(11)	230,243
	Other	7,196	729	(162)	7,763

		Millions of Yen			
February 28, 2017		Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:					
Available-for-sale:	Equity securities	¥ 44,752	¥74,368	¥(107)	¥119,014
	Debt securities	173,596	2,482	(4)	176,073
	Other	8,243	540	(230)	8,554

		Thousands of U.S. Dollars			
February 28, 2017		Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:					
Available-for-sale:	Equity securities	\$ 399,579	\$664,008	\$ (958)	\$1,062,629
	Debt securities	1,549,966	22,162	(42)	1,572,086
	Other	73,606	4,827	(2,054)	76,378

Proceeds and realized gains and losses on sales of available-for-sale securities for the years ended February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
February 29, 2016			
Equity securities	¥50,700	¥19,398	¥(895)

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
February 28, 2017						
Equity securities	¥12,144	¥3,672		\$108,432	\$32,789	
Debt securities	100			892		
Other	579	1		5,170	12	
Total	¥12,823	¥3,673		\$114,495	\$32,802	

The impairment loss on valuation of investment securities and investments in associated companies for the years ended February 29, 2016 and February 28, 2017, was ¥192 million and ¥1 million (\$11 thousand), respectively, which included available-for-sale securities whose fair value could not be reliably measured of ¥100 million and ¥1 million (\$11 thousand), respectively.

The consolidated banking subsidiary pledged securities of ¥37,503 million and ¥37,288 million (\$332,935 thousand) as collateral for transactions, such as for exchange settlement transactions, as of February 29, 2016 and February 28, 2017, respectively.

6 Inventories

Inventories as of February 29, 2016 and February 28, 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Merchandise	¥566,794	¥575,259	\$5,136,243
Raw materials and supplies	8,826	10,942	97,703
Total	¥575,620	¥586,202	\$5,233,947

7 Long-lived assets

The Group reviewed its long-lived assets for impairment for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, and, as a result, recorded impairment losses of ¥46,163 million, ¥46,518 million and ¥45,253 million (\$404,047 thousand) respectively on the following group of long-lived assets:

For the years ended February 28, 2015, February 29, 2016 and February 28, 2017

a. GMS Business

Use	Type of Assets	Location	Number of Asset Groups	Millions of Yen	Number of Asset Groups	Millions of Yen	Number of Asset Groups	Millions of Yen	Thousands of U.S. Dollars
			'15		'16		'17		'17
Stores	Land, buildings and structures and others	Northern Japan	17	¥ 586	49	¥ 2,594	27	¥ 1,989	\$ 17,762
		Kanto	49	2,798	63	4,508	74	8,397	74,975
		Chubu	26	2,635	21	2,815	25	2,233	19,941
		Western Japan	63	6,616	58	5,279	52	3,930	35,096
Idle assets	Land	Western Japan and others	2	55	1	5			
Total			157	¥12,692	192	¥15,203	178	¥16,550	\$147,776

b. Supermarket ("SM") and Discount Store ("DS") Business

Use	Type of Assets	Location	Number of Asset Groups	Millions of Yen	Number of Asset Groups	Millions of Yen	Number of Asset Groups	Millions of Yen	Thousands of U.S. Dollars
			'15		'16		'17		'17
Stores	Land, buildings and structures and others	Japan							
		Northern Japan	37	¥ 1,514	59	¥ 1,225	59	¥ 3,783	\$ 33,777
		Kanto	306	8,461	335	9,251	256	5,790	51,697
		Chubu	31	1,318	40	1,096	23	415	3,712
		Western Japan	183	9,012	187	7,647	231	6,110	54,559
		China	1	112	3	350	5	389	3,481
Idle assets	Land, buildings and structures and others	Western Japan and others	21	174	25	2,037	16	188	1,684
Total			579	¥20,593	649	¥21,609	590	¥16,678	\$148,912

c. Small-sized Store Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		
Stores	Land, buildings and structures and others	Japan							
		Northern Japan	31	¥ 175	27	¥ 125	29	¥ 129	\$ 1,156
		Kanto	364	1,341	210	1,398	244	1,182	10,560
		Chubu	106	428	74	273	86	398	3,559
		Western Japan	134	380	47	204	63	404	3,608
		China					44	127	1,136
		Korea	369	567	264	288	401	359	3,213
Idle assets	Land	Chubu	1				1		1
Total			1,005	¥2,893	622	¥2,291	868	¥2,602	\$23,236

d. Drug Store and Pharmacy Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		
Stores	Land, buildings and structures and others	Japan							
		Kanto	31	¥ 628	40	¥ 635	58	¥ 908	\$ 8,108
		Chubu	20	759	41	810	61	507	4,534
		Western Japan	35	416	58	883	38	376	3,365
		China	2	2	2	5			
Idle assets	Land, buildings and structures and others	Western Japan and Kanto			1	192	1	16	144
Total			88	¥1,807	142	¥2,527	158	¥1,809	\$16,152

e. Financial Services Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		
Stores	Buildings and structures and others	Northern Japan			1	¥ 4	2	¥ 3	\$ 27
		Kanto	4	¥17	5	20	12	38	340
		Chubu	5	16	2	10	3	1	16
		Western Japan	4	1	2	2	6	18	166
Idle assets	Land, buildings and structures and others	Kanto					5	48	436
Total			13	¥36	10	¥37	28	¥110	\$987

f. Shopping Center ("SC") Development Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of
			'15		'16		'17		U.S. Dollars
Stores	Buildings and structures and others	Japan							
		Northern Japan	2	¥ 285	2	¥ 8	2	¥ 21	\$ 191
		Kanto	4	259	3	498	4	1,315	11,746
		Chubu	2	328	1		1	29	261
		Western Japan	2	995	1	686	5	1,262	11,270
		China					1	386	3,449
Total			10	¥1,868	7	¥1,193	13	¥3,014	\$26,918

g. Service and Specialty Store Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		'17
Stores	Buildings and structures and others	Japan							
		Northern Japan	48	¥ 269	57	¥ 231	40	¥ 113	\$ 1,014
		Kanto	203	1,864	187	993	165	861	7,692
		Chubu	60	327	58	309	64	277	2,481
		Western Japan	144	1,067	127	564	105	636	5,683
		China	15	37	2	9	5	36	326
		Malaysia			1	2	6	19	174
		Thailand					17	131	1,169
Idle assets	Buildings and structures and others	Malaysia					1	3	32
Total			470	¥3,567	432	¥2,110	403	¥2,080	\$18,574

h. International Business

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		'17
Stores	Buildings and structures and others	Malaysia	7	¥1,278	9	¥ 138	11	¥ 229	\$ 2,050
		Thailand	1	260	7	93	3	41	371
		China	5	1,075	7	1,143	4	172	1,535
-	Goodwill*	Malaysia						1,819	16,242
Total			13	¥2,614	23	¥1,375	18	¥2,262	\$20,200

* The book value of goodwill was written down to zero since the Company has determined that reaching the income target expected in line with the business plan in effect when the subsidiary was acquired is no longer probable.

i. Other Businesses

Use	Type of Assets	Location	Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Number of Asset Groups Millions of Yen		Thousands of U.S. Dollars
			'15		'16		'17		'17
Stores	Buildings and structures and others	Northern Japan			1				
		Kanto	2	¥89	3	¥167	2	¥144	\$1,288
		Western Japan			3	1			
Total			2	¥89	7	¥169	2	¥144	\$1,288

The Group mainly categorizes stores as minimum cash-generating units and idle assets as individual independent units.

The book values of the stores, which incurred or are expected to incur continuous operating losses, and idle assets, which are not scheduled to be used, were reduced to their recoverable amounts, and such reductions in carrying value were recorded as impairment loss in other expenses.

The recoverable amounts of the asset groups are measured at net selling price or value in use. The net selling price for land is measured based on the real estate appraisal value or assessed value of fixed assets. The net selling price for other assets is estimated based on past transactions. The value in use is estimated using the discounted future cash flow method. The discount rates for fiscal years ended February 28, 2015, February 29, 2016 and February 28, 2017, were 1.5% to 10.0%, 1.7% to 6.4%, and 1.7% to 8.1%, respectively.

The breakdown of impairment loss for the years ended February 28, 2015, February 29, 2016 and February 28, 2017 is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	'15	'16	'17	'17
Buildings and structures	¥29,059	¥31,244	¥28,863	\$257,713
Land	3,913	2,902	2,236	19,968
Furniture and fixtures	7,786	7,473	8,075	72,100
Goodwill			1,819	16,242
Leased property held under finance leases	2,965	1,630	1,093	9,762
Other intangible assets and others	2,437	3,267	3,165	28,259
Total	¥46,163	¥46,518	¥45,253	\$404,047

8 Investment properties

Certain consolidated subsidiaries hold some rental properties, such as commercial facilities, in major cities throughout Japan.

The net of rental revenues and operating expenses for those rental properties for the years ended February 29, 2016 and February 28, 2017, were ¥65,383 million and ¥74,417 million (\$664,439 thousand), respectively.

The carrying amounts, increases in balances, and fair values of the properties as of February 29, 2016 and February 28, 2017, were as follows:

Millions of Yen							
'16				'17			
Carrying amount			Fair value	Carrying amount			Fair value
Beginning of the year	Increase	End of the year		Beginning of the year	Increase	End of the year	
¥919,575	¥45,024	¥964,600	¥1,433,470	¥964,600	¥4,599	¥969,199	¥1,379,777

Thousands of U.S. Dollars			
'17			
Carrying amount			Fair value
Beginning of the year	Increase	End of the year	
\$8,612,500	\$41,067	\$8,653,567	\$12,319,439

*1 Carrying amounts recognized in the consolidated balance sheets were net of accumulated depreciation.

*2 Increase during the year ended February 29, 2016, was primarily attributable to newly acquired properties of ¥144,647 million, which was partially offset by disposal and sales of fixed assets of ¥39,494 million, depreciation expense of ¥37,040 million and impairment loss of ¥6,973 million.

Increase during the year ended February 28, 2017, was primarily attributable to newly acquired properties of ¥102,223 million (\$912,706 thousand), which was partially offset by disposal and sales of fixed assets of ¥63,826 million (\$569,878 thousand), and depreciation expense of ¥39,163 million (\$349,675 thousand) and impairment loss of ¥2,904 million (\$25,934 thousand).

*3 Fair values of the properties as of February 29, 2016 and February 28, 2017, are mainly determined by the Company based on the "Real Estate Appraisal Standards" or appraisal reports issued by real estate appraisers.

9 Short-term borrowings and long-term debt

Short-term borrowings as of February 29, 2016 and February 28, 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Short-term loans principally from banks, 0.10% to 10.50% (2016) and 0.00% to 12.50% (2017)	¥326,624	¥350,760	\$3,131,790
Bank overdraft, 1.48% to 3.14% (2016) and 0.65% to 3.20% (2017)	1,945	3,714	33,165
Commercial papers, 0.01% to 0.20% (2016) and 0.03% to 3.83% (2017)	115,500	43,498	388,383
Total	¥444,070	¥397,973	\$3,553,338

Long-term debt as of February 29, 2016 and February 28, 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Issued by Aeon Co., Ltd.:			
Unsecured 2.59% Japanese yen notes due in 2026	¥ 15,000	¥ 15,000	\$ 133,928
Subordinated Japanese yen bond with deferral of interest and early redemption provisions due in 2057 *1	26,500		
Unsecured 1.01% Japanese yen notes due in 2019	20,000	20,000	178,571
Unsecured 0.72% Japanese yen notes due in 2020	20,000	20,000	178,571
Unsecured 1.15% Japanese yen notes due in 2023	20,000	20,000	178,571
Unsecured 0.46% Japanese yen notes due in 2022	10,000	10,000	89,285
Unsecured 0.82% Japanese yen notes due in 2025	25,000	25,000	223,214
Unsecured 0.47% Japanese yen notes due in 2021	15,000	15,000	133,928
Unsecured 0.75% Japanese yen notes due in 2023	10,000	10,000	89,285
Unsecured 1.07% Japanese yen notes due in 2026	10,000	10,000	89,285
Subordinated Japanese yen bond with deferral of interest and early redemption provisions due in 2047 *2		24,800	221,428
Subordinated Japanese yen bond with deferral of interest and early redemption provisions due in 2047 *3		21,700	193,750
Issued by Aeon Financial Service Co., Ltd.:			
Zero-Coupon Convertible Bonds due in 2018	50		
Unsecured 0.35% Japanese yen notes due in 2020	10,000	10,000	89,285
Unsecured 0.57% Japanese yen notes due in 2022	10,000	10,000	89,285
Unsecured 0.83% callable subordinated Japanese yen notes due in 2025	30,000	30,000	267,857
Unsecured 0.83% callable subordinated Japanese yen notes due in 2025	10,000	10,000	89,285
Unsecured 0.40% Japanese yen notes due in 2021	20,000	20,000	178,571
Unsecured 0.55% Japanese yen notes due in 2023	10,000	10,000	89,285
Unsecured Zero-Coupon Japanese yen Convertible Bonds due in 2020		30,000	267,857
Issued by Aeon Thana Sinsap (Thailand) Plc.:			
Unsecured 1.15% Thai baht debenture due in 2017	1,706		
Unsecured 1.73% Thai baht debenture due in 2017	2,268		
Unsecured 1.05% Thai baht debenture due in 2018	3,385	3,385	30,229
Unsecured 1.16% Thai baht debenture due in 2018	2,272	2,262	20,198
Unsecured 1.37% Thai baht debenture due in 2019	1,911	1,909	17,053
Unsecured 1.34% Thai baht debenture due in 2019	3,414	3,394	30,307
Unsecured 1.24% Thai baht debenture due in 2020	3,358	3,356	29,964
Unsecured 4.43% Thai baht debenture due in 2018	3,811	3,874	34,596
Unsecured 1.25% Thai baht debenture due in 2018	1,693	1,692	15,113
Unsecured 1.34% Thai baht debenture due in 2020	2,229	2,223	19,853
Unsecured 2.87% Thai baht debenture due in 2019	634	645	5,761
Unsecured 1.74% Thai baht debenture due in 2021		1,684	15,038
Unsecured 1.90% Thai baht debenture due in 2021		7,851	70,105
Unsecured 2.21% Thai baht debenture due in 2022		1,679	14,993
Unsecured 2.50% Thai baht debenture due in 2020		1,290	11,525
Unsecured 2.73% Thai baht debenture due in 2020		3,222	28,773
Unsecured 3.48% Thai baht debenture due in 2022		3,222	28,771
Unsecured 1.97% Thai baht debenture due in 2022		3,354	29,950
Issued by Aeon Credit Service (M) Berhad: *4			
Medium-term note 3.95% due in 2018	1,347	1,267	11,316
Medium-term note 3.95% due in 2018	1,077	1,014	9,053
Medium-term note 3.95% due in 2018	1,481	1,394	12,448
Medium-term note 3.95% due in 2018	1,481	1,394	12,448
Issued by Aeon Co. (M) Bhd.:			
Medium-term note 4.18% due in 2018		1,300	11,607
Issued by Aeon Mall Co., Ltd.:			
Unsecured 0.50% Japanese yen notes due in 2018	10,000	10,000	89,285
Unsecured 0.80% Japanese yen notes due in 2020	15,000	15,000	133,928
Unsecured 0.90% Japanese yen notes due in 2025	20,000	20,000	178,571
Unsecured 0.44% Japanese yen notes due in 2022	15,000	15,000	133,928
Unsecured 0.95% Japanese yen notes due in 2027	5,000	5,000	44,642
Unsecured 0.57% Japanese yen notes due in 2023	30,000	30,000	267,857
Unsecured 0.48% Japanese yen notes due in 2024		25,000	223,214
Unsecured 1.10% Japanese yen notes due in 2037		10,000	89,285
Issued by other consolidated subsidiary : *5			
Unsecured notes, due through 2020, with interest rates ranging from 0.40% to 0.61%	1,004	620	5,535
Loans from banks and insurance companies, due through 2074, with interest rates ranging from 0.00% to 12.95% (2016) and from 0.00% to 12.95% (2017):			
Collateralized	120,943	119,795	1,069,603
Unsecured	1,134,774	1,154,965	10,312,195
Lease obligations	66,433	73,176	653,358
Accounts payable for capital expenditures-installment	14,950	13,055	116,563
Total	1,726,730	1,854,533	16,558,334
Less current portion	(300,257)	(347,326)	(3,101,129)
Long-term debt, less current portion	¥1,426,473	¥1,507,206	\$13,457,205

*1 Interest rate: Six-month euroyen LIBOR, plus 1.40% until September 29, 2016, and Six-month euroyen LIBOR, plus 2.40% after September 29, 2016

*2 Interest rate: 2.17% until September 21, 2026, and Six-month euroyen LIBOR, plus 3.05% after September 21, 2026

*3 Interest rate: Six-month euroyen LIBOR, plus 2.05% until September 21, 2026, and Six-month euroyen LIBOR, plus 3.05% after September 21, 2026

*4 Percentage figures show profit return rates.

*5 Consolidated subsidiary: Red Cabbage Co., Ltd.

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion Price*1	Number of Shares of Common Stock (thousands)*2	Exercise Period
Unsecured Zero-Coupon Japanese yen Convertible Bonds due in 2020	¥2,558	11,727	From November 1, 2016 to September 11, 2019

*1 The conversion price is subject to adjustment for certain subsequent events such as the issue of common stock at less than market value and stock splits.

*2 Numbers of shares of common stock are calculated on the assumption that all convertible bonds with stock acquisition rights are converted as of February 28, 2017.

Annual maturities of long-term debt as of February 28, 2017, were as follows:

Fiscal Year Ending February,	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 347,326	\$ 3,101,129
2019	302,579	2,701,598
2020	289,939	2,588,742
2021	243,035	2,169,956
2022	206,723	1,845,744
2023 and thereafter	464,930	4,151,164
Total	¥1,854,533	\$16,558,334

Collateralized short-term borrowings, long-term debt, and others as of February 28, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term borrowings	¥ 32,665	\$ 291,658
Other current liabilities	29,963	267,532
Long-term debt	119,795	1,069,603
Lease deposits from lessees	3,884	34,680
Other long-term liabilities	146	1,305
Total	¥186,455	\$1,664,778

A certain subsidiary securitized real estate by means of a certain special purpose company and the Group treated the transaction as a finance transaction according to the "Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by Means of Special Purpose Companies" (the Accounting Practice Committee Report No. 15, issued by the JICPA, the latest revision on November 4, 2014). Accordingly, the figures above include the amounts of such finance transactions as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures-net of accumulated depreciation	¥21,405	\$191,124
Land	4,573	40,835
Others	709	6,337

	Millions of Yen	Thousands of U.S. Dollars
Other current liabilities	¥29,963	\$267,532

The carrying amounts of assets pledged as collateral for short-term borrowings, long-term debt, and others as of February 28, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures-net of accumulated depreciation	¥102,381	\$ 914,119
Land	72,846	650,418
Marketable securities	27,156	242,467
Installment and financial loans receivable	24,113	215,298
Cash and cash equivalents	2,695	24,069
Investment securities	44	400
Others	1,063	9,499
Total	¥230,302	\$2,056,273

10 Retirement and pension plans

The Company and certain domestic consolidated subsidiaries have a defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees.

Defined benefit plan

(1) The changes in defined benefit obligation for the years ended February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Balance at beginning of year (as previously reported)	¥179,052	¥188,403	\$1,682,173
Cumulative effects of changes in accounting policy	4,073		
Balance at beginning of year (as restated)	¥183,125	¥188,403	\$1,682,173
Current service cost	10,191	9,194	82,090
Interest cost	1,720	1,276	11,396
Actuarial (gains) losses	9,209	(5,544)	(49,505)
Benefits paid	(17,263)	(7,945)	(70,944)
Prior service cost		(896)	(8,004)
Increase of newly consolidated subsidiaries	7,610		
Decrease due to the termination of a defined benefit plan	(5,341)	(644)	(5,757)
Others	(849)	135	1,213
Balance at end of year	¥188,403	¥183,978	\$1,642,661

(2) The changes in plan assets for the years ended February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Balance at beginning of year	¥171,154	¥168,946	\$1,508,454
Expected return on plan assets	2,866	3,396	30,322
Actuarial losses	(1,988)	(5,148)	(45,964)
Contributions from the employer	8,055	8,403	75,034
Benefits paid	(8,591)	(6,722)	(60,019)
Setting of assets from retirement benefits trust	24,000		
Increase of newly consolidated subsidiaries	5,360		
Decrease due to the termination of a defined benefit plan	(1,459)		
Return of assets from retirement benefits trust	(29,851)		
Others	(598)	59	530
Balance at end of year	¥168,946	¥168,936	\$1,508,357

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of February 29, 2016 and February 28, 2017, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Funded defined benefit obligation	¥173,210	¥169,031	\$1,509,206
Plan assets	(168,946)	(168,936)	(1,508,357)
	4,263	94	848
Unfunded defined benefit obligation	15,192	14,946	133,455
Net liability for defined benefit obligation	¥ 19,456	¥ 15,041	\$ 134,303
Liability for retirement benefits	27,432	25,735	229,780
Asset for retirement benefits	(7,976)	(10,693)	(95,477)
Net liability for defined benefit obligation	¥ 19,456	¥ 15,041	\$ 134,303

(4) The components of net periodic benefit costs for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	'15	'16	'17	'17
Service cost	¥7,583	¥10,191	¥9,194	\$82,090
Interest cost	2,586	1,720	1,276	11,396
Expected return on plan assets	(1,328)	(2,866)	(3,396)	(30,322)
Recognized actuarial gains (losses)	(464)	(1,783)	599	5,349
Others	107	80	157	1,407
Subtotal (net periodic benefit costs)	8,485	7,343	7,831	69,920
Gain on return of assets from retirement benefits trust		(13,603)		
Gain on abolishment of retirement benefit plan		(773)	(35)	(318)
Total	¥8,485	¥ (7,033)	¥7,795	\$69,602

(5) The components of defined retirement benefit plans recognized in the Consolidated Statement of Comprehensive Income for the years ended February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	'15	'16	'17	'17
Actuarial gains (losses)		¥(31,159)	¥1,005	\$ 8,974
Prior service cost		(281)	958	8,561
Other		319		
Total		¥(31,121)	¥1,964	\$17,535

(6) The components of accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	'16	'17	'17	
Unrecognized actuarial losses	¥(1,958)	¥(953)		\$(8,511)
Unrecognized prior service cost	(144)	814		7,270
Total	¥(2,103)	¥(139)		\$(1,241)

(7) Plan assets as of February 29, 2016 and February 28, 2017

a. Components of plan assets

Plan assets consisted of the following:

	'16	'17
Debt investments	35%	40%
Equity investments	25%	31%
Cash and cash equivalents	24%	10%
General account of life insurance	8%	8%
Others*1	8%	11%
Total*2	100%	100%

*1 Mainly includes Alternative investments.

*2 The retirement benefits trust which is contributed to the defined benefit pension plan and retirement lump sum grants plan included in the plan assets total for the years ended February 29, 2016 and February 28, 2017 was 39% and 37%.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were set forth as follows:

	'15	'16	'17
Discount rate	Mainly 1.3%	Mainly 0.9%	Mainly 0.8%
Expected rate of return on plan assets	Mainly 0%~1.58%	Mainly 0%~2.37%	Mainly 0.72%~2.51%

* Expected rates of salary increase are based on an index of salary increase by age, calculated using the base date of March 31, 2016.

Defined contribution plan

Contribution for defined contribution plan for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, was ¥6,556 million, ¥7,472 million and ¥8,221 million (\$73,408 thousand), respectively.

Advance payment plan

Payment for advance payment plan for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, was ¥857 million, ¥750 million and ¥730 million (\$6,526 thousand), respectively.

11 Asset retirement obligations

The changes in asset retirement obligations for the years ended February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Balance at beginning of year	¥71,451	¥76,280	\$681,073
Additional provisions associated with the acquisition of property, buildings, and equipment	3,537	4,414	39,412
Reconciliation associated with passage of time	1,198	1,141	10,192
Reduction associated with settlement of asset retirement obligations	(1,470)	(2,221)	(19,831)
Increase associated with the change of scope of consolidation	2,282		
Others	(717)	1,887*	16,856*
Balance at end of year	¥76,280	¥81,502	\$727,703

* "Others" mainly represents an increase of ¥2,616 million (\$23,357 thousand) due to changes in accounting estimates of asset retirement obligations (AROs). This is associated with certain consolidated subsidiaries' revised accounting estimates for AROs related to restoration obligations under real estate leasehold contracts. The AROs were estimated based on restoration cost incurred on store closures. The effects of this change on profit or loss are immaterial.

12 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (including appointment committee, compensation committee, and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of an Audit & Supervisory Board.

The Board of Directors of the Company can declare dividends without resolution at the shareholders' meeting as the Company is organized as a company with board committees and meets the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13 Stock-based compensation

For the years ended February 28, 2015, February 29, 2016 and February 28, 2017, the Company and domestic consolidated subsidiaries recognized expenses related to stock options of ¥399 million, ¥370 million and ¥457 million (\$4,081 thousand), respectively, which are included in selling, general and administrative expenses. The Company also recorded ¥17 million, ¥17 million and ¥5 million (\$50 thousand) of extraordinary income on the expiration of stock options for the years ended February 28, 2015, February 29, 2016 and February 28, 2017.

The stock options outstanding as of February 28, 2017, are as follows:

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Aeon Co., Ltd.	2008 Stock Option	30 executive officers	66,500	April 21, 2007	1	From May 21, 2007 to May 20, 2022
Aeon Co., Ltd.	2009 Stock Option	30 executive officers and 7 executives of the group companies	84,000	April 22, 2008	1	From May 21, 2008 to May 20, 2023
Aeon Co., Ltd.	2009 Stock Option	26 executive officers and 7 executives of the subsidiaries	21,600	November 20, 2008	1	From November 21, 2008 to November 20, 2023
Aeon Co., Ltd.	2010 Stock Option	8 executives of the subsidiaries	5,300	May 20, 2009	1	From May 21, 2009 to May 20, 2024
Aeon Co., Ltd.	2011 Stock Option	20 executive officers and 20 directors of the group companies	99,800	June 21, 2010	1	From July 21, 2010 to July 20, 2025
Aeon Co., Ltd.	2012 Stock Option	16 executive officers and 9 directors of the group companies	78,200	June 21, 2011	1	From July 21, 2011 to July 20, 2026
Aeon Co., Ltd.	2013 Stock Option	18 executive officers and 9 directors of the group companies	86,500	June 21, 2012	1	From July 21, 2012 to July 20, 2027
Aeon Co., Ltd.	2014 Stock Option	21 executive officers and 9 directors of the group companies	92,200	June 21, 2013	1	From July 21, 2013 to July 20, 2028
Aeon Co., Ltd.	2015 Stock Option	13 executive officers and 10 directors of the group companies	37,000	June 21, 2014	1	From July 21, 2014 to July 20, 2029
Aeon Co., Ltd.	2016 Stock Option	17 executive officers and 7 directors of the group companies	37,900	June 21, 2015	1	From July 21, 2015 to July 20, 2030
Aeon Hokkaido Corporation	2009 Stock Option	5 directors	20,000	April 30, 2008	1	From May 31, 2008 to May 30, 2023
Aeon Hokkaido Corporation	2010 Stock Option	5 directors	27,100	April 30, 2009	1	From May 31, 2009 to May 30, 2024
Aeon Hokkaido Corporation	2011 Stock Option	5 directors	53,700	April 30, 2010	1	From May 31, 2010 to May 30, 2025
Aeon Hokkaido Corporation	2012 Stock Option	6 directors	59,200	April 30, 2011	1	From May 31, 2011 to May 30, 2026
Aeon Hokkaido Corporation	2013 Stock Option	8 directors	72,200	April 30, 2012	1	From May 31, 2012 to May 30, 2027
Aeon Hokkaido Corporation	2014 Stock Option	7 directors	71,000	April 30, 2013	1	From May 31, 2013 to May 30, 2028
Aeon Hokkaido Corporation	2015 Stock Option	6 directors	60,200	April 30, 2014	1	From May 31, 2014 to May 30, 2029
Aeon Hokkaido Corporation	2016 Stock Option	6 directors	61,200	April 30, 2015	1	From May 31, 2015 to May 30, 2030
Aeon Hokkaido Corporation	2017 Stock Option	5 directors	52,700	April 30, 2016	1	From May 31, 2016 to May 30, 2031
Aeon Kyushu Co., Ltd.	2009 Stock Option	9 directors	6,300	April 21, 2008	1	From May 21, 2008 to May 20, 2023
Aeon Kyushu Co., Ltd.	2010 Stock Option	8 directors	7,500	April 21, 2009	1	From May 21, 2009 to May 20, 2024
Aeon Kyushu Co., Ltd.	2011 Stock Option	7 directors	6,800	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Aeon Kyushu Co., Ltd.	2012 Stock Option	7 directors	13,000	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Aeon Kyushu Co., Ltd.	2013 Stock Option	7 directors	6,800	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Aeon Kyushu Co., Ltd.	2014 Stock Option	7 directors	6,600	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Aeon Kyushu Co., Ltd.	2015 Stock Option	7 directors	6,600	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Sunday Co., Ltd.	2014 Stock Option	5 directors	12,500	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Sunday Co., Ltd.	2015 Stock Option	5 directors	14,100	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Sunday Co., Ltd.	2016 Stock Option	6 directors	10,800	May 10, 2015	1	From June 10, 2015 to June 9, 2030

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Sunday Co., Ltd.	2017 Stock Option	6 directors	4,900	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Maxvalu Hokkaido Co., Ltd.	2012 Stock Option	6 directors	7,600	April 1, 2011	1	From May 1, 2011 to April 30, 2026
Maxvalu Hokkaido Co., Ltd.	2013 Stock Option	6 directors	7,600	April 1, 2012	1	From May 1, 2012 to April 30, 2027
Maxvalu Hokkaido Co., Ltd.	2014 Stock Option	5 directors	4,900	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Maxvalu Hokkaido Co., Ltd.	2015 Stock Option	7 directors	7,700	May 9, 2014	1	From June 9, 2014 to June 8, 2029
Maxvalu Hokkaido Co., Ltd.	2016 Stock Option	6 directors	6,800	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Maxvalu Hokkaido Co., Ltd.	2017 Stock Option	6 directors	6,800	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Maxvalu Tohoku Co., Ltd.	2011 Stock Option	6 directors	6,500	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Maxvalu Tohoku Co., Ltd.	2012 Stock Option	6 directors	6,100	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Maxvalu Tohoku Co., Ltd.	2013 Stock Option	6 directors	5,700	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Maxvalu Tohoku Co., Ltd.	2014 Stock Option	6 directors	12,100	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Maxvalu Tohoku Co., Ltd.	2017 Stock Option	5 directors	9,600	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Maxvalu Tokai Co., Ltd.	2011 Stock Option	9 directors	10,400	May 6, 2010	1	From June 7, 2010 to June 6, 2025
Maxvalu Tokai Co., Ltd.	2012 Stock Option	10 directors	20,000	May 2, 2011	1	From June 2, 2011 to June 1, 2026
Maxvalu Tokai Co., Ltd.	2013 Stock Option	10 directors	20,000	May 1, 2012	1	From June 1, 2012 to May 31, 2027
Maxvalu Tokai Co., Ltd.	2014 Stock Option	10 directors	10,100	May 1, 2013	1	From June 1, 2013 to May 31, 2028
Maxvalu Tokai Co., Ltd.	2015 Stock Option	9 directors	9,900	May 1, 2014	1	From June 1, 2014 to May 31, 2029
Maxvalu Tokai Co., Ltd.	2016 Stock Option	9 directors	9,300	May 1, 2015	1	From June 1, 2015 to May 31, 2030
Maxvalu Tokai Co., Ltd.	2017 Stock Option	9 directors	13,800	May 2, 2016	1	From June 2, 2016 to June 2, 2031
Maxvalu Chubu Co., Ltd.	2009 Stock Option	7 directors	11,100	April 1, 2008	1	From May 1, 2008 to April 30, 2023
Maxvalu Chubu Co., Ltd.	2010 Stock Option	7 directors	27,800	April 1, 2009	1	From May 1, 2009 to April 30, 2024
Maxvalu Chubu Co., Ltd.	2011 Stock Option	7 directors	26,200	April 1, 2010	1	From May 1, 2010 to April 30, 2025
Maxvalu Chubu Co., Ltd.	2012 Stock Option	6 directors	19,800	April 1, 2011	1	From May 1, 2011 to April 30, 2026
Maxvalu Chubu Co., Ltd.	2013 Stock Option	6 directors	20,500	April 1, 2012	1	From May 1, 2012 to April 30, 2027
Maxvalu Chubu Co., Ltd.	2014 Stock Option	7 directors	12,100	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Maxvalu Chubu Co., Ltd.	2015 Stock Option	6 directors	9,700	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Maxvalu Chubu Co., Ltd.	2016 Stock Option	7 directors	10,700	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Maxvalu Chubu Co., Ltd.	2017 Stock Option	6 directors	17,000	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Maxvalu Nishinohon Co., Ltd.	2009 Stock Option	11 directors	24,900	April 21, 2008	1	From May 21, 2008 to May 20, 2023
Maxvalu Nishinohon Co., Ltd.	2010 Stock Option	11 directors	21,800	April 21, 2009	1	From May 21, 2009 to May 20, 2024
Maxvalu Nishinohon Co., Ltd.	2011 Stock Option	9 directors	18,100	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Maxvalu Nishinohon Co., Ltd.	2012 Stock Option	10 directors	18,500	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Maxvalu Nishinohon Co., Ltd.	2013 Stock Option	11 directors	20,600	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Maxvalu Nishinohon Co., Ltd.	2014 Stock Option	9 directors	9,100	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Maxvalu Nishinohon Co., Ltd.	2015 Stock Option	9 directors	9,100	May 10, 2014	1	From June 10, 2014 to June 9, 2029

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Maxvalu Nishinohon Co., Ltd.	2016 Stock Option	7 directors	7,300	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Maxvalu Nishinohon Co., Ltd.	2017 Stock Option	5 directors	11,100	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Maxvalu Kyushu Co., Ltd.	2014 Stock Option	10 directors	21,700	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Maxvalu Kyushu Co., Ltd.	2015 Stock Option	10 directors	11,300	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Maxvalu Kyushu Co., Ltd.	2015 Stock Option	9 directors	10,100	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Maxvalu Kyushu Co., Ltd.	2017 Stock Option	8 directors	18,300	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Ministop Co., Ltd.	2009 Stock Option	8 directors	12,700	April 30, 2008	1	From June 1, 2008 to May 31, 2023
Ministop Co., Ltd.	2010 Stock Option	8 directors	12,900	April 30, 2009	1	From June 1, 2009 to May 31, 2024
Ministop Co., Ltd.	2011 Stock Option	8 directors	8,600	April 30, 2010	1	From June 1, 2010 to May 31, 2025
Ministop Co., Ltd.	2012 Stock Option	7 directors	16,500	May 2, 2011	1	From June 3, 2011 to June 2, 2026
Ministop Co., Ltd.	2013 Stock Option	8 directors	16,500	May 1, 2012	1	From June 2, 2012 to June 1, 2027
Ministop Co., Ltd.	2014 Stock Option	5 directors	6,300	April 30, 2013	1	From June 1, 2013 to May 31, 2028
Ministop Co., Ltd.	2015 Stock Option	4 directors	9,600	April 30, 2014	1	From June 1, 2014 to May 31, 2029
Ministop Co., Ltd.	2016 Stock Option	3 directors	3,600	April 30, 2015	1	From June 1, 2015 to May 31, 2030
Ministop Co., Ltd.	2017 Stock Option	4 directors	8,300	May 2, 2016	1	From June 3, 2016 to June 2, 2031
Aeon Financial Service Co., Ltd.	2012 Stock Option	12 directors	15,500	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Aeon Financial Service Co., Ltd.	2013 Stock Option	6 directors	12,100	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Aeon Financial Service Co., Ltd.	2014 Stock Option	6 directors	12,000	July 21, 2013	1	From August 21, 2013 to August 20, 2028
Aeon Financial Service Co., Ltd.	2015 Stock Option	8 directors	9,500	July 21, 2014	1	From August 21, 2014 to August 20, 2029
Aeon Financial Service Co., Ltd.	2016 Stock Option	7 directors	12,600	July 21, 2015	1	From August 21, 2015 to August 20, 2030
Aeon Financial Service Co., Ltd.	2017 Stock Option	9 directors	15,300	July 21, 2016	1	From August 21, 2016 to August 20, 2031
Aeon Mall Co., Ltd.*1	2009 Stock Option	17 directors	22,220	April 21, 2008	1	From May 21, 2008 to May 20, 2023
Aeon Mall Co., Ltd.*1	2010 Stock Option	16 directors	32,340	April 21, 2009	1	From May 21, 2009 to May 20, 2024
Aeon Mall Co., Ltd.*1	2011 Stock Option	12 directors	26,510	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Aeon Mall Co., Ltd.*1	2012 Stock Option	11 directors	20,790	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Aeon Mall Co., Ltd.*1	2013 Stock Option	12 directors	22,330	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Aeon Mall Co., Ltd.*1	2014 Stock Option	8 directors	10,890	April 21, 2013	1	From May 21, 2013 to May 20, 2028
Aeon Mall Co., Ltd.	2015 Stock Option	10 directors	18,400	April 21, 2014	1	From May 21, 2014 to May 20, 2029
Aeon Mall Co., Ltd.	2016 Stock Option	10 directors	20,400	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Aeon Mall Co., Ltd.	2017 Stock Option	8 directors	16,600	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Zwei Co., Ltd.	2009 Stock Option	5 directors	8,500	April 21, 2008	1	From May 21, 2008 to May 20, 2023
Zwei Co., Ltd.	2010 Stock Option	6 directors	9,500	April 21, 2009	1	From May 21, 2009 to May 20, 2024
Zwei Co., Ltd.	2011 Stock Option	6 directors	9,500	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Zwei Co., Ltd.	2012 Stock Option	5 directors	4,300	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Zwei Co., Ltd.	2013 Stock Option	6 directors	11,500	April 21, 2012	1	From May 21, 2012 to May 20, 2027

Company Name	Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price Yen (¥)	Exercise Period
Zwei Co., Ltd.	2014 Stock Option	6 directors	9,500	May 1, 2013	1	From June 1, 2013 to May 31, 2028
Zwei Co., Ltd.	2015 Stock Option	6 directors	4,100	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Zwei Co., Ltd.	2016 Stock Option	5 directors	3,700	May 1, 2015	1	From June 1, 2015 to May 31, 2030
Zwei Co., Ltd.	2017 Stock Option	5 directors	3,500	May 2, 2016	1	From June 1, 2016 to May 31, 2031
Aeon Fantasy Co., Ltd.	2010 Stock Option	9 directors	9,800	April 21, 2009	1	From May 21, 2009 to May 20, 2024
Aeon Fantasy Co., Ltd.	2011 Stock Option	9 directors	9,900	April 21, 2010	1	From May 21, 2010 to May 20, 2025
Aeon Fantasy Co., Ltd.	2012 Stock Option	9 directors	21,500	April 21, 2011	1	From May 21, 2011 to May 20, 2026
Aeon Fantasy Co., Ltd.	2013 Stock Option	7 directors	14,800	April 21, 2012	1	From May 21, 2012 to May 20, 2027
Aeon Fantasy Co., Ltd.	2014 Stock Option	7 directors	15,800	May 10, 2013	1	From June 10, 2013 to June 9, 2028
Aeon Fantasy Co., Ltd.	2015 Stock Option	7 directors	8,200	May 10, 2014	1	From June 10, 2014 to June 9, 2029
Aeon Fantasy Co., Ltd.	2016 Stock Option	7 directors	15,800	May 10, 2015	1	From June 10, 2015 to June 9, 2030
Aeon Fantasy Co., Ltd.	2017 Stock Option	8 directors	6,500	May 10, 2016	1	From June 10, 2016 to June 9, 2031
Aeon Delight Co., Ltd.	2009 Stock Option	15 directors	35,000	May 12, 2008	0.5	From June 10, 2008 to June 10, 2023
Aeon Delight Co., Ltd.	2010 Stock Option	15 directors	33,700	May 11, 2009	0.5	From June 10, 2009 to June 10, 2024
Aeon Delight Co., Ltd.	2011 Stock Option	14 directors	30,000	May 10, 2010	0.5	From June 10, 2010 to June 10, 2025
Aeon Delight Co., Ltd.	2012 Stock Option	18 directors	29,600	May 10, 2011	0.5	From June 10, 2011 to June 10, 2026
Aeon Delight Co., Ltd.	2013 Stock Option	18 directors	33,400	May 10, 2012	0.5	From June 10, 2012 to June 10, 2027
Aeon Delight Co., Ltd.	2014 Stock Option	6 directors	10,400	May 10, 2013	0.5	From June 10, 2013 to June 10, 2028
Aeon Delight Co., Ltd.	2015 Stock Option	5 directors	20,200	May 12, 2014	0.5	From June 10, 2014 to June 10, 2029
Aeon Delight Co., Ltd.	2016 Stock Option	8 directors	24,800	May 11, 2015	0.5	From June 10, 2015 to June 10, 2030
Aeon Delight Co., Ltd.	2017 Stock Option	9 directors	26,400	May 10, 2016	0.5	From June 10, 2016 to June 10, 2031
Cox Co., Ltd.	2009 Stock Option	7 directors	16,000	April 21, 2008	1	From May 21, 2008 to May 20, 2023
Cox Co., Ltd.*2	2011 Stock Option	1 director and 5 employees and other	8,232	August 21, 2010	1	From August 21, 2010 to May 20, 2023
Cox Co., Ltd.	2012 Stock Option	6 directors	14,000	May 10, 2011	1	From June 10, 2011 to June 9, 2026
Cox Co., Ltd.	2016 Stock Option	4 directors	21,000	April 30, 2015	1	From June 1, 2015 to May 31, 2030
Welcia Holdings Co., Ltd.*3	2014 Stock Option	9 directors, 1 executive officer, and 27 directors and 11 executive officers of the subsidiaries	31,600	July 16, 2014	1	From July 17, 2014 to July 16, 2044
Welcia Holdings Co., Ltd.	2015 Stock Option	7 directors, and 17 directors and 25 executive officers of the subsidiaries	29,600	February 16, 2015	1	From February 17, 2015 to February 16, 2045
Welcia Holdings Co., Ltd.	2017 Stock Option	6 directors, and 14 directors of the subsidiaries	10,000	March 16, 2016	1	From March 17, 2016 to March 16, 2046
Welcia Holdings Co., Ltd.	2017 Stock Option	6 directors, and 15 directors of the subsidiaries	14,000	February 16, 2017	1	From February 17, 2017 to February 16, 2047
GFoot Co., Ltd.	2017 Stock Option	8 directors	33,200	May 1, 2016	1	From June 1, 2016 to May 31, 2031

*1 Aeon Mall Co., Ltd., split one share of common stock into 1.1 shares effective August 1, 2013. The number of shares and figures regarding the options granted on or before the fiscal year ended February 2014, are presented at the converted number.

*2 Effective August 21, 2010, Cox Co., Ltd., and Blue Grass Co., Ltd., merged, and Cox Co., Ltd. assumed the stock options of Blue Grass Co., Ltd. (the non-surviving company), at the merger ratio of 1:1.68. Persons granted and number of options granted represent the figures at the merger date.

*3 Welcia Holdings Co., Ltd. split one share of common stock into two shares effective September 1, 2014. The number of shares and figures of 2014 Stock Option are presented at the converted number.

The summary of stock option activity during the fiscal year ended 2017 is as follows:

	Aeon Co., Ltd. '08-'16 Stock Option	Aeon Hokkaido Corporation '09-'17 Stock Option	Aeon Kyushu Co., Ltd. '09-'15 Stock Option	Sunday Co., Ltd. '14-'17 Stock Option	Maxvalu Hokkaido Co., Ltd. '12-'17 Stock Option	Maxvalu Tohoku Co., Ltd. '11-'17 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted		52,700		4,900	6,800	9,600
Expired						
Vested		52,700		4,900	6,800	9,600
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	383,600	237,900	26,000	30,600	22,100	21,500
Vested		52,700		4,900	6,800	9,600
Exercised	41,900	20,200	16,700		1,300	2,200
Expired						
Outstanding at end of year	341,700	270,400	9,300	35,500	27,600	28,900
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥1,625 - ¥1,688	¥503 - ¥505	¥1,651 - ¥1,730		¥3,045	¥1,095
Fair value price at grant date	¥710 - ¥2,085	¥283 - ¥590	¥928 - ¥1,522	¥620 - ¥1,664	¥1,323 - ¥2,891	¥581 - ¥1,111

	Maxvalu Tokai Co., Ltd. '11-'17 Stock Option	Maxvalu Chubu Co., Ltd. '09-'17 Stock Option	Maxvalu Nishinoh Co., Ltd. '09-'17 Stock Option	Maxvalu Kyushu Co., Ltd. '14-'17 Stock Option	Ministop Co., Ltd. '09-'17 Stock Option	Aeon Financial Service Co., Ltd. '12-'17 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted	13,800	17,000	11,100	18,300	8,300	15,300
Expired						
Vested	13,800	17,000	11,100	18,300	8,300	15,300
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	16,000	95,000	58,000	39,600	37,000	56,100
Vested	13,800	17,000	11,100	18,300	8,300	15,300
Exercised	18,200	18,500	21,400	2,300	15,500	16,100
Expired						
Outstanding at end of year	11,600	93,500	47,700	55,600	29,800	55,300
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise	¥1,707 - ¥1,900	¥1,044 - ¥1,172	¥1,558 - ¥1,577	¥1,760	¥1,650 - ¥1,747	¥1,755 - ¥1,814
Fair value price at grant date	¥771 - ¥1,615	¥699 - ¥1,097	¥893 - ¥1,327	¥1,052 - ¥1,546	¥1,023 - ¥1,870	¥809 - ¥3,072

	Aeon Mall Co., Ltd.*1 '09-'17 Stock Option	Zwei Co., Ltd. '09-'17 Stock Option	Aeon Fantasy Co., Ltd. '10-'17 Stock Option	Aeon Delight Co., Ltd. '09-'17 Stock Option	Cox Co., Ltd. '09-'16 Stock Option	Welcia Holdings Co., Ltd.*3 '14-'17 Stock Option
Non-vested (Shares)						
Outstanding at beginning of year						
Granted	16,600	3,500	6,500	26,400		24,000
Expired						
Vested	16,600	3,500	6,500	26,400		24,000
Outstanding at end of year						
Vested (Shares)						
Outstanding at beginning of year	103,970	19,200	70,400	118,500	28,344	45,200
Vested	16,600	3,500	6,500	26,400		24,000
Exercised	46,730	3,000	10,400	19,400		2,800
Expired						
Outstanding at end of year	73,840	19,700	66,500	125,500	28,344	66,400
Exercise price	¥1	¥1	¥1	¥0.5	¥1	¥1
Average stock price at exercise	¥1,344 - ¥1,506	¥848	¥2,469 - ¥3,335	¥2,995 - ¥3,455		¥6,005 - ¥6,065
Fair value price at grant date	¥1,089 - ¥2,763	¥422 - ¥656	¥570 - ¥2,359	¥1,136 - ¥2,841	¥195 - ¥438	¥3,030 - ¥5,992

GFoot Co., Ltd. '17 Stock Option	
Non-vested (Shares)	
Outstanding at beginning of year	
Granted	33,200
Expired	
Vested	33,200
Outstanding at end of year	
Vested (Shares)	
Outstanding at beginning of year	
Vested	33,200
Exercised	
Expired	
Outstanding at end of year	33,200
Exercise price	¥1
Average stock price at exercise	
Fair value price at grant date	¥636

The assumptions used to measure fair value of stock options vested during fiscal year 2017 were as follows:

	Aeon Hokkaido Corporation '17 Stock Option	Sunday Co., Ltd. '17 Stock Option	Maxvalu Hokkaido Co., Ltd. '17 Stock Option	Maxvalu Tohoku Co., Ltd. '17 Stock Option	Maxvalu Tokai Co., Ltd. '17 Stock Option	Maxvalu Chubu Co., Ltd. '17 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.23%	-0.15%	-0.21%	0.01%	-0.24%	-0.20%
Expected life of option grants	7.5 years	7.5 years	7.5 years	7.6 years	2.7 years	7.5 years
Expected volatility of underlying stock	20.02%	32.05%	19.90%	23.98%	14.89%	14.52%
Expected dividend payment rate as a percentage of the stock price on the date of grant	1.94%	0.85%	0.50%	0.00%	2.23%	1.11%

	Maxvalu Nishinohon Co., Ltd. '17 Stock Option	Maxvalu Kyushu Co., Ltd. '17 Stock Option	Ministop Co., Ltd. '17 Stock Option	Aeon Financial Service Co., Ltd. '17 Stock Option	Aeon Mall Co., Ltd. '17 Stock Option	Zwei Co., Ltd. '17 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.21%	0.00%	-0.17%	-0.32%	-0.20%	-0.17%
Expected life of option grants	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years	7.5 years
Expected volatility of underlying stock	14.73%	20.20%	22.40%	37.94%	38.09%	17.24%
Expected dividend payment rate as a percentage of the stock price on the date of grant	2.27%	1.74%	2.57%	2.83%	1.50%	3.81%

	Aeon Fantasy Co., Ltd. '17 Stock Option	Aeon Delight Co., Ltd. '17 Stock Option	Welcia Holdings Co., Ltd. '17 Stock Option	GFoot Co., Ltd. '17 Stock Option
Measurement method	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model	Black-Scholes option-pricing model
Risk-free interest rate	-0.23%	-0.20%	-0.10% - 0.03%	0.00%
Expected life of option grants	7.5 years	7.5 years	7.8 years - 8 years	7.5 years
Expected volatility of underlying stock	38.70%	35.81%	31.46% - 32.81%	26.16%
Expected dividend payment rate as a percentage of the stock price on the date of grant	1.17%	1.70%	0.62% - 0.76%	2.59%

14 Other income (expenses)

Other income (expenses)—net for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	'15	'16	'17	'17
Loss on disposals of fixed assets	¥(1,989)	¥(3,748)	¥(4,086)	\$(36,490)
Loss on sales of fixed assets	(645)	(1,037)	(7,432)	(66,358)
Provision for store closing expenses	(2,105)	(5,380)	(3,955)	(35,313)
Penalty income from leaving tenants	2,328	2,477	3,153	28,159
Reversal of allowance for doubtful accounts-net	1,811	1,692	1,113	9,943
Gain on collection of fixed leasehold deposits to lessors	1,126	1,433	2,946	26,308
Income from unredeemed gift coupons	2,912	2,934	3,082	27,524
Loss on store closings	(1,213)	(1,199)	(1,695)	(15,142)
Other	4,245	(4,583)	(102)	(915)
Total	¥ 6,470	¥(7,412)	¥(6,975)	\$(62,284)

15 Income taxes

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of February 29, 2016 and February 28, 2017, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Deferred tax assets:			
Enterprise tax	¥ 6,447	¥ 5,557	\$ 49,619
Inventories	1,862	1,887	16,854
Allowance for doubtful accounts	26,222	18,016	160,859
Receivables	474	203	1,819
Payables and accrued expenses	13,443	12,900	115,180
Provision for point program	7,973	6,460	57,685
Property, buildings, and equipment	134,844	122,540	1,094,107
Liability for retirement benefits	23,905	27,630	246,700
Provision for store closing expenses	3,547	2,199	19,639
Tax loss carryforwards	134,175	152,382	1,360,553
Write-down of assets under the reorganization proceedings	16,783	12,697	113,370
Asset retirement obligation	24,317	25,461	227,339
Other	46,986	61,118	545,698
Less valuation allowance	(295,493)	(294,104)	(2,625,936)
Total	145,491	154,950	1,383,490
Deferred tax liabilities:			
Property, buildings, and equipment	(3,543)	(3,712)	(33,151)
Reserve for special depreciation	(1,459)	(868)	(7,750)
Undistributed earnings of foreign consolidated subsidiaries	(723)	(697)	(6,223)
Unrealized gain on available-for-sale securities	(19,869)	(25,648)	(229,008)
Asset for retirement benefits	(3,170)	(3,740)	(33,396)
Asset retirement cost related to the asset retirement obligation	(8,464)	(9,301)	(83,050)
Unrealized loss on acquisition of subsidiaries	(6,431)	(4,888)	(43,644)
Gain on sales of investment securities under the Group Taxation System	(6,009)	(5,736)	(51,217)
Other	(1,294)	(8,109)	(72,402)
Total	(50,965)	(62,702)	(559,846)
Net deferred tax assets	¥ 94,526	¥ 92,248	\$823,644

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, are as follows:

	'15	'16	'17
Normal effective statutory tax rate	37.6%	35.2%	32.7%
Lower income tax rates applicable to income in certain foreign countries	(4.3)	(2.7)	(2.1)
Per capita portion of inhabitants tax	3.8	3.5	4.1
Goodwill and negative goodwill-net	6.0	4.7	4.7
Change in valuation allowance	3.4	19.3	9.2
Expenses not deductible for tax purposes	2.1	3.6	3.7
Tax rate change	3.6	4.5	3.1
Gain resulting from step acquisitions	(8.7)	(1.6)	—
Deduction of loss on impairment of securities of affiliates	—	—	(2.6)
Other-net	1.7	(2.4)	(3.5)
Actual effective tax rate	45.2%	64.1%	49.3%

Adjustments to deferred tax assets and liabilities due to changes in income tax rates

The Diet passed the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) on March 29, 2016. It also passed the “Act for Partial Amendment of the Consumption Tax Act, etc. for the Drastic Reform of the Taxation System of Ensuring Stable Financial Resources for Social Security” (Act No. 85 of 2016) and the “Act for Partial Amendment of the Local Tax Act and Local Allocation Tax act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No. 86 of 2016) on November 18, 2016. As a result, the effective statutory tax rate used to calculate the Company's deferred tax assets and liabilities was changed from 31.9% to 30.7% for the temporary differences expected to be realized or settled in the fiscal years beginning on March 1, 2017 and 2018, and to 30.5% for those expected to be realized or settled in the fiscal years beginning on March 1, 2019, and thereafter.

The effects of these changes were to decrease deferred tax assets, net of deferred tax liabilities, by ¥3,290 million (\$29,374 thousand), and to

increase income taxes-deferred (debit) by ¥4,311 million (\$38,491 thousand), deferred loss on derivatives under hedge accounting by ¥24 million (\$214 thousand), unrealized gain on available-for-sale securities by ¥1,042 million (\$9,303 thousand), and defined retirement benefit plans (credit) by ¥2 million (\$17 thousand).

As of February 28, 2017, certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥503,483 million (\$4,495,390 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years Ending February	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 27,498	\$ 245,524
2019	41,828	373,467
2020	41,542	370,917
2021	50,758	453,198
2022 and thereafter	341,855	3,052,282
Total	¥503,483	\$4,495,390

16 Supplemental cash flow information

a. Reconciliation of cash and cash equivalents

A reconciliation of cash and cash equivalents between the consolidated balance sheets and the consolidated statements of cash flows as of February 28, 2015, February 29, 2016 and February 28, 2017, is as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	'15	'16	'17	'17
Cash and cash equivalents in the consolidated balance sheets	¥780,088	¥702,400	¥805,646	\$7,193,275
Bank overdraft	(1,955)	(1,945)	(3,714)	(33,165)
Marketable securities (Money Management Fund and others)	18	56	167	1,496
Cash and cash equivalents in the consolidated statement of cash flows	¥778,151	¥700,511	¥802,099	\$7,161,606

b. Acquisitions of newly consolidated subsidiaries

During the year ended February 28, 2015, Welcia Holdings Co., Ltd. and 19 other companies were acquired. Assets and liabilities of these companies at the acquisition date, cash paid for the capital, and cash received in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
Assets	¥225,100
Goodwill	65,598
Liabilities	(187,556)
Non-controlling interests	(53,305)
Cash paid for the capital	49,836
Cash and cash equivalents of consolidated subsidiaries	38,562
Cash paid in conjunction with the purchases of consolidated subsidiaries-net	¥ (11,274)

During the year ended February 29, 2016, Hakuseisha Co., Ltd. and 4 other companies were acquired. Assets and liabilities of these companies at the acquisition date, cash paid for the capital, and cash received in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
Assets	¥ 9,482
Liabilities	(2,339)
Non-controlling interests	(8)
Other	(307)
Cash paid for the capital	6,828
Cash and cash equivalents of consolidated subsidiaries	1,523
Cash paid in conjunction with the purchases of consolidated subsidiaries-net	¥(5,304)

c. Non-cash investing and financing activities

During the year ended February 29, 2016, Kasumi and 4 other companies became the Company's consolidated subsidiaries by a joint share transfer. Assets and liabilities of these companies at the acquisition date were as follows:

	Millions of Yen
Current assets	¥ 28,858
Fixed assets	64,430
Total	93,289
Current liabilities	(35,246)
Long-term liabilities	(10,096)
Total	¥(45,342)

Current assets include cash and cash equivalents at the acquisition date of ¥13,745 million, which are presented as "Increase in cash and cash equivalents resulting from share transfer" in the consolidated statement of cash flows.

17 Leases

a. Lessee

(1) Finance leases

The Group leases certain store buildings, store equipment, and other assets.

Total rental expenses for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were ¥385,531 million, ¥431,117 million, and ¥435,662 million (\$3,889,839 thousand), respectively, including ¥9,180 million, ¥9,017 million, and ¥5,295 million (\$47,282 thousand) of lease payments under finance leases discussed below.

For the years ended February 28, 2015, February 29, 2016 and February 28, 2017, the Group recorded impairment losses of ¥535 million, ¥108 million, and ¥0 million (\$3 thousand), respectively, on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in other current liabilities and long-term liabilities-other.

As discussed in Note 2.q, the Group accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, for the Company and domestic consolidated subsidiaries was as follows:

	Millions of Yen			
	'16			
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	¥99,366	¥405	¥33	¥99,805
Accumulated depreciation	(69,704)	(336)	(22)	(70,062)
Accumulated impairment loss	(6,738)	(1)		(6,740)
Net leased property	¥22,923	¥ 66	¥10	¥23,001

Millions of Yen				
'17				
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	¥69,953	¥176	¥21	¥70,151
Accumulated depreciation	(46,287)	(147)	(11)	(46,447)
Accumulated impairment loss	(5,147)	(1)		(5,149)
Net leased property	¥18,518	¥ 27	¥ 9	¥18,554

Thousands of U.S. Dollars				
'17				
	Buildings and Structures	Furniture and Fixtures	Vehicles	Total
Acquisition cost	\$624,585	\$1,577	\$192	\$626,355
Accumulated depreciation	(413,284)	(1,320)	(105)	(414,710)
Accumulated impairment loss	(45,959)	(16)		(45,976)
Net leased property	\$165,341	\$ 241	\$ 86	\$165,669

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Due within one year	¥ 5,247	¥ 3,855	\$ 34,422
Due after one year	28,655	23,453	209,409
Total	¥33,902	¥27,309	\$243,831

Allowance for impairment loss on leased property as of February 29, 2016 and February 28, 2017, was ¥4,611 million and ¥3,948 million (\$35,254 thousand), respectively, which is not included in obligations under finance leases.

Depreciation expense, interest expense, and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	'15	'16	'17	'17
Depreciation expense	¥5,131	¥4,563	¥2,975	\$26,563
Interest expense	1,932	1,582	1,262	11,274
Total	¥7,064	¥6,145	¥4,237	\$37,837
Reversal of allowance for impairment loss on leased property	¥ 845	¥ 670	¥ 296	\$ 2,646
Impairment loss	535	108		3

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

(2) Operating leases

The minimum rental commitments under noncancelable operating leases as of February 28, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 189,498	\$ 1,691,952
Due after one year	1,093,774	9,765,847
Total	¥1,283,273	\$11,457,799

b. Lessor

The Group leases certain store space to tenants and other assets. Total rental revenues for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were ¥352,714 million, ¥376,888 million, and ¥380,289 million (\$3,395,445 thousand), respectively. The minimum rental commitments under noncancelable operating leases as of February 28, 2017 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 6,750	\$ 60,275
Due after one year	30,801	275,016
Total	¥37,552	\$335,291

18 Financial instruments and related disclosures

1. Conditions of financial instruments

(1) Policy for Financial Instruments

The Group mainly conducts retail store operations, centering around the GMS Business as its core, and expands businesses, such as the Financial Services Business, the SC Development Business, and the Service Business. In order to finance these businesses, the Group limits its fund management primarily to safe and secure monetary assets such as time deposits, while the Group utilizes both indirect financing, such as bank loans and direct financing, such as issuance of bonds, commercial paper, and equity securities, and securitization of receivables.

The consolidated subsidiaries operating financial services business operate a variety of financial services business, such as credit card business, housing loan business, and installment payment business. The consolidated banking subsidiary invests in securities as well.

The consolidated subsidiaries operating financial services business raise capital mainly through customer deposits, borrowings from financial institutions, issuance of bonds and commercial paper, and securitization of receivables in the view of the market conditions and short-term/long-term balance. In addition, the Group funds management and financing in the short-term market in order to respond to the excess and deficiency of temporary funding. It should be noted, certain consolidated subsidiaries are located overseas and they conduct their business in foreign currencies.

The Financial Services Business holds financial assets and liabilities, which are exposed to interest rate risk and foreign exchange risk. It manages the risk through Asset Liability Management.

The Group mainly utilizes derivative financial instruments to hedge interest rate risk, foreign exchange rate risk, and market risk arising from financing activities, but does not enter into derivatives for trading or speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments

Notes and accounts receivable-trade are exposed to credit risk of customers.

Marketable and investment securities are mainly composed of equity securities held for maintaining business relationships with other companies and are exposed to market price fluctuation risk and credit risk.

Securities in banking business, including foreign securities, debt, equity, are exposed to issuers' credit risk, and market risk.

Loans and bills discounted in banking business and financial loans receivable mainly consist of loans to individual and business customers and are exposed to interest rate risk and customer credit risk due to breach of contract.

Fixed leasehold deposits to lessors are related primarily to store rent and are exposed to lessors' credit risk. Notes and accounts payable-trade are mostly due within one year. Operating receivables and payables denominated in foreign currencies are exposed to exchange rate risk.

Deposits received in banking business consist of customer deposits held by the consolidated banking subsidiary and are exposed to liquidity risk, interest rate risk, foreign currency risk, in that the consolidated banking subsidiary cannot make necessary payments upon due dates under certain circumstances, such as when it cannot access the market due to changes in financial situation or other situations or when its financial results deteriorate.

Short-term borrowings, commercial paper, long-term debt, and bonds are financing means, mainly for operating transactions, capital expenditures, and equity transactions. Though such contractual obligations comprise the risk that they may fail to be met in full on maturity dates, such liquidity risks are avoided by spreading out due dates or maturity dates.

The Group mainly enters into foreign exchange forward contracts and currency swap contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts and interest rate option contracts to manage its interest rate exposures on certain liabilities. Derivative financial instruments contain credit risk of counterparties defaulting on contracts.

Please see Note 19 for more details about derivatives.

(3) Risk Management for Financial Instruments

a. Credit risk management

The Group manages its credit risk from notes and accounts receivable-trade based on its internal policies, which include monitoring of payment terms and balances of major customers by operating division and accounting division to identify the default risk of customers at an early stage.

As to marketable and investment securities, the Group monitors regularly the issuers' financial position for equity securities without market values.

The consolidated subsidiaries operating financial services business manage their credit risk in accordance with respective management policies to assess/manage the credibility properly. Credit management is conducted by the following divisions: the credit assessment division keeps track of credit status at the time of credit extension and through continuous monitoring after lending and the credit risk management division conducts analysis and research to share information with the credit assessment division.

In addition, the Risk Management Department measures mainly Value at Risk (a method that estimates potential losses under a certain confidence level for currently held financial instruments that will be held for a period based on historical data, hereafter, "VaR") to quantify risks and regularly reports to the Internal Control Promotion Committee and Board of Directors.

A portion of fixed leasehold deposits to lessors is covered by mortgages and right of pledges.

Because the counterparties to the derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

b. Market risk management (foreign exchange risk and interest rate risk)

The Group utilizes interest rate swap and currency swap transactions in order to hedge interest rate risk and foreign exchange risk associated with long-term debt and bonds. Also, foreign exchange risk associated with assets and liabilities denominated in foreign currencies is hedged by forward exchange contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Derivative transactions entered into by the Group are implemented and controlled in accordance with internal policies that regulate the authorization and credit limit amount.

The consolidated subsidiaries operating financial services business manage their market risk properly by determining the existence and scale of such risk in accordance with respective management policies. Further, the management status is reported to the Internal Control Promotion Committee regularly.

They have established a reciprocal control mechanism as a system to manage the market risk by setting up an organization independent from the revenue-generating division.

In addition, they generally perform quantitative market risk analysis for all financial instruments held and manage the level of market risk mainly through VaR. Specifically, they control the market risk so that VaR does not exceed risk limits (allocated capital amount) decided by the Board of Directors.

c. Liquidity risk management

The Company manages its liquidity risk by holding an adequate volume of liquid assets, along with adequate financial planning by the corporate finance division.

The consolidated subsidiaries operating financial services business manage liquidity risk through continuous monitoring of cash flows and through other means, including diversifying financing instruments, acquiring commitment lines from multiple financial institutions, and adjusting short-term/long-term balances taking into account the market conditions.

The consolidated banking subsidiary controls liquidity risk by establishing a payment reserve asset holding ratio and limits on cash gaps, which are monitored by the Risk Compliance Division on a daily basis. The monitoring results are reported to management regularly in the Internal Control Promotion Committee and board meetings. Although the consolidated banking subsidiary places value on efficient cash management, it gives more weight to securing liquidity for management purpose.

(4) Quantitative Analysis on Market Risks for Financial Services Business

The consolidated subsidiaries operating the financial services business apply the delta method (at a 99% ile confidence level assuming a 240 day holding period over one year) to calculate VaR for the interest rate risk with an estimated amount of ¥5,043 million (\$45,027 thousand) as of February 28, 2017 (amount of ¥3,484 million as of February 29, 2016).

In the measurement of VaR is calculated by using the concept of core deposits and methods of measuring for the interest volatilities is changed from variation width to rate of change.

Overseas subsidiaries and certain domestic subsidiaries do not measure interest rate risk because the impact is considered to be limited.

They apply Monte Carlo simulations (at a 99% ile confidence level assuming a three-month holding period over five years) to calculate VaR for price risks (other than interest rate risk) in investment securities. Under this methodology, the impact as of February 28, 2017, is estimated to be ¥38,008 million (\$339,366 thousand) (amount of ¥34,702 million as of February 29, 2016).

The amounts represent the market volatility statically calculated based on a probability-based approach that takes into account historical credit spread and fluctuation in correlations. Accordingly, the market risk may not be captured properly in the event of an extreme market movement.

(5) Supplementary information on fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or a reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between the two as of February 29, 2016 and February 28, 2017, are as follows:

Financial instruments for which fair value cannot be reliably determined are not included.

February 29, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 702,400	¥ 702,400	
Time deposits	18,750	18,750	
Receivables:			
Notes and accounts-trade	69,651		
Installment	1,025,255		
Other	15,025		
Allowance for doubtful accounts*1	(35,352)		
Notes and accounts-trade, Installment, and Other, net	1,074,579	1,086,365	¥ 11,785
Financial loans	300,854		
Allowance for doubtful accounts*1	(22,827)		
Financial loans, net	278,026	287,320	9,293
Loans and bills discounted in banking business	1,217,376		
Allowance for doubtful accounts*1	(3,403)		
Loans and bills discounted in banking business, net	1,213,973	1,307,921	93,948
Marketable securities			
Available-for-sale securities			
Securities in banking business	233,513	233,513	
Monetary claims bought in banking business	4,097	4,097	
Other	156	156	
Marketable securities, total	237,767	237,767	
Investment securities and investments in associated companies			
Investments in associated companies	56,086	65,075	8,989
Available-for-sale securities	114,234	114,234	
Investment securities and investments in associated companies, total	170,320	179,309	8,989
Fixed leasehold deposits to lessors, including current portion	427,004		
Allowance for doubtful accounts*1	(4,156)		
Fixed leasehold deposits to lessors, including current portion, net	422,847	422,887	40
Total	¥4,118,665	¥4,242,722	¥124,057
Notes and accounts payable-trade	892,629	892,629	
Short-term borrowings	444,070	444,070	
Deposits received in banking business	2,116,171	2,117,185	1,014
Long-term debt, including current portion			
Bonds	389,579	397,566	7,987
Convertible bonds with stock acquisition rights	50	91	41
Long-term loans from banks	1,255,717	1,266,642	10,925
Long-term debt, including current portion, total	1,645,346	1,664,300	18,953
Lease deposits from lessees, including current portion	271,652	272,740	1,088
Total	¥5,369,870	¥5,390,926	¥ 21,055
Derivatives*3	¥ 7,693	¥ 7,693	

February 28, 2017	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 805,646	¥ 805,646	
Time deposits	15,078	15,078	
Call loans	25,000	25,000	
Receivables:			
Notes and accounts-trade	65,529		
Installment	1,121,959		
Other	22,104		
Allowance for doubtful accounts*1	(43,277)		
Notes and accounts-trade, Installment, and Other, net	1,166,315	1,185,869	¥ 19,554
Financial loans	299,271		
Allowance for doubtful accounts*1	(22,254)		
Financial loans, net	277,017	290,723	13,705
Loans and bills discounted in banking business	1,470,142		
Allowance for doubtful accounts*1	(4,717)		
Loans and bills discounted in banking business, net	1,465,424	1,533,240	67,816
Marketable securities			
Available-for-sale securities			
Securities in banking business	180,231	180,231	
Monetary claims bought in banking business	4,031	4,031	
Other	335	335	
Marketable securities, total	184,598	184,598	
Investment securities and investments in associated companies			
Investments in associated companies*2	61,727	69,986	8,258
Available-for-sale securities	119,044	119,044	
Investment securities and investments in associated companies, total	180,772	189,031	8,258
Fixed leasehold deposits to lessors, including current portion	415,989		
Allowance for doubtful accounts*1	(3,895)		
Fixed leasehold deposits to lessors, including current portion, net	412,093	410,564	(1,528)
Total	¥4,531,946	¥4,639,752	¥107,806
Notes and accounts payable-trade	888,422	888,422	
Short-term borrowings	397,973	397,973	
Deposits received in banking business	2,498,725	2,504,773	6,047
Long-term debt, including current portion			
Bonds	463,540	467,361	3,821
Convertible bonds with stock acquisition rights	30,000	32,790	2,790
Long-term loans from banks	1,274,761	1,282,363	7,601
Long-term debt, including current portion, total	1,768,302	1,782,514	14,212
Lease deposits from lessees, including current portion	269,342	269,528	186
Total	¥5,822,766	¥5,843,213	¥20,446
Derivatives*3	¥ 10,949	¥ 10,949	

February 28, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 7,193,275	\$ 7,193,275	
Time deposits	134,627	134,627	
Call loans	223,214	223,214	
Receivables:			
Notes and accounts-trade	585,080		
Installment	10,017,492		
Other	197,363		
Allowance for doubtful accounts*1	(386,403)		
Notes and accounts-trade, Installment, and Other, net	10,413,533	10,588,123	\$174,589
Financial loans	2,672,067		
Allowance for doubtful accounts*1	(198,701)		
Financial loans, net	2,473,366	2,595,741	122,374
Loans and bills discounted in banking business	13,126,270		
Allowance for doubtful accounts*1	(42,121)		
Loans and bills discounted in banking business, net	13,084,149	13,689,651	605,502
Marketable securities			
Available-for-sale securities			
Securities in banking business	1,609,209	1,609,209	
Monetary claims bought in banking business	35,994	35,994	
Other	2,992	2,992	
Marketable securities, total	1,648,197	1,648,197	
Investment securities and investments in associated companies			
Investments in associated companies*2	551,140	624,880	73,739
Available-for-sale securities	1,062,896	1,062,896	
Investment securities and investments in associated companies, total	1,614,037	1,687,777	73,739
Fixed leasehold deposits to lessors, including current portion	3,714,191		
Allowance for doubtful accounts*1	(34,785)		
Fixed leasehold deposits to lessors, including current portion, net	3,679,405	3,665,756	(13,649)
Total	\$40,463,807	\$41,426,364	\$962,557
Notes and accounts payable-trade	7,932,344	7,932,344	
Short-term borrowings	3,553,338	3,553,338	
Deposits received in banking business	22,310,051	22,364,046	53,994
Long-term debt, including current portion			
Bonds	4,138,756	4,172,873	34,116
Convertible bonds with stock acquisition rights	267,857	292,767	24,910
Long-term loans from banks	11,381,798	11,449,670	67,872
Long-term debt, including current portion, total	15,788,412	15,915,312	126,899
Lease deposits from lessees, including current portion	2,404,841	2,406,507	1,666
Total	\$51,988,989	\$52,171,549	\$182,560
Derivatives*3	\$ 97,767	\$ 97,767	

*1 Allowance for doubtful accounts associated with receivables, financial loans, loans and bills discounted in banking business, and fixed leasehold deposits to lessors are deducted, respectively.

*2 The above figures include investment securities temporarily lent to financial institution based on security lending agreement in the amount of ¥1,552 million (\$13,863 thousand) as of February 28, 2017.

*3 Derivatives are stated net of assets and liabilities. The figures in parentheses indicate net assets.

The methodologies and assumptions used to estimate the fair values of financial instruments are summarized below:

Cash and cash equivalents, Time deposits, Call loans, Notes and accounts receivable-trade, Installment and other receivables

The carrying values of cash and cash equivalents, time deposits, call loans, notes and accounts receivable-trade, installment and other receivables approximate fair value because of their short-term maturities. The fair values of installment receivables for certain consolidated credit services subsidiaries are measured by discounting the total amount to be received based on a collection schedule at the interest rate that is based on the risk-free rate plus internal expense rate for collection.

Financial loans receivable

The fair values of financial loans receivable are measured by discounting the total amount to be received based on a collection schedule at the

interest rate that is based on the risk-free rate plus internal expense rate for collection.

Loans and bills discounted in banking business

The carrying amounts of loans with floating interest rates approximate their fair values as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans with fixed interest rates are determined for each group classified by product type, internal rating, and remaining duration, by discounting the future cash flows at applicable rates under which loans similar to the aggregate amount of principal and interest would be made.

The carrying amounts of loans with maturities of less than one year approximate fair value because of their short-term maturities.

For loans to obligors in "legal bankruptcy," "virtual bankruptcy," and

"possible bankruptcy," a reserve is provided based on the discounted cash flow method or estimated recoverable amounts through the disposal of collateral or execution of guarantees. The carrying values net of reserve as of the consolidated balance sheet date are reasonable estimates of fair values of those loans.

The fair values of loans for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of pledged assets) are assumed to approximate carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Marketable securities, Investment securities, and Investments in associated companies

The fair values of equity securities are measured at the quoted market price on the stock exchange. The fair values of debt securities and monetary claims bought in the banking business are measured at the quoted price obtained from the stock exchange or financial institutions, or at the reasonably calculated values.

Fixed leasehold deposits to lessors

The fair values of fixed leasehold deposits to lessors are measured by discounting the total amount to be received based on the contract period at the risk-free rate and deducting the allowance for doubtful accounts.

Notes and accounts payable-trade, and Short-term borrowings

The carrying values of notes and accounts payable-trade and short-term borrowings approximate fair value because of their short-term maturities.

Deposits received in banking business

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time deposits are determined by grouping the deposits based on their contract term and discounting future cash flows at rates that would be applied for similar new contracts. The carrying amounts of the deposits with maturities of less than one year approximate fair value because of their short-term maturities.

Bonds and Convertible bonds with stock acquisition rights

The fair values of bonds and convertible bonds with stock acquisition rights issued by the Company and certain consolidated subsidiaries are based on the market price.

Long-term loans from banks

The fair values of long-term loans from banks are determined by discounting the cash flows related to the loans at the risk-free rate plus credit risk.

Lease deposits from lessees

The fair values of lease deposits from lessees are measured by discounting the total amount to be paid based on the contract period at the interest rate that is based on the risk-free rate.

Derivatives

Fair values information for derivatives is included in Note 19.

Carrying amount of financial instruments for which fair value is extremely difficult to measure:

	Millions of Yen		Thousands of U.S. Dollars
	'16	'17	'17
Unlisted equity securities	¥10,582	¥10,959	\$ 97,853
Trust beneficiary rights	14,755	13,837	123,547
Total	¥25,337	¥24,797	\$221,401

Maturity analysis for financial assets and securities with contractual maturities:

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
February 28, 2017				
Cash and cash equivalents	¥ 805,646			
Time deposits	15,078			
Call loans	25,000			
Receivables*1:				
Notes and accounts-trade	65,529			
Installment	734,482	¥258,433	¥ 74,480	¥ 23,123
Other	22,104			
Financial loans	193,038	67,872	5,855	4,919
Loans and bills discounted in banking business*2	184,937	447,793	134,355	650,321
Marketable securities				
Available-for-sale securities with contractual maturities				
Securities in banking business	57,500	69,700	8,000	38,474
Monetary claims bought in banking business		77	618	3,230
Other	335			
Investment securities				
Available-for-sale securities with contractual maturities				
Government bonds	28			
Fixed leasehold deposits to lessors*3	12,428	35,201	20,314	8,575
Total	¥2,116,109	¥879,079	¥243,623	¥728,645

February 28, 2017	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	\$ 7,193,275			
Time deposits	134,627			
Call loans	223,214			
Receivables* ¹ :				
Notes and accounts-trade	585,080			
Installment	6,557,880	\$2,307,443	\$ 665,002	\$ 206,460
Other	197,363			
Financial loans	1,723,555	606,005	52,281	43,928
Loans and bills discounted in banking business* ²	1,651,229	3,998,153	1,199,598	5,806,440
Marketable securities				
Available-for-sale securities with contractual maturities				
Securities in banking business	513,392	622,321	71,428	343,524
Monetary claims bought in banking business		695	5,518	28,846
Other	2,992			
Investment securities				
Available-for-sale securities with contractual maturities				
Government bonds	254			
Fixed leasehold deposits to lessors* ³	110,969	314,300	181,383	76,566
Total	\$18,893,837	\$7,848,919	\$2,175,212	\$6,505,767

*¹ Long-term receivables whose future cash flows are unpredictable, such as doubtful receivables, of ¥59,024 million (\$527,002 thousand) are not included in the above table.

*² Loans such as to bankrupt, substantially bankrupt, and deemed bankrupt borrowers are the loans that are not expected to be collected of ¥3,077 million (\$27,479 thousand) and the loans with no redemption schedule of ¥51,032 million (\$455,647 thousand), and they are not included in the above table.

*³ Fixed leasehold deposits to lessors with no definite redemption schedule of ¥341,958 million (\$3,053,199 thousand) are not included in the above table.

Redemption schedule for deposits received in banking business with maturities:

Fiscal Year Ending February	Millions of Yen	Thousands of U.S. Dollars
2018	¥1,867,133	\$16,670,836
2019	432,080	3,857,861
2020	93,084	831,110
2021	88,926	793,987
2022	16,606	148,269
2023 and thereafter		
Total	¥2,497,831	\$22,302,065

* Demand deposits are included and presented in "2018."

Please see Note 9 for annual maturities of long-term debt.

19 Derivatives

The Group enters into foreign exchange forward contracts and currency swap contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and

foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied as of February 29, 2016 and February 28, 2017:

		Millions of Yen			
		'16			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency option contracts	Long call (U.S. dollar)	¥ 579	¥ 74	¥ 83	¥ 98
	Short put (U.S. dollar)	579	74	(4)	32
Currency swap contracts	Rupee payment, Yen receipt	1,670		44	44
	Yen payment, U.S. dollar receipt	13,206	10,805	(874)	(874)
Forward exchange contracts	Long call (U.S. dollar)	29		4	4
Credit default swap	Sell	3,000		(8)	288
Interest rate cap contracts		18,275	18,275	17	17
Stock forward contract	Long call	36,602	25,900	(763)	(763)

		Millions of Yen			
		'17			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency option contracts	Long call (U.S. dollar)	¥ 74		¥ 9	¥ 8
	Short put (U.S. dollar)	74			10
Currency swap contracts	Rupee payment, Yen receipt	5,425		(237)	(237)
	Yen payment, U.S. dollar receipt	10,805	¥ 7,202	(751)	(751)
	Malaysia ringgit payment, U.S. dollar receipt	244		(3)	(3)
Interest rate cap contracts		18,112	18,112	1	1
Stock forward contract	Long call	25,900		208	208

		Thousands of U.S. Dollars			
		'17			
		Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Currency option contracts	Long call (U.S. dollar)	\$ 663		\$ 87	\$ 76
	Short put (U.S. dollar)	663		(1)	89
Currency swap contracts	Rupee payment, Yen receipt	48,445		(2,121)	(2,121)
	Yen payment, U.S. dollar receipt	96,475	\$ 64,310	(6,707)	(6,707)
	Malaysia ringgit payment, U.S. dollar receipt	2,182		(29)	(29)
Interest rate cap contracts		161,718	161,718	13	13
Stock forward contract	Long call	231,253		1,859	1,859

Derivative transactions to which hedge accounting is applied as of February 29, 2016 and February 28, 2017:

		Millions of Yen		
		'16		
Hedged Item		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts				
Buy (U.S. dollar)	Accounts payable-trade	¥ 19,719		¥ (1,014)
Buy (Australian dollar)	Accounts payable-trade	4,110		(92)
Buy (Euro)	Accounts payable-trade	1,050		(53)
Buy (British pound)	Accounts payable-trade	1,157		(135)
Buy (Yen)	Accounts payable-trade	12		
Forward exchange contracts				
Malaysia ringgit payment, U.S. dollar receipt	Short-term borrowings	1,365		(12)
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	5,683		3
Thai baht payment, yen receipt	Long-term debt	53,452	¥50,061	(3,096)
Thai baht payment, U.S. dollar receipt	Long-term debt	67,990	49,025	6,188
Malaysia ringgit payment, U.S. dollar receipt	Long-term debt	62,667	57,817	12,896
India rupee payment, U.S. dollar receipt	Long-term debt	509		(60)
Forward exchange contracts *1				
Buy (U.S. dollar)	Accounts payable-trade	6		*1
Buy (British pound)	Accounts payable-trade	62		*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	137,569	95,298	(5,446)
Interest rate swap contracts*2				
Receive floating, pay fixed	Long-term debt	55,355	44,057	*2

		Millions of Yen		
		'17		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts				
Buy (U.S. dollar)	Accounts payable-trade	¥ 16,373		¥ 67
Buy (Australian dollar)	Accounts payable-trade	2,474		319
Buy (Euro)	Accounts payable-trade	267		(4)
Buy (British pound)	Accounts payable-trade	1,050		(13)
Buy (Yen)	Accounts payable-trade	35		
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	5,619	¥ 5,619	137
Thai baht payment, yen receipt	Long-term debt	50,847	46,868	(3,108)
Thai baht payment, U.S. dollar receipt	Long-term debt	86,921	59,391	2,766
Malaysia ringgit payment, U.S. dollar receipt	Long-term debt	67,080	59,294	14,702
India rupee payment, U.S. dollar receipt	Long-term debt	503		(67)
Forward exchange contracts *1				
Buy (U.S. dollar)	Accounts payable-trade	26		*1
Buy (British pound)	Accounts payable-trade	85		*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	114,954	113,070	(3,075)
Interest rate swap contracts*2				
Receive floating, pay fixed	Long-term debt	54,155	42,352	*2

		Thousands of U.S. Dollars		
		'17		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts				
Buy (U.S. dollar)	Accounts payable-trade	\$ 146,194		\$ 602
Buy (Australian dollar)	Accounts payable-trade	22,097		2,856
Buy (Euro)	Accounts payable-trade	2,387		(42)
Buy (British pound)	Accounts payable-trade	9,382		(120)
Buy (Yen)	Accounts payable-trade	313		
Currency swap contracts				
Hong Kong dollar payment, U.S. dollar receipt	Long-term debt	50,170	\$ 50,170	1,226
Thai baht payment, yen receipt	Long-term debt	453,997	418,467	(27,756)
Thai baht payment, U.S. dollar receipt	Long-term debt	776,082	530,280	24,696
Malaysia ringgit payment, U.S. dollar receipt	Long-term debt	598,932	529,419	131,271
India rupee payment, U.S. dollar receipt	Long-term debt	4,494		(606)
Forward exchange contracts *1				
Buy (U.S. dollar)	Accounts payable-trade	240		*1
Buy (British pound)	Accounts payable-trade	764		*1
Interest rate swap contracts				
Receive floating, pay fixed	Long-term debt	1,026,379	1,009,561	(27,459)
Interest rate swap contracts*2				
Receive floating, pay fixed	Long-term debt	483,528	378,143	*2

*1 Foreign currency forward contracts were not measured at fair value and the accounts payable-trade denominated in a foreign currency were translated at the contracted rates, as described in Note 2 (v). The fair values of such foreign currency forward contracts were included in those of the hedged items in Note 18.

*2 The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in hedged items such as long-term debt, in Note 18.

The fair value of derivative transactions other than the acquisition option derivatives is measured at the quoted price obtained from the financial institution or discounted value of future cash flows.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

20 Commitments and contingent liabilities

a. Commitments

The consolidated credit services subsidiaries and the consolidated banking subsidiary have agreements under which they are committed to card members to execute loans as long as the agreed-upon terms are met.

As of February 28, 2017, the total unused credit available to card members is ¥7,773,385 million (\$69,405,228 thousand).

The consolidated banking subsidiary has commitment line contracts on overdrafts and loans under which it is committed to lend to customers when they apply for borrowing, up to a prescribed amount, as long as there is no violation of any conditions described in the contract. As of February 28, 2017, the amount of unused commitments was ¥32,825 million (\$293,087 thousand) including ¥9,974 million (\$89,061 thousand) of unused commitments whose original contract term is within one year (or is unconditionally cancelable at any time).

Since many of these commitments are expected to expire without being drawn upon, the total amounts of unused commitments does not necessarily represent the consolidated banking subsidiary's future cash flow requirement.

Many of these commitments have clauses that allow the consolidated banking subsidiary to withdraw the commitment line offer or reduce the contract amount under certain conditions, for example, when the financial condition changes or when the consolidated banking subsidiary needs to secure claims. Additionally, the consolidated banking subsidiary periodically reviews the customers' business condition based on internal rules and takes necessary measures, such as revising contract terms and requiring customers to provide additional collateral and/or guarantee.

b. Contingent liabilities

Contingent liabilities as of February 28, 2017, for guarantees were ¥141,268 million (\$1,261,326 thousand).

21 Comprehensive income

The components of other comprehensive income for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	'15	'16	'17	'17
Unrealized gain on available-for-sale securities:				
Gains arising during the year	¥43,661	¥ 7,269	¥ 16,512	\$ 147,429
Reclassification adjustments to profit or loss	(2,966)	(19,282)	(4,393)	(39,225)
Amount before income tax effect	40,695	(12,012)	12,118	108,203
Income tax effect	(14,467)	5,937	(2,375)	(21,205)
Total	¥26,228	¥ (6,074)	¥ 9,743	\$ 86,997
Deferred gain (loss) on derivatives on hedge accounting:				
Gains (losses) arising during the year	¥ (2,141)	¥ (1,576)	¥ 7,914	\$ 70,667
Reclassification adjustments to profit or loss	(849)	(1,716)	(1,888)	(16,861)
Amount before income tax effect	(2,990)	(3,292)	6,026	53,805
Income tax effect	635	969	(1,627)	(14,535)
Total	¥ (2,355)	¥ (2,323)	¥ 4,398	\$ 39,270
Foreign currency translation adjustments:				
Adjustments arising during the year	¥42,847	¥(33,011)	¥(20,550)	\$(183,484)
Reclassification adjustments to profit or loss		(1,257)	6	54
Amount before income tax effect	42,847	(34,269)	(20,544)	(183,429)
Income tax effect				
Total	¥42,847	¥(34,269)	¥(20,544)	\$(183,429)
Defined retirement benefit plans:				
Adjustments arising during the year		¥(10,722)	¥ 1,293	\$ 11,545
Reclassification adjustments to profit or loss		(20,398)	670	5,990
Amount before income tax effect		(31,121)	1,964	17,535
Income tax effect		9,457	(497)	(4,443)
Total		¥(21,664)	¥ 1,466	\$ 13,092
Share of other comprehensive income in associates:				
(Losses) gains arising during the year	¥ 311	¥ 165	¥ (75)	\$ (670)
Reclassification adjustments to profit or loss	(45)	(183)		
Total	¥ 266	¥ (18)	¥ (75)	\$ (670)
Total other comprehensive income	¥66,986	¥(64,349)	¥ (5,010)	\$ (44,739)

22 Net income per share

Basic and diluted net income per share ("EPS") for the years ended February 28, 2015, February 29, 2016 and February 28, 2017, were as follows:

	Millions of Yen	Thousands of Shares	Yen
	Net Income attributable to Owners of the Parent	Weighted-average Shares	EPS
Year Ended February 28, 2015			
Basic EPS:			
Net income	¥42,069		
Net income available to common shareholders	¥42,069	837,723	¥50.22
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (533)	416	
Diluted EPS—Net income for computation	¥41,536	838,140	¥49.56

	Millions of Yen	Thousands of Shares	Yen
	Net Income attributable to Owners of the Parent	Weighted-average Shares	EPS
Year Ended February 29, 2016			
Basic EPS:			
Net income	¥6,008		
Net income available to common shareholders	¥6,008	836,049	¥7.19
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (130)	1,774	
Diluted EPS—Net income for computation	¥5,877	837,824	¥7.02

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income attributable to Owners of the Parent	Weighted-average Shares	EPS	
Year Ended February 28, 2017				
Basic EPS:				
Net income	¥11,255			
Net income available to common shareholders	¥11,255	837,428	¥13.44	\$0.12
Effect of dilutive securities—mainly convertible bonds with stock acquisition rights of the Company	¥ (199)	362		
Diluted EPS—Net income for computation	¥11,055	837,791	¥13.20	\$0.12

* The average number of shares of common stock held by the ESOP Trust for fiscal years ended February 28, 2015, February 29, 2016 and February 28, 2017 was 7,161 thousand, 5,469 thousand and 4,127 thousand, respectively.

23 Related party transactions

Transactions of the Company with related parties

	Transaction Amount
	Millions of Yen
Year ended February 29, 2016	
Relatives of directors of the Company	
Purchase of subsidiaries' shares	¥1,073

* The purchase price of two listed subsidiaries' shares was determined based on the closing price of the transaction execution date, it was conducted in after-hours trading of the stock exchange.

	Transaction Amount	
	Millions of Yen	Thousands of U.S. Dollars
Year ended February 28, 2017		
Relatives of directors of the Company		
Purchase of subsidiaries' shares	¥16	\$143

* The purchase price of one unlisted subsidiary's shares was determined based on the stock price valuation report by an independent third party.

Transactions with the corporate pension for employees

		Transaction Amount
		Millions of Yen
Year ended February 29, 2016		
Retirement benefits trust*1		
Transfer of investment securities	Sale value	¥23,998
	Gain on sales of investment securities	¥18,806

*1 This is a retirement benefit trust for the employees of the Dai-ichi, Inc., a consolidated subsidiary.

*2 The transfer price of three investment securities was determined based on the closing price of the transaction execution date.

Transactions of the Group with related parties

		Millions of Yen	
		Transaction Amount	Balance at end
Year ended February 28, 2015			
Relatives of executive officers of the Company			
Housing loan	(Loans and bills discounted in banking business)	¥33	¥32

		Millions of Yen	
		Transaction Amount	Balance at end
Year ended February 29, 2016			
Significant directors of the subsidiaries and their relatives			
Housing loan *1	(Loans and bills discounted in banking business)		¥54
Companies where directors and their close relatives owned a majority of the voting rights			
Payments of leases *2	(Prepaid expenses & Other current assets)	¥30	¥ 2
Return of lease deposits *2	(Prepaid expenses & Other current assets)	¥ 3	¥ 3
	(Fixed leasehold deposits to lessors)		¥33

*1 Housing loans are package loans from Aeon Bank. Interest rate and conditions of repayment are similar to general loans. Repayment of housing loans is not included in the transaction amount.

*2 Lease of land and parking is for store of Marunaka CO., LTD. The terms of rents are determined by negotiation based on market-price.

		Millions of Yen		Thousands of U.S. dollars	
		Transaction Amount	Balance at end	Transaction Amount	Balance at end
Year ended February 28, 2017					
Officers of the Company and their relatives					
Housing loan *1	(Loans and bills discounted in banking business)		¥51		\$461
Companies where directors and their close relatives owned a majority of the voting rights					
Payments of leases *2	(Prepaid expenses & other current assets)	¥28	¥ 2	\$258	\$ 20
Return of lease deposits *2	(Prepaid expenses & other current assets)	¥ 3	¥ 3	\$ 33	\$ 33
	(Fixed leasehold deposits to lessors)		¥29		\$264

*1 Housing loans are package loans from Aeon Bank. Interest rates and conditions of repayment are similar to those of general loans. Repayment of housing loans is not included in the transaction amount.

*2 Lease of land and parking is for a store of Marunaka CO., LTD. The terms of rent payments are determined by negotiation based on market-price.

24 Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated within the Group.

The Group's reportable segments and main operations in each segment are as follows:

The GMS Business includes general merchandise stores (GMS).

The Supermarket and Discount Store Business includes supermarkets and discount stores.

The Small-sized Store Business includes convenience stores, small-scale supermarkets, and specialty stores that sell packaged lunches and ready-to-eat meals.

The Drugstore and Pharmacy Business includes drugstores and pharmacies.

The Financial Services Business includes credit card, fee, and banking business.

The SC Development Business includes development and leasing of shopping centers.

The Services and Specialty Store Business includes facilities management services, amusement services, food services, and specialty stores that sell family casual apparel, women's apparel, footwear, and others.

The international Business includes retail stores in the ASEAN region and China.

Other Businesses include digital business, etc.

2. Methods of measurement for the amounts of sales, income (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of significant accounting policies."

3. Information about sales, income (loss), assets, liabilities, and other items is as follows.

	Millions of Yen						
	'15						
	Reportable segment						
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	¥2,614,620	¥2,510,362	¥304,506	¥255,290	¥ 294,387	¥ 183,130	¥537,692
Intersegment sales	65,433	15,424	5,587	385	35,388	61,586	167,228
Total revenues	2,680,054	2,525,786	310,094	255,676	329,776	244,717	704,921
Segment income (loss)	11,608	(5,575)	1,792	7,023	53,058	42,305	24,597
Segment assets	1,385,474	1,091,455	187,955	277,127	3,307,815	1,094,179	370,259
Segment interest-bearing debt	292,962	242,246	7,753	26,527	719,314	348,644	43,972
Other :							
Depreciation and amortization	47,001	37,033	9,675	3,875	17,512	37,835	14,341
Equity in earnings (losses) of associated companies	97	2,511	(42)	2,707	877	(4)	(10)
Impairment loss	12,692	20,593	2,893	1,807	36	1,868	3,567
Investments in associated companies	1,421	29,257	568	2,424	22,418	195	2,657
Increase in property, buildings and equipment, and intangible assets	48,704	44,658	12,288	6,858	37,315	214,178	22,566

	Millions of Yen					
	'15					
	Reportable segment					
	International	Subtotal	Other	Total	Reconciliations	Consolidated
Sales to external customers	¥376,890	¥7,076,881	¥ 8,627	¥7,085,508	¥ (6,931)	¥7,078,577
Intersegment sales	821	351,858	5,866	357,725	(357,725)	
Total revenues	377,712	7,428,739	14,494	7,443,234	(364,656)	7,078,577
Segment income (loss)	5,354	140,166	(2,453)	137,713	3,654	141,368
Segment assets	336,471	8,050,738	7,099	8,057,837	(198,034)	7,859,803
Segment interest-bearing debt	31,720	1,713,141	1,202	1,714,344	130,688	1,845,032
Other :						
Depreciation and amortization	14,302	181,578	349	181,927	6,416	188,344
Equity in earnings (losses) of associated companies		6,137	(4)	6,133	556	6,689
Impairment loss	2,614	46,074	89	46,163		46,163
Investments in associated companies	1,822	60,765	14	60,780	4,125	64,906
Increase in property, buildings and equipment, and intangible assets	47,238	433,808	1,454	435,263	8,180	443,443

*1 Reconciliations of sales to external customers include ¥-70,584 million of adjustment from a gross to net basis and ¥63,488 million of sales by the shared function companies, which are not included in any business segment.

*2 Reconciliations of segment income include ¥5,707 million of income of the Corporate, which is not allocated to any business segment, ¥-46 million of income of the shared function companies, which is not included in any business segment, and ¥-3,123 million of elimination of the intersegment transactions.

*3 Reconciliations of segment assets include ¥570,836 million of assets of the Corporate, which are not allocated to any business segment, ¥210,030 million of assets of the shared function companies, which are not included in any business segment, and ¥-978,901 million of elimination of the intersegment transactions.

*4 Reconciliations of segment interest-bearing debt include ¥471,590 million of interest-bearing debt of Corporate, which is not allocated to any business segment, ¥40,117 million of interest-bearing debt of the shared function companies, which is not included in any business segment, and ¥-381,019 million of elimination of the intersegment transactions.

*5 Reconciliations of depreciation and amortization include ¥655 million of depreciation of Corporate, which is not allocated to any business segment, and ¥5,760 million of depreciation of the shared function companies, which is not included in any business segment.

*6 Reconciliations of increase in property, buildings, and equipment, and intangible assets include ¥652 million of acquisitions of those assets of Corporate, which are not allocated to any business segment, and ¥7,527 million of acquisitions of the shared function companies, which are not included in any business segment.

*7 Segment income is based on operating income.

Millions of Yen							
'16							
Reportable segment							
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	¥2,674,323	¥3,039,446	¥371,189	¥592,046	¥ 319,174	¥ 204,129	¥566,383
Intersegment sales	163,915	13,851	5,723	318	38,077	67,995	174,882
Total revenues	2,838,239	3,053,298	376,913	592,364	357,252	272,124	741,265
Segment income (loss)	9,390	21,157	1,265	18,589	55,027	45,068	26,320
Segment assets	1,443,598	1,108,680	167,118	276,998	3,555,733	1,164,851	385,908
Segment interest-bearing debt	383,434	282,440	7,470	25,886	796,448	429,736	64,560
Other :							
Depreciation and amortization	50,907	39,277	11,084	10,096	19,262	42,232	16,567
Equity in earnings (losses) of associated companies	107	610	(43)	317	927	(46)	73
Impairment loss	15,203	21,609	2,291	2,527	37	1,193	2,110
Investments in associated companies	1,662	21,280	509	2,764	27,372	148	2,652
Increase in property, buildings and equipment, and intangible assets	70,405	88,792	17,536	17,529	39,005	179,470	26,123

Millions of Yen							
'16							
Reportable segment							
	International	Subtotal	Other	Total	Reconciliations	Consolidated	
Sales to external customers	¥424,959	¥8,191,651	¥ 7,796	¥8,199,448	¥ (22,715)	¥8,176,732	
Intersegment sales	1,523	466,288	5,395	471,684	(471,684)		
Total revenues	426,482	8,657,940	13,192	8,671,132	(494,399)	8,176,732	
Segment income (loss)	(2,449)	174,370	(3,518)	170,852	6,125	176,977	
Segment assets	326,887	8,429,777	6,455	8,436,233	(210,358)	8,225,874	
Segment interest-bearing debt	51,964	2,041,940	3,950	2,045,890	124,909	2,170,800	
Other :							
Depreciation and amortization	17,393	206,822	368	207,190	7,843	215,033	
Equity in earnings (losses) of associated companies	(257)	1,689	(2)	1,686	325	2,012	
Impairment loss	1,375	46,348		46,348	169	46,518	
Investments in associated companies	1,563	57,954	21	57,975	4,001	61,977	
Increase in property, buildings and equipment, and intangible assets	40,193	479,055	667	479,722	10,952	490,675	

*1 Reconciliations of sales to external customers include ¥-70,831 million of adjustment from a gross to net basis and ¥48,130 million of sales by the shared function companies, which are not included in any business segment.

*2 Reconciliations of segment income include ¥4,815 million of income of the Corporate, which is not allocated to any business segment, ¥1,401 million of income of the shared function companies, which is not included in any business segment, and ¥-2,340 million of elimination of the intersegment transactions.

*3 Reconciliations of segment assets include ¥669,927 million of assets of the Corporate, which are not allocated to any business segment, ¥162,365 million of assets of the shared function companies, which are not included in any business segment, and ¥-1,042,652 million of elimination of the intersegment transactions.

*4 Reconciliations of segment interest-bearing debt include ¥590,011 million of interest-bearing debt of Corporate, which is not allocated to any business segment, ¥44,158 million of interest-bearing debt of the shared function companies, which is not included in any business segment, and ¥-509,260 million of elimination of the intersegment transactions.

*5 Reconciliations of depreciation and amortization include ¥673 million of depreciation of Corporate, which is not allocated to any business segment and ¥7,169 million of depreciation of the shared function companies, which is not included in any business segment.

*6 Reconciliations of increase in property, buildings, and equipment, and intangible assets include ¥358 million of acquisitions of those assets of Corporate, which are not allocated to any business segment and ¥10,593 million of acquisitions of the shared function companies, which are not included in any business segment.

*7 Segment income is based on operating income.

Millions of Yen							
'17							
Reportable segment							
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	¥2,825,386	¥2,868,198	¥372,755	¥623,512	¥ 329,923	¥ 242,517	¥583,940
Intersegment sales	186,877	22,034	5,947	119	42,122	73,423	181,728
Total revenues	3,012,263	2,890,232	378,703	623,631	372,046	315,940	765,669
Segment income (loss)	2,481	31,288	2,776	22,053	61,904	46,851	26,393
Segment assets	1,462,549	1,010,714	170,704	295,293	4,050,134	1,242,310	404,474
Segment interest-bearing debt	418,219	242,003	7,574	24,256	823,800	459,394	79,692
Other :							
Depreciation and amortization	53,417	40,107	10,900	11,182	21,084	50,080	17,766
Equity in earnings (losses) of associated companies	(56)	616	(37)	465	385	(148)	100
Impairment loss	16,550	16,678	2,602	1,809	110	3,014	2,080
Investments in associated companies	1,717	21,609	1,596	3,151	32,399		2,691
Increase in property, buildings and equipment, and intangible assets	122,796	59,280	14,979	24,596	45,019	159,144	24,278

Millions of Yen

	'17					
	Reportable segment			Other	Total	Reconciliations
	International	Subtotal				
Sales to external customers	¥396,617	¥8,242,851	¥ 6,696	¥8,249,547	¥ (39,401)	¥8,210,145
Intersegment sales	1,778	514,032	11,429	525,462	(525,462)	
Total revenues	398,395	8,756,883	18,125	8,775,009	(564,863)	8,210,145
Segment income (loss)	(5,401)	188,347	(4,036)	184,311	428	184,739
Segment assets	314,318	8,950,499	21,277	8,971,776	(220,920)	8,750,856
Segment interest-bearing debt	60,407	2,115,349	7,115	2,122,465	134,629	2,257,094
Other :						
Depreciation and amortization	17,173	221,712	683	222,395	9,508	231,904
Equity in earnings (losses) of associated companies	(1,665)	(341)		(341)	300	(40)
Impairment loss	2,262	45,109	112	45,221	32	45,253
Investments in associated companies	12	63,177		63,177	4,251	67,429
Increase in property, buildings and equipment, and intangible assets	33,200	483,296	1,362	484,659	13,223	497,883

Thousands of U.S. Dollars

	'17						
	Reportable segment						
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Sales to external customers	\$25,226,661	\$25,608,912	\$3,328,178	\$5,567,072	\$2,945,747	\$2,165,334	\$5,213,753
Intersegment sales	1,668,548	196,738	53,100	1,065	376,095	655,566	1,622,578
Total revenues	26,895,209	25,805,651	3,381,278	5,568,138	3,321,843	2,820,900	6,836,332
Segment income (loss)	22,154	279,362	24,788	196,905	552,718	418,320	235,653
Segment assets	13,058,474	9,024,232	1,524,146	2,636,547	36,161,917	11,092,055	3,611,382
Segment interest-bearing debt	3,734,104	2,160,748	67,625	216,579	7,355,361	4,101,740	711,538
Other :							
Depreciation and amortization	476,942	358,103	97,324	99,843	188,251	447,146	158,633
Equity in earnings (losses) of associated companies	(507)	5,502	(337)	4,155	3,445	(1,324)	896
Impairment loss	147,776	148,912	23,236	16,152	986	26,918	18,574
Investments in associated companies	15,331	192,938	14,254	28,134	289,280		24,033
Increase in property, buildings and equipment, and intangible assets	1,096,396	529,294	133,747	219,615	401,963	1,420,929	216,772

Thousands of U.S. Dollars

	'17					
	Reportable segment			Other	Total	Reconciliations
	International	Subtotal				
Sales to external customers	\$3,541,224	\$73,596,885	\$59,785	\$73,656,671	\$ (351,802)	\$73,304,868
Intersegment sales	15,880	4,589,574	102,051	4,691,626	(4,691,626)	
Total revenues	3,557,104	78,186,459	161,837	78,348,297	(5,043,428)	73,304,868
Segment income (loss)	(48,231)	1,681,673	(36,037)	1,645,635	3,826	1,649,462
Segment assets	2,806,413	79,915,170	189,977	80,105,147	(1,972,500)	78,132,647
Segment interest-bearing debt	539,351	18,887,049	63,534	18,950,583	1,202,045	20,152,629
Other :						
Depreciation and amortization	153,332	1,979,577	6,100	1,985,677	84,893	2,070,571
Equity in earnings (losses) of associated companies	(14,874)	(3,045)		(3,045)	2,680	(365)
Impairment loss	20,200	402,759	1,000	403,759	287	404,047
Investments in associated companies	115	564,088		564,088	37,963	602,052
Increase in property, buildings and equipment, and intangible assets	296,430	4,315,150	12,167	4,327,317	118,067	4,445,385

*1 Reconciliations of sales to external customers include ¥76,397 million (\$682,116 thousand) of adjustment to present sales from a gross basis to a net basis. Certain service transactions in the business segment, whose operating results are presented on a gross basis, are adjusted to be presented on a net basis since such revenue is incidental in the Consolidated Statement of Income as a whole. Reconciliations of sales to external customers also include an upward adjustment of ¥36,948 million (\$329,900 thousand) related to sales to associated companies accounted for by the equity method by the shared function companies, serve as part of the head office functions, which are not included in any business segment.

*2 Reconciliations of segment income include ¥2,727 million (\$24,349 thousand) of income of the Corporate, which is not allocated to any business segment, ¥846 million (\$7,561 thousand) of income of the shared function companies, which is not included in any business segment, and ¥1,894 million (\$16,913 thousand) of elimination of the intersegment transactions.

*3 Reconciliations of segment assets include ¥668,293 million (\$5,966,902 thousand) of assets of the Corporate, which are not allocated to any business segment, ¥156,166 million (\$1,394,340 thousand) of assets of the shared function companies, which are not included in any business segment, and ¥1,045,379 million (\$9,333,743 thousand) of elimination of the intersegment transactions.

*4 Reconciliations of segment interest-bearing debt include ¥585,256 million (\$5,225,506 thousand) of interest-bearing debt of Corporate, which is not allocated to any business segment, ¥47,597 million (\$424,980 thousand) of interest-bearing debt of the shared function companies, which is not included in any business segment, and ¥498,225 million (\$4,448,441 thousand) of elimination of the intersegment transactions.

*5 Reconciliations of depreciation and amortization include ¥699 million (\$6,245 thousand) of depreciation of Corporate, which is not allocated to any business segment and ¥8,808 million (\$78,647 thousand) of depreciation of the shared function companies, which is not included in any business segment.

*6 Reconciliations of increase in property, buildings, and equipment, and intangible assets include ¥333 million (\$2,973 thousand) of acquisitions of those assets of Corporate, which are not allocated to any business segment and ¥12,890 million (\$115,093 thousand) of acquisitions of the shared function companies, which are not included in any business segment.

*7 Segment income is based on operating income.

4. Information about geographical areas

(1) Total operating revenues

Millions of Yen				
'15				
Japan	ASEAN	China	Other	Total
¥6,486,616	¥304,360	¥203,177	¥84,422	¥7,078,577

Millions of Yen				
'16				
Japan	ASEAN	China	Other	Total
¥7,464,583	¥333,196	¥248,540	¥130,411	¥8,176,732

Millions of Yen					Thousands of U.S. Dollars				
'17					'17				
Japan	ASEAN	China	Other	Total	Japan	ASEAN	China	Other	Total
¥7,543,969	¥312,717	¥242,068	¥111,390	¥8,210,145	\$67,356,866	\$2,792,116	\$2,161,324	\$994,561	\$73,304,868

* Total revenues are classified by country and region based on the location of customers.

(2) Property, buildings and equipment

Millions of Yen				
'16				
Japan	ASEAN	China	Other	Total
¥2,302,332	¥222,402	¥83,391	¥7,316	¥2,615,442

Millions of Yen					Thousands of U.S. Dollars				
'17					'17				
Japan	ASEAN	China	Other	Total	Japan	ASEAN	China	Other	Total
¥2,337,090	¥232,362	¥82,188	¥8,137	¥2,659,779	\$20,866,882	\$2,074,667	\$733,828	\$72,652	\$23,748,030

5. Information about goodwill by segment

Millions of Yen							
'16							
Reportable segment							
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	¥ 156	¥ 8,658	¥ 2,158	¥ 3,065	¥ 3,071	¥ 2,462	¥1,418
Book value	1,733	39,815	21,551	51,844	25,971	28,289	9,779

Millions of Yen					
'16					
Reportable segment					
	International	Total	Other	Reconciliations	Consolidated
Amortization of goodwill	¥1,684	¥ 22,675		¥ 25	¥ 22,700
Book value	2,713	181,698		107	181,806

Millions of Yen							
'17							
Reportable segment							
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	¥ 210	¥ 5,680	¥ 2,150	¥ 3,993	¥ 3,083	¥ 2,617	¥1,009
Book value	1,521	33,941	19,380	47,851	22,910	26,165	8,649

Millions of Yen					
'17					
Reportable segment					
	International	Total	Other	Reconciliations	Consolidated
Amortization of goodwill	¥ 289	¥ 19,034		¥23	¥ 19,058
Book value	1,191	161,611		83	161,694

Thousands of U.S. Dollars							
'17							
Reportable segment							
	GMS	SM and DS	Small-sized Store	Drug Store and Pharmacy	Financial Services	SC Development	Service and Specialty Store
Amortization of goodwill	\$ 1,882	\$ 50,717	\$ 19,199	\$ 35,655	\$ 27,529	\$ 23,371	\$ 9,014
Book value	13,583	303,045	173,037	427,244	204,558	233,623	77,226

Thousands of U.S. Dollars					
'17					
Reportable segment					
	International	Total	Other	Reconciliations	Consolidated
Amortization of goodwill	\$ 2,581	\$ 169,952		\$213	\$ 170,165
Book value	10,638	1,442,957		747	1,443,704

1 For the year ended February 29, 2016, the amount of "SM and DS" and "International" includes ¥6,181 million of other expenses in the consolidated statement of income.

2 For the year ended February 28, 2017, the amount of "SM and DS" and "Drug Store and Pharmacy" includes ¥3,443 million (\$30,742 thousand) of other expenses in the consolidated statement of income. And the amount of "International" does not include "impairment loss" of ¥1,819 million (\$16,242 thousand) in the consolidated statement of income.

25 Subsequent events

Business combination through acquisition of shares by a consolidated subsidiary (FY'17)

Effective April 18, 2017, the Company's consolidated subsidiary, Welcia Holdings Co., Ltd. ("Welcia HD"), entered into a share transfer agreement with Marudai Sakurai Yakkyoku Co., Ltd. ("Marudai Sakurai Yakkyoku") to acquire all of its issued and outstanding common shares and convert Marudai Sakurai Yakkyoku into a wholly-owned subsidiary of Welcia HD.

1. Outline of the business combination

(1) Name of the acquired company and its business

Name of the acquired company: Marudai Sakurai Yakkyoku Co., Ltd.

Business: Drugstore business

(2) Major reason for the business combination

The Welcia Group, formed by Welcia HD and its subsidiaries, endeavors to be the No. 1 drugstore chain in Japan in terms of both quality and quantity.

The Welcia Group provides services such as a business infrastructure in the highly aging society to local consumers so that they can have convenient and healthy lives.

The Welcia Group has been developing the dispensable drugstore business mainly in the Kanto region from the Tohoku district to the Kinki district.

Marudai Sakurai Yakkyoku has developed its business mainly in Aomori prefecture, where 64 drugstores and eight pharmacies are located. Acquiring Marudai Sakurai Yakkyoku's shares will allow the Welcia Group to further strengthen its business foundation in the Tohoku region and enhance the efficiency by mutually sharing their expertise.

(3) Date of the business combination

September 1, 2017 (as scheduled)

(4) Legal form of the business combination

Acquisition of shares

(5) Name of the company after the business combination

Marudai Sakurai Yakkyoku Co., Ltd.

(6) Ratio of voting rights to be acquired

100%

(7) Basis for determining the acquirer

Welcia HD will pay a consideration in cash for acquiring all the shares of Marudai Sakurai Yakkyoku, which will become its consolidated subsidiary.

2. Acquisition cost of the acquired company and details of the consideration to be paid

	Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition		
- Cash and deposit	¥14,500	\$129,464
Acquisition cost	14,500	129,464

Note: The acquisition cost above is an estimated amount from which the actual cost may differ.

3. Major acquisition-related costs

The amount of major acquisition-related costs has not been determined as of the reporting date.

4. Amount of goodwill arising from the business combination, reasons for the goodwill arising from the business combination, and the method and period of amortization

The Company will account for this acquisition under the purchase method.

Goodwill is expected to arise under the acquisition; however, the amount has not been determined as of the reporting date.

5. Assets acquired and liabilities assumed at the acquisition date

The assets acquired and the liabilities assumed at the acquisition date have not been determined as of the reporting date.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AEON Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AEON Co., Ltd. and its consolidated subsidiaries as of February 28, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Co., Ltd. and its consolidated subsidiaries as of February 28, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



May 24, 2017

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

Headquarters	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba 261-8515, Japan
Representative	Motoya Okada, Representative Director, President and Group CEO
Founded	1758
Established	September 1926
Number of Employees	518,997
Fiscal Year End	End of February
Annual Shareholders' Meeting	Held by the end of May
Stock Exchange Listing	Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8223, Japan
Number of Shareholders	709,325
Shares Issued and Outstanding	871,924,572
Website	https://www.aeon.info/en/

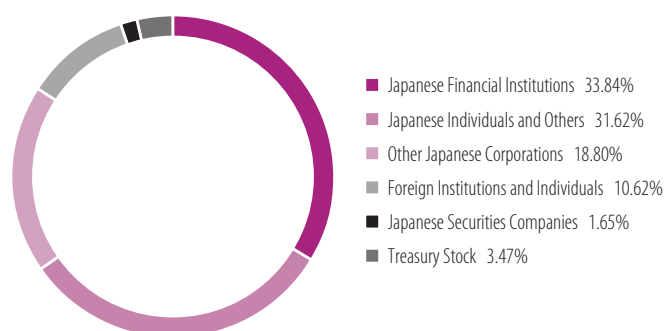
Major Shareholders (As of February 28, 2017)

Name	Number of shares held (Thousands of shares)	Ratio of shares held (%)
Mitsubishi Corporation	40,422	4.80
Mizuho Bank, Ltd.	33,292	3.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,317	3.60
Japan Trustee Services Bank, Ltd. (Trust Account)	25,664	3.05
AEON Environmental Foundation	21,482	2.55
The Cultural Foundation of Okada	21,040	2.50
The Norinchukin Bank	18,133	2.15
Employees' stockholding association	13,630	1.62
Aeon Mutual Benefit Society (Nomura Securities account)	12,073	1.43
Japan Trustee Services Bank, Ltd. (Trust Account #7)	10,135	1.20

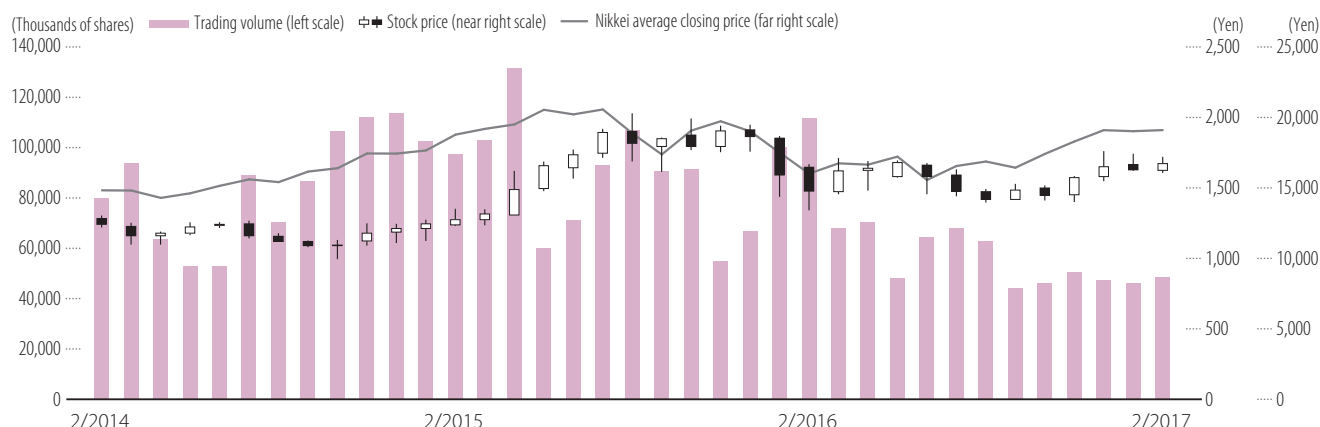
Notes:

- Calculations of ratio of shares held exclude treasury stock (30,272,244 shares).
- Shareholdings listed for The Master Trust Bank of Japan, Ltd. (Trust Account) and for the Japan Trustee Services Bank, Ltd. (Trust Account and Trust Account #7) represent pooled shares held in the form of securities investment trusts and other trusts.

Distribution of Share Ownership by Shareholder Type



Stock Price and Trading Volume



Aeon's Website

Our website covers activities and data not presented in the integrated report. Sections of the website present a broad variety of information.

Corporate



<https://www.aeon.info/en/>

The corporate section presents information for various stakeholders. Please access the latest company information and news releases here.

Investor Relations



<https://www.aeon.info/en/investors/>

This section presents management policy, financial and performance data, stock information, IR materials, and other information.

Environmental and Social Report



<https://www.aeon.info/en/environment/>

Our Environmental and Social Report presents our basic environment and CSR policies and specific initiatives.

Aeon History Museum

The Aeon History Museum presents the significance and essence of the Basic Principles Aeon has created and refined throughout its history. Visits are available with Aeon employees or by reservation. Please call 81-43-212-6614.

Address: Aeon Head Office Annex
2F, 1-5-1 Nakase, Mihama-ku,
Chiba-shi, Chiba

