

Aeon Sustainable Management Briefing

December 12, 2017

AEON CO., LTD.

AEON Report 2017 (Integrated Report)

A comprehensive review of the Aeon Group's medium- and long-term value creation story and realization of sustainable management through environmental and social activities.



AEON Report 2017 Overview

Part 1 Introduction

- Aeon Basic Principles
- Value Creation Model
- Our Strengths
- Business Overview
- Financial and Non-financial Highlights

Part 2 Our Strategies

- Comments from the Group CEO
- Comments from the CFO
- Aeon Group Medium-term Management Plan (FY2017~2019)
- Corporate Governance

Part 3 Our Sustainability

- Feature 1: Dialogue with Stakeholders
- Feature 2: Promotion of CSR in the Value Chain
- Aeon Group CSR

Part 4 FY2016 Activities

- Environmental Activities
- Social Activities

Part 5 Corporate Data

Agenda

- 1. Background to Aeon Sustainable Management Briefing**
- 2. Continued Efforts of CSR Initiatives**
- 3. Examples of Aeon Sustainable Management Initiatives**

Priorities	<u>Aeon Sustainability Principle</u> <ul style="list-style-type: none">• Realization of a low-carbon society• Conservation of biodiversity• Better use of resources• Responding to diverse consumer issues• Carrying out fair business practices• Collaborating with the community
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- 4. Utilizing Diverse Human Resources in Management**

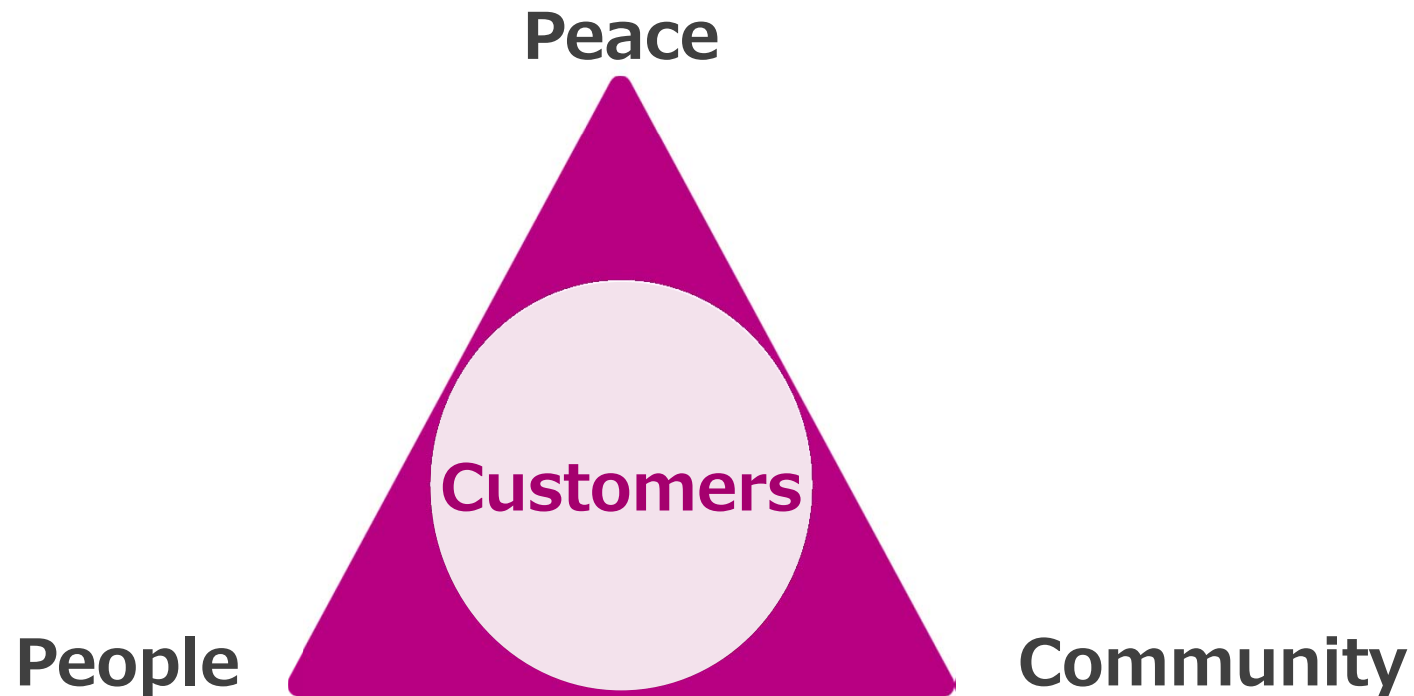
Priorities	<u>Aeon Sustainability Principle</u> <ul style="list-style-type: none">• Creating workplaces that emphasize human rights and diversity
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- 5. Corporate Governance Structure**

1. Background to Aeon Sustainable Management Briefing

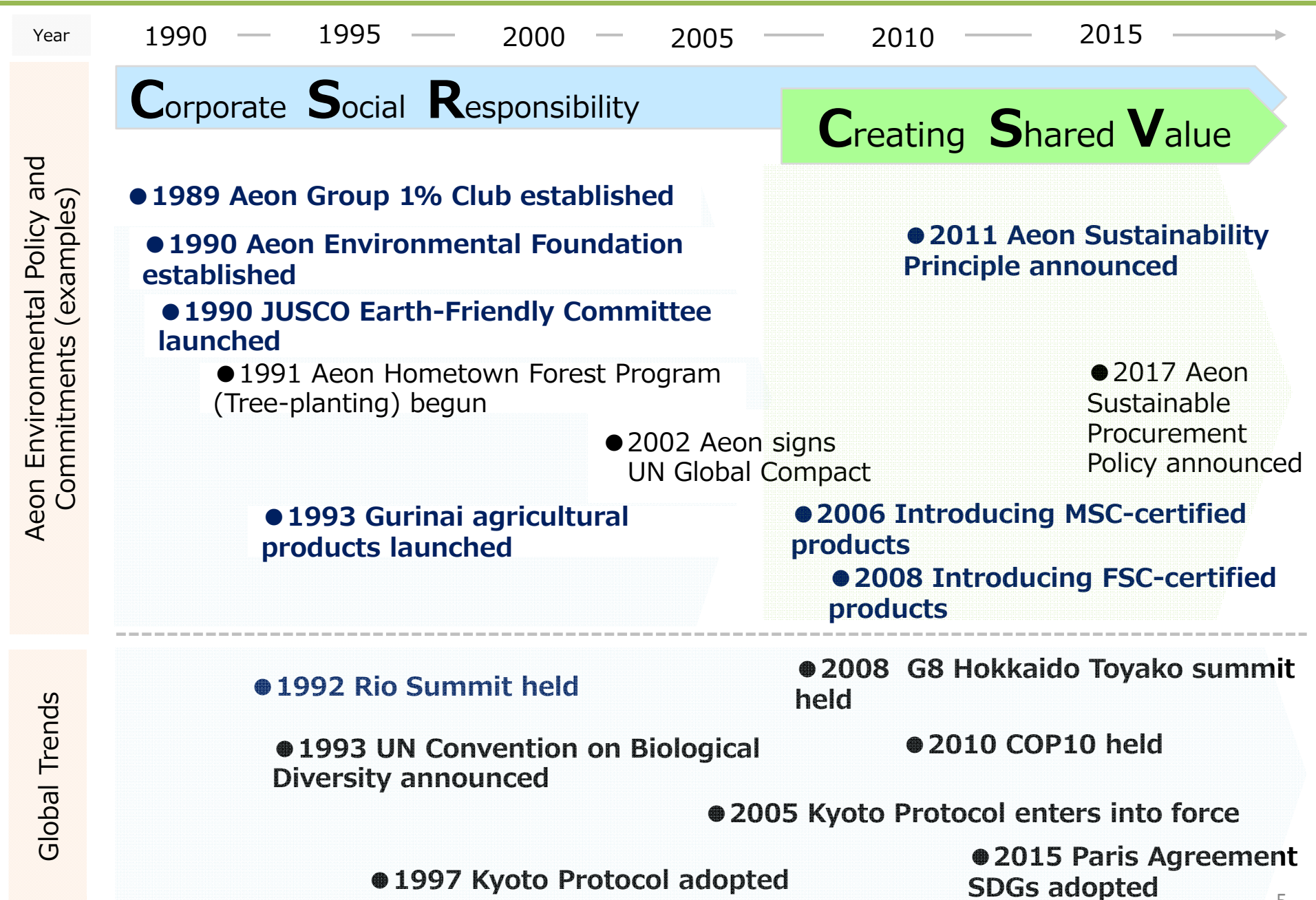
Aeon Basic Principles

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



On the basis of the Aeon Basic Principles,
Aeon practices its "Customer-First" philosophy
with its ever-lasting innovative spirit.

2. Continued Efforts of CSR Initiatives



Origins of Tree Planting Activities (belief of Takuya Okada)

~About 50 years ago, in the 1960s, Okada noticed that the Nandina heavenly bamboo tree in his garden in Yokkaichi City, Mie Prefecture had stopped producing berries.~

Due to the changes in the environment, Okada sought solutions by using its position as a retailer and began Tree Planting Activities, based on the belief that the loss of nature would mean losing the very source of human prosperity.

1965: Cherry tree planting
at a park in Okazaki



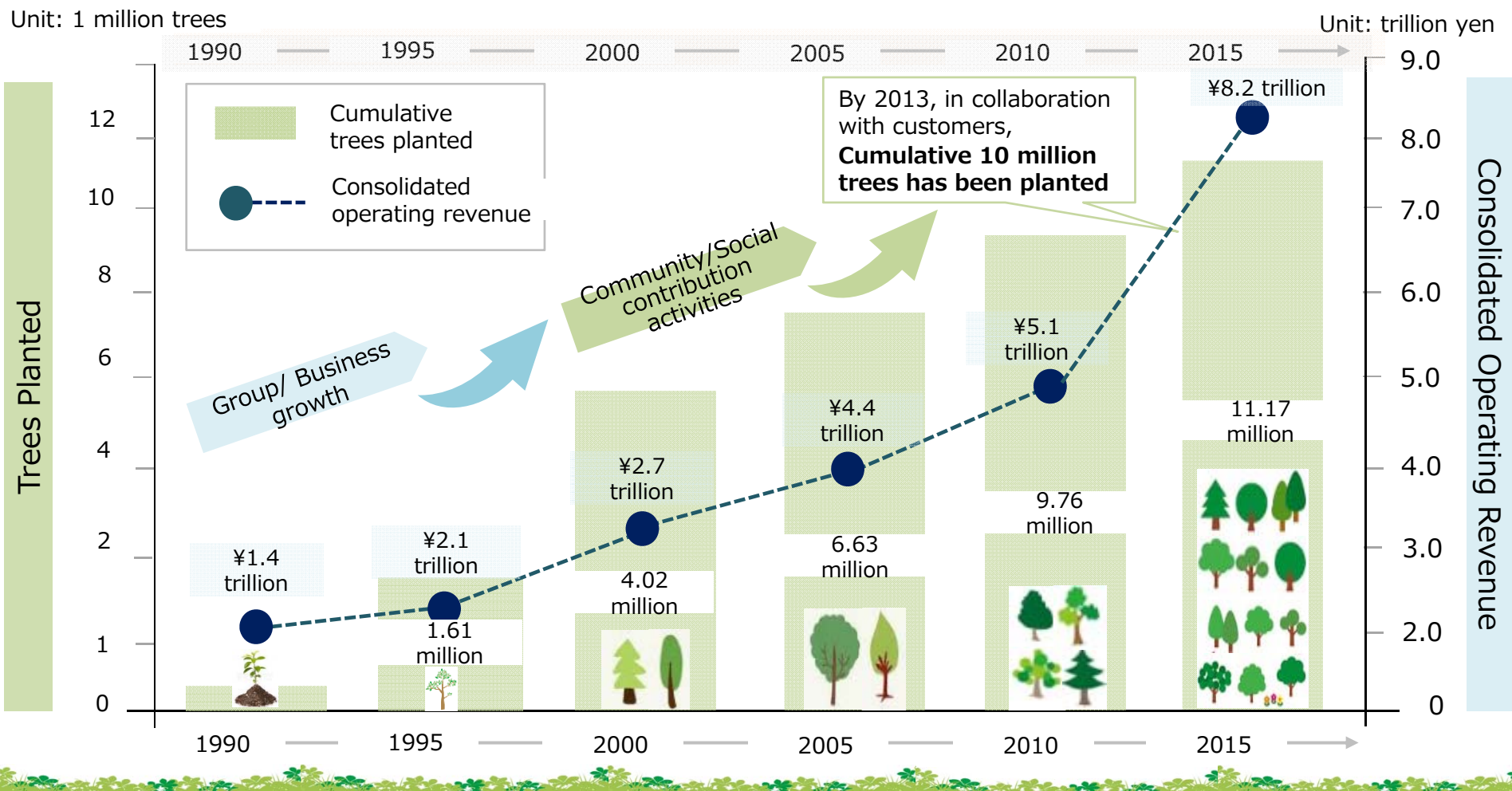
1991: Aeon Hometown Forests Program
starts at JUSCO Malacca Store (Malaysia)



11.44 million trees planted cumulatively with help of more than **1.14 million people**

Tree Planting and
Business Growth

We have and will always strive with our customers to ensure a future world filled with green forests.



AEON 1% Club Foundation

◆ Sound development of the next generation

- AEON Cheers Club
- School Construction Support Project
- AEON-UNICEF Safe Water Campaign

◆ Promotion of friendship with foreign countries

- Teenage Ambassadors Programs
- Asia Youth Leaders
- AEON Scholarship

◆ Sustainable development of regional communities

- Support for the future of hometowns
- Disaster relief assistance

AEON 1%
Club Foundation



AEON Environmental Foundation

◆ Tree Planting Activities

◆ Grants for environmental activities

◆ Biodiversity Awards

◆ Environmental education

- Asian Students Environment Platform
- Donating solar systems

AEON Environmental
Foundation



【CSR】 Stores Serve as Community Disaster-prevention Sites

AEON Report: P144,148

Aeon stores serve as places to help to connect people and as disaster-prevention sites for communities in Japan, where earthquakes are common, to relieve customers' anxiety. Aeon sites in Japan have signed disaster-prevention collaboration agreements with 750 local governments.

Joint disaster prevention activities



Balloon shelter



Collaboration with external organizations



Aeon Sustainability Principle

Formulated 2011

*Revised 2017

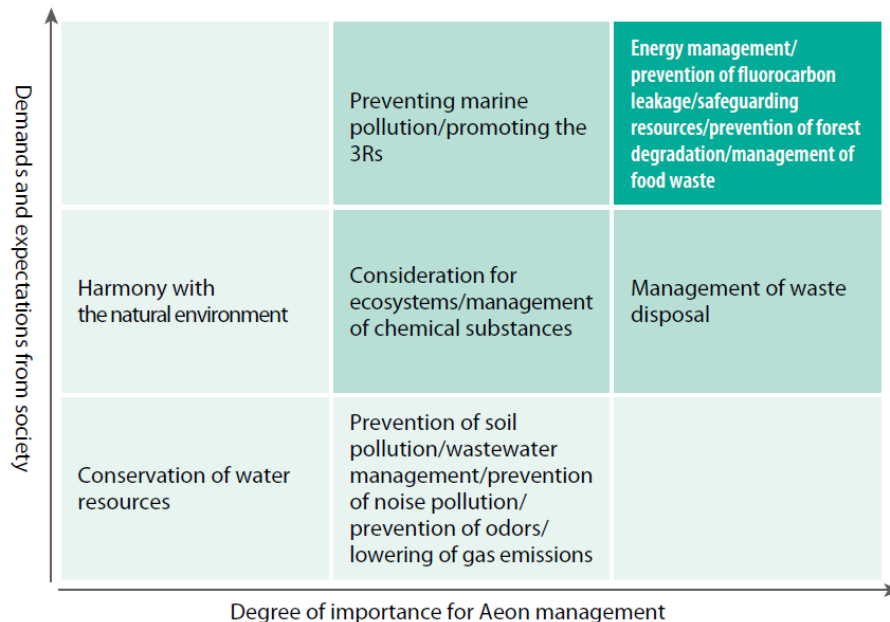
Aeon aims to realize a sustainable society and ensure Group growth based on our basic principle of pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view at its core.

In conducting activities, we will think globally and advance activities locally from both environmental and social viewpoints in actively pursuing sustainability with many different stakeholders.

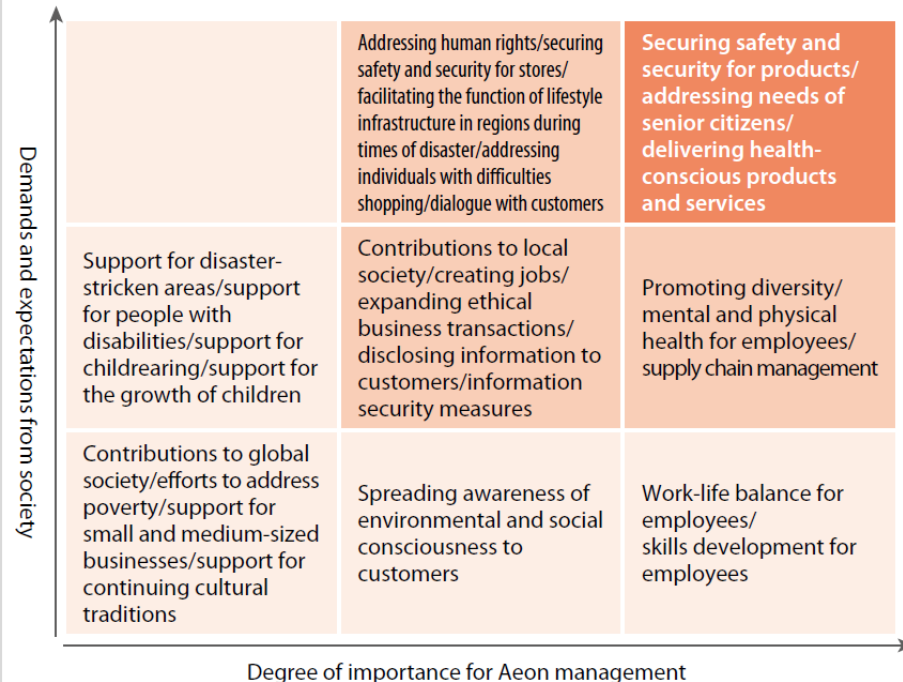
Identifying Environmental Issues and Social Issues Surrounding Aeon Management

AEON Report: P75

Environmental Issues



Social Issues



Environmental Priorities

Realization of
a low-carbon society

Conservation of
biodiversity

Better use of resources

Social Priorities

Responding to
diverse consumer issues

Carrying out
fair business practices

Creating workplaces that
emphasize human rights
and diversity

Collaborating with the
community



Aeon ECO Project **FY2020 target**

Following achievement of Aeon Manifesto on the Prevention of Global Warming, Aeon began the ECO Project in September 2012 amid growing social needs for energy-saving and energy-efficiency.

Reduction
Strategy

Generation
Strategy

Protection
Strategy

Targets

50% reduction in
energy consumption

200,000 kW from
renewable energy sources

100 disaster-prevention
facilities across Japan

Results

FY2016
Energy consumption
reduced by **27%**
(compared to FY2010)

Stores with solar panels
923 stores
Power capacity
56,960kW
(FY2016 cumulative)

Disaster prevention
sites
33 sites in Japan
(**FY2016** cumulative)

From “low carbon” to “no carbon” :
Planning new initiatives with long-term view

Expand renewable energies



Expand cool refrigerated and frozen cases natural refrigerants



Expand team of energy advisors



Product	2020 Sustainable Procurement Goals
Agricultural Products	<ul style="list-style-type: none"> • For private brands, aiming for 100% implementation of the GFSI-based Good Agricultural Practice (GAP) • Aiming to increase the sales ratio of organic products to 5% of the total agricultural products
Livestock Products	<ul style="list-style-type: none"> • For private brands, aiming for 100% implementation of the GFSI-based Food Safety Management System (FSMS) or the GAP
Fishery Products	<ul style="list-style-type: none"> • Aiming for 100% acquisition of MSC/ASC 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/Wood Products	<ul style="list-style-type: none"> • Aiming for 100% use of sustainability-certified (by FSC or equivalent) materials for the private brand in the major product categories
Palm Oil	<ul style="list-style-type: none"> • Aiming for 100% use of sustainability-certified (by RSPO or equivalent) materials for the private brand

Product Examples ~Sustainable Fishery Procurement~

<Example>

MSC- and ASC-certified products in the food and fishery products sales areas



Aeon Sustainable Products Aeon actively sells products using sustainable practices for biological resources

Eco labels for the oceans



MSC-certified products introduced from 2006



Responsibly produced farm-raised marine products



ASC-certified products introduced from 2014



All of Aeon Retail Co., Ltd.'s stores have acquired COC certification required to sell MSC and ASC-certified products.

October 2017 announcement

Food Waste Reduction

1. Cut food waste in half by 2025

Cut per-unit generation of food waste (generation of waste per each ¥1 million of sales) by 25% by 2020, and in half by 2025 relative to fiscal 2015

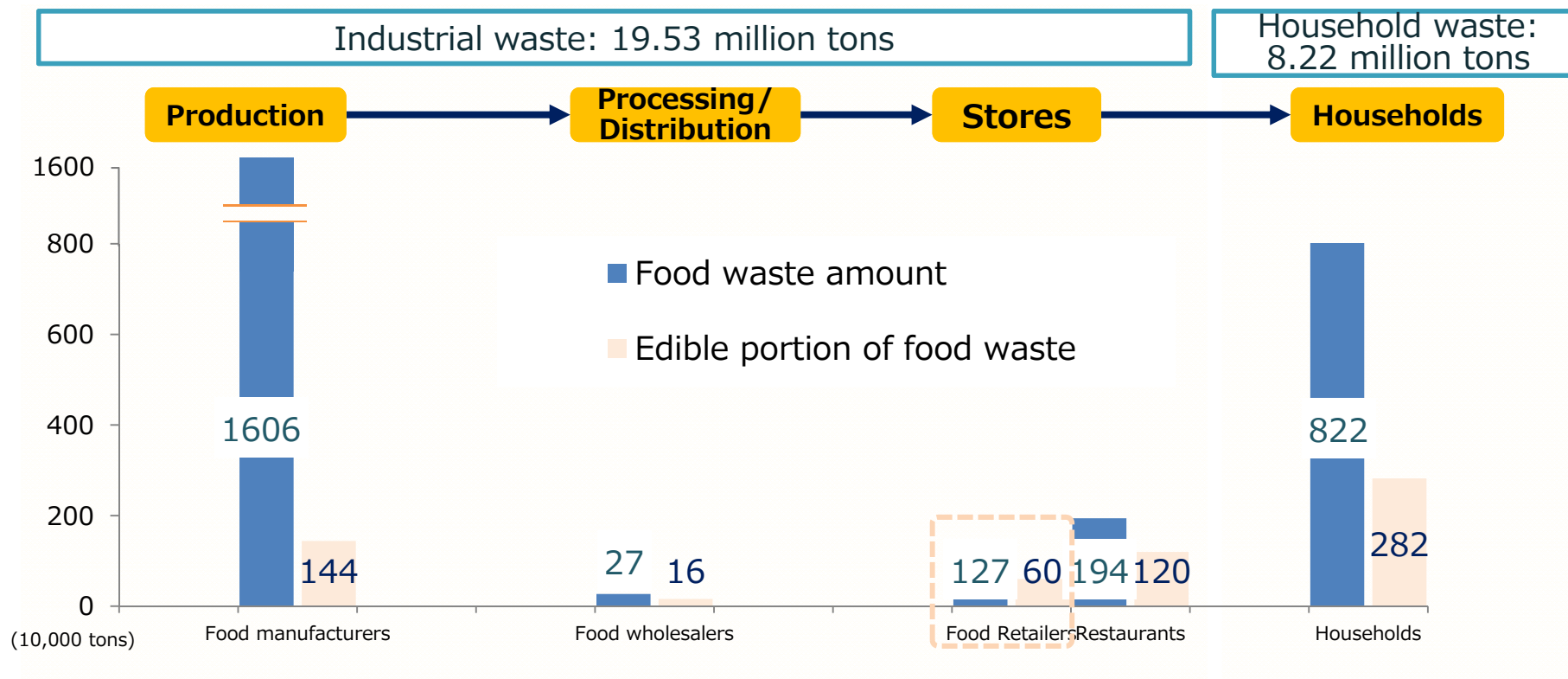
2. Build a food resource recycling model

Build a local food resource recycling model based on store-producer-recycling company collaboration at 1,000 or more Group stores in at least 10 locations across Japan by 2020.

【Better Use of Resources】

~Promoting Initiatives Across Value Chain~

AEON Report: P105



	Production	Processing/ Distribution	Stores	Households
Prevention Measures	<ul style="list-style-type: none"> •Non-standard agricultural products (size and shape) •Use non-standard materials •Better freshness technology •Lengthen best-before dates •Change best-before indication (month/year) •Use recycled materials 	<ul style="list-style-type: none"> •Unify manufacture and processing •Loosen delivery requirements •Shorten shipping times 	<ul style="list-style-type: none"> •Raise ordering accuracy •Revise ordering units •Revise volumes and packing •<u>Visualize waste management</u> 	<ul style="list-style-type: none"> •Awareness campaigns (food loss prevention) •Hold food seminars, etc.

◆ Reduce food waste amount

Visualize waste management to reduce waste amount and raise employee awareness

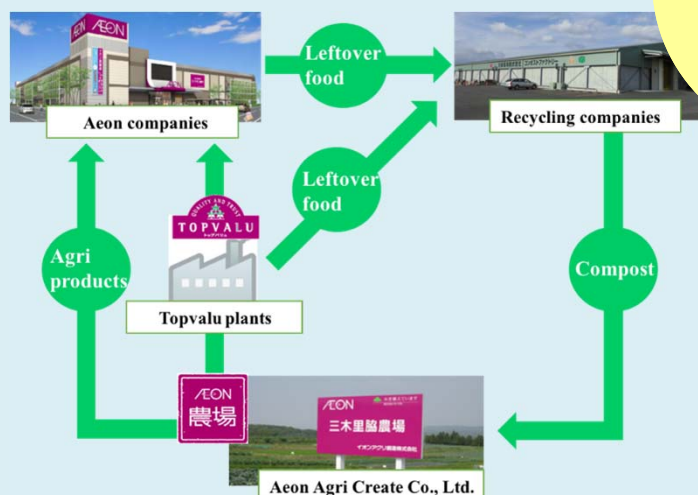


◆ Best-before month/year

Over next two years, revise best-before indication to show month and year for private-brand processed foods with best-before dates longer than one year



Reduce
food
waste



◆ Establish food resources recycle model



◆ Awareness campaigns at stores

【Addressing Diverse Consumer Issues】 Product Examples ~Responding to Needs for Food Safety & Security, Health Awareness~

AEON Report: P112

Topvalu product management

Safe and secure development structure



Product planning/
design

Selection of
contact
manufacturers

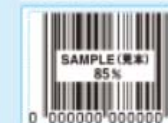
Determinati
on of the
product
specification
s

Product
inspection

Post-launch
management

Seller indicated as
AEON CO., LTD.

名 称	かりんとう	栄養成分表示
原材料名	小麦粉、砂糖、植物油(米油)、水あめ、米粉、乾燥マッシュポテト、食塩、包埋香濃粉、末、イースト、ビーナッツ粉末、着色料(紅藍)	表示単位1袋(45g)当たり
内 容 量	45g	エネルギー 211kcal
賞味期限	特外下部に記載	たんぱく質 3.7g
販売者	イオン株式会社 A654 千葉県千葉市美浜区中瀬1-5-1	脂 質 7.7g
		炭水 糖 質 31.2g
		化 物 食物繊維 0.8g
		ナトリウム 168mg
		食塩相当量 0.4g



Product development reflective of customer voices

Topvalu “Yasashi Gohan”



Product development policies matching growth markets

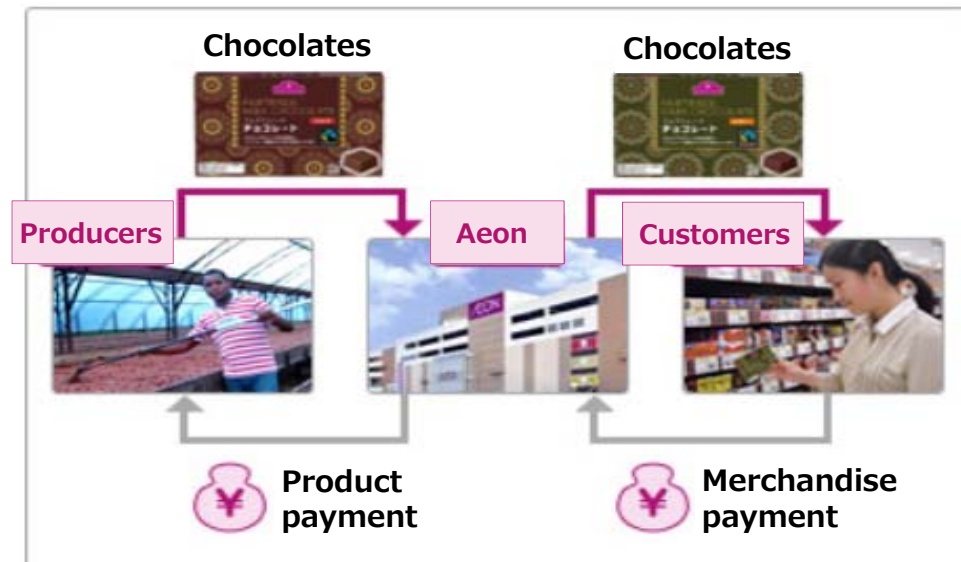


【Carrying out Fair Business Practices】

AEON Report: P128

Product Examples ~International Contributions Through Daily Shopping~

In January 2014, Aeon became the first Asian company to join the Fairtrade Sourcing Programs. By 2020, Aeon plans to raise its procurement of fair-trade cacao 10 times its 2012 level.



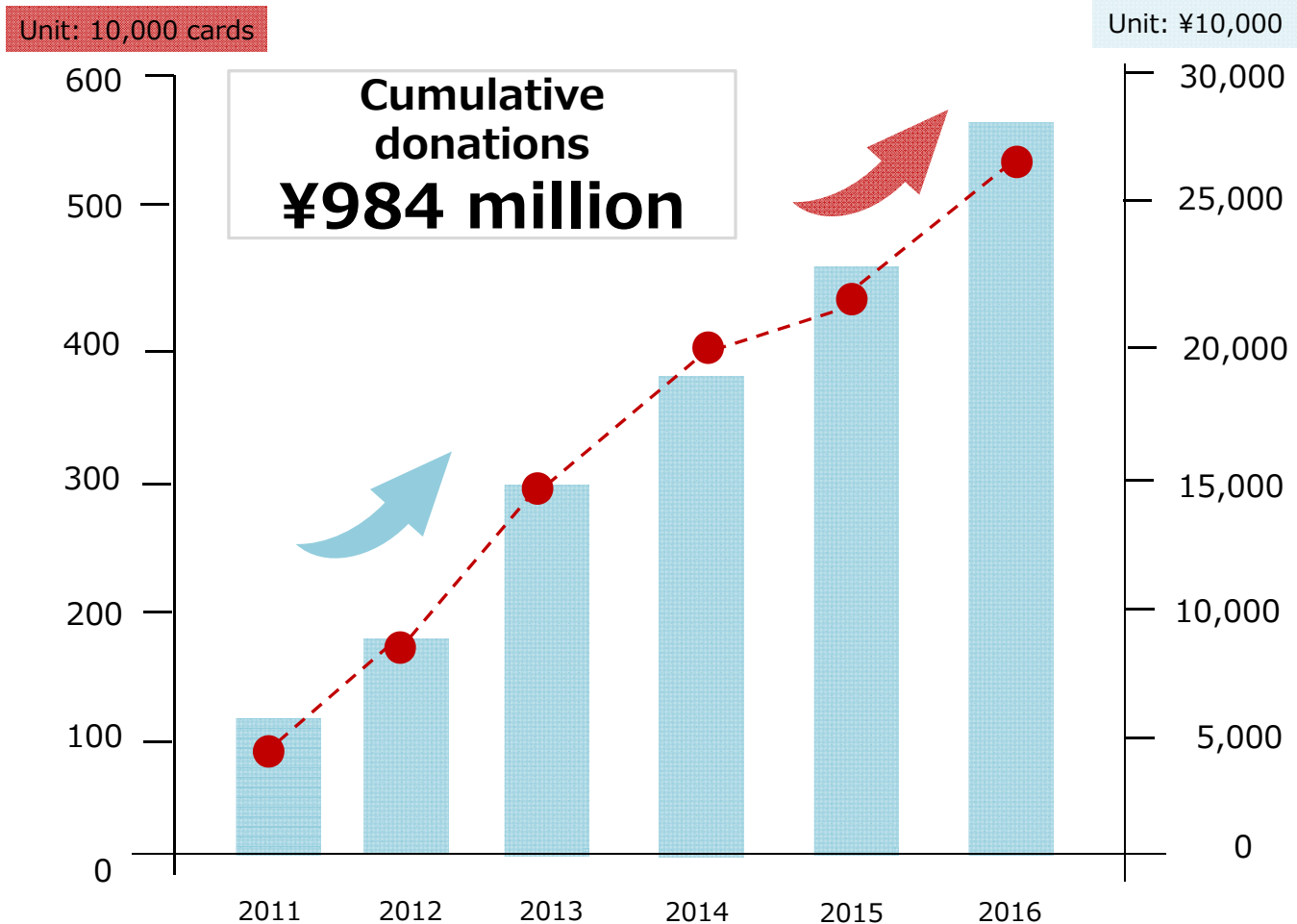
【Collaborating with the Community】

Contributing to Community Revitalization and Growth with Customers: Local WAON

Aeon is expanding the issuance of Local WAON card as a local currency which raises customer convenience while donating 0.1% of the total purchase amount to local organizations.

This is a community contribution program characteristic of Aeon's role in communities.

WAON card issuance and donations



Cumulative issuance of Local WAON cards:
about 5.5 million

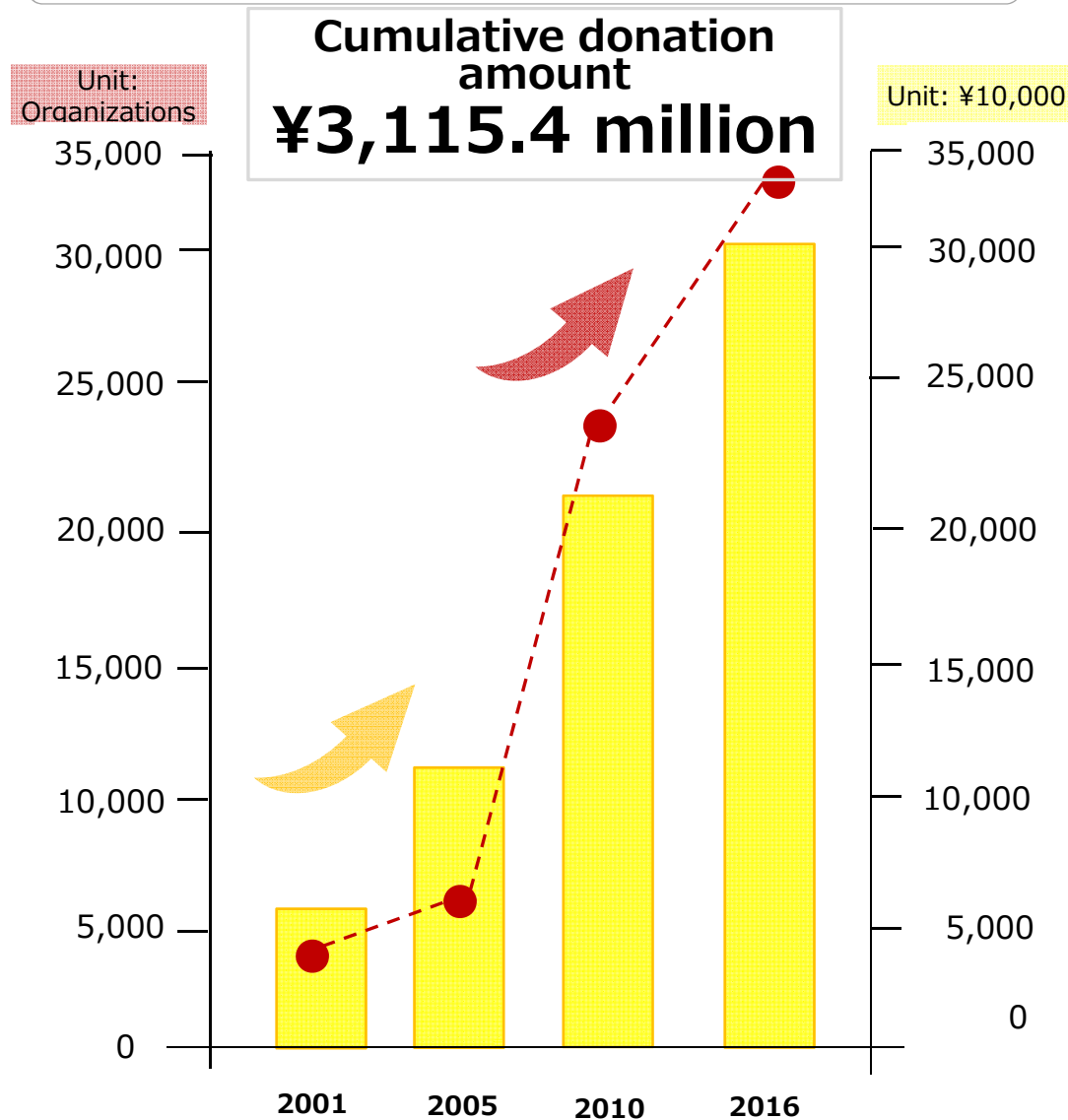


【Collaborating with the Community】

Contributing to Community Revitalization and Growth with Customers:
Aeon Happy Yellow Receipt Campaign

AEON Report: P142

Aeon Happy Yellow Receipt **registered organizations**
and donation amount



2020 Goals

- ◆ General merchandise stores:
receipt collection rate of **30% or higher**
- ◆ Supermarkets:
receipt collection rate of **20% or higher**

【Collaborating with the Community】
Responding to Issues of Ageing Society



AEON Malls are supporting better health by offering a place to walk in safety and security, no matter the weather or time of day

Shopping, Entertainment, Food



Place for health improvement



Walking courses created in all Aeon malls



At 140 malls
in Japan

【Collaborating with the Community】
Responding to Issues of Ageing Society



“Health Community Station” combining
“Community Space” &
“Health Support Pharmacy”

Place to share information on
community issues and health topics



Dementia support
seminar



Health salon

Agenda

1. Background to Aeon Sustainable Management Briefing
2. Evolution of CSR Initiatives
3. Examples of Aeon Sustainable Management Initiative

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4. Utilizing Diverse Human Resources in Management

Priorities	<u>Aeon Sustainability Principle</u> <ul style="list-style-type: none">• Creating workplaces that respect human rights and diversity
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5. Corporate Governance Structure

Aeon Sustainability Principle

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In conducting activities, we will think globally and advance activities locally from both environmental and social viewpoints in actively pursuing sustainability with many different stakeholders.

Environment

Priority Issues

- Realization of low-carbon society
- Conservation of biodiversity
- Better use of resources

+

Society

Priority Issues

- Responding to diverse consumer issues
- Carrying out fair business practices
- **Creating workplaces that respect human rights and diversity**
- Collaborating with the community

AEON CO., LTD. History and “Customer-First” Spirit Underpinning Management

Company History

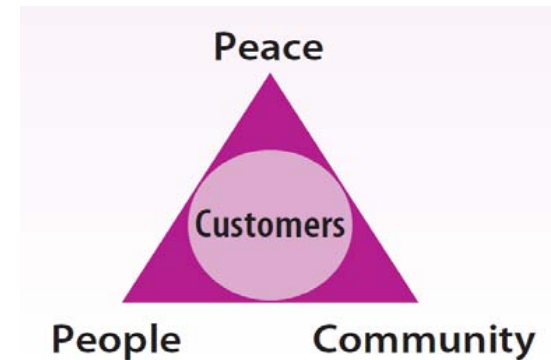
**1758 Okadaya founded in
Yokkaichi, Mie Prefecture**

**1969 Three retailers merge
form JUSCO Co., Ltd.**

**1989 JUSCO Group becomes
AEON Group**

**2001 Corporate name change to
AEON CO., LTD.**

**“Everything for the customer” spirit unchanged
since founding**



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

Okadaya motto emphasized immediate adaption to social and customer changes:

“Give the central pillar wheels”



1969: Okadaya, Futagi, Shiro
3 companies merge
to create **JUSCO**



source of
Diversity Management

Afterwards, JUSCO **partnered and merged** with leading regional companies with the **same spirit** to expand its scope. From JUSCO's founding, the mergers were seen as "a **harmonization of hearts and minds**" with "a **spirit of respect for people.**"

From founding of JUSCO
5 HR Principles
were proposed & adopted

HR policies origin

5 HR Policies
Fairness,
Respect for People,
Immediate Response to
Change, Rationality, &
Skill Development

In 1989, with the goal of contributing to customers as much as possible, Aeon established the Aeon Basic Principles based on the notion that retail is a “peace industry,” “people industry,” and “community industry.” In 2001, Aeon’s Corporate Commitment was established to articulate the company’s direction for the future.

1989

Aeon Basic Principles
established

2001

**Aeon Corporate
Commitment**
established

2003

Aeon Code of Conduct
established



Once a year, all Aeon Group employees
-530,000 people- participate in
Human Rights and Aeon Code of Conduct training

Basic Policy on Corporate Governance

Established 2016

Excerpt from Basic Policy on Corporate Governance

Respect for People, Our Most Important Management Resource

By respecting employees, placing importance on diversity, and actively providing education opportunities in keeping with the conviction that people are the most important management resource, Aeon aspires to be a company made up of employees who strive for self-growth, are linked by strong bonds, and find their greatest pleasure in contributing to customers.

**Wellness & Diversity
management**

Aeon Health Management Commitment

Established January 2017

Aeon supports the health of employees and their families. Aeon and its employees will strive to realize the health and happiness of local communities.

94 Group companies have **Health Management Promotion Structures** promoting **employee health and wellness**

Individual employee

**Health
Management**

+

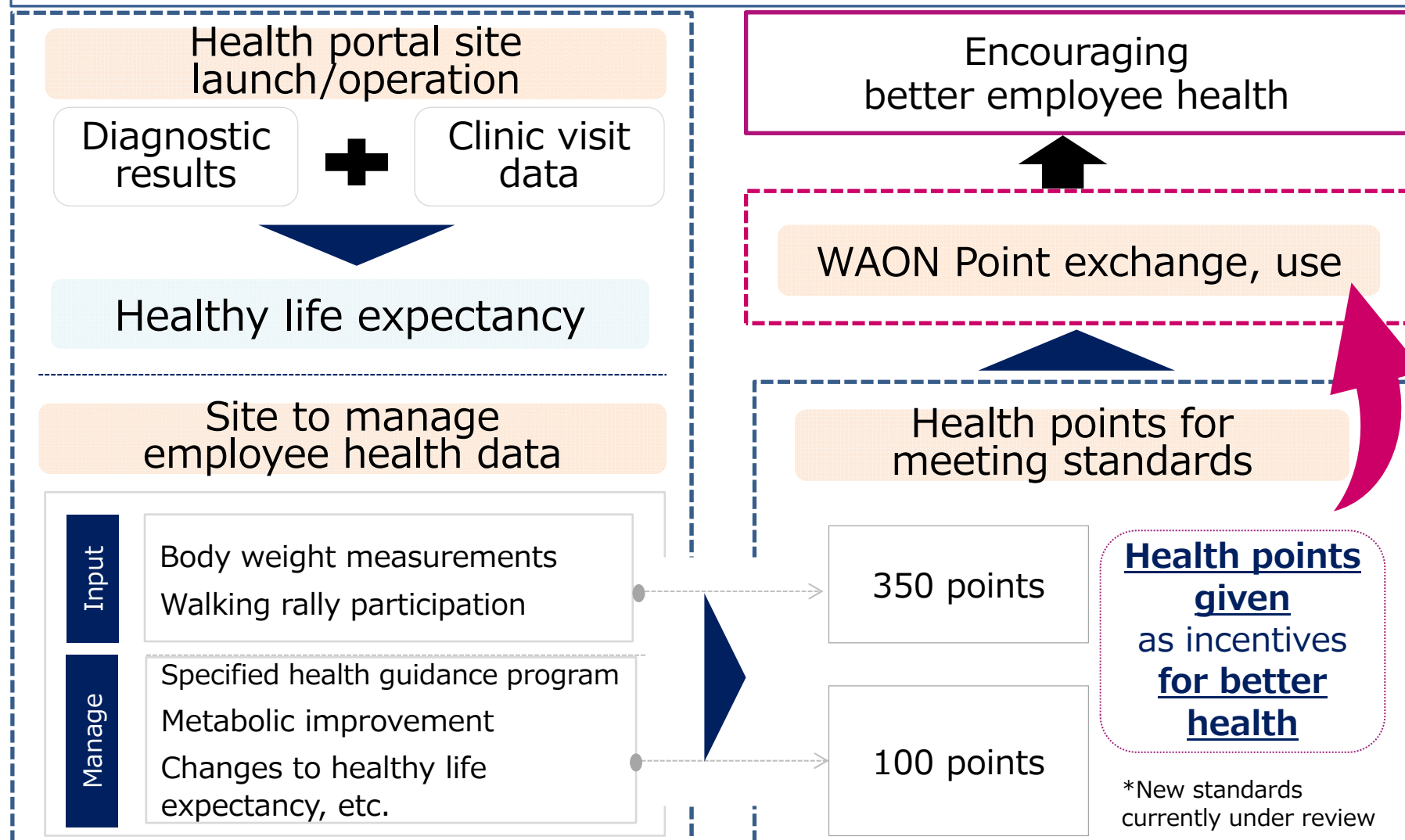
Group company,
organization

**Work Style
Reforms**

【Creating Workplaces That Respect Human Rights and Diversity】

~Aeon's Health Management Initiatives (from 2018)~

To promote better daily health of employees, from FY2018, Aeon will launch an ICT-based health support information service covering 170,000 employees employed at 83 Group companies enrolled in Aeon's health insurance association.



Aeon is creating new workplace environments, allowing employees to choose from diverse work styles, and reforming managers' awareness. These initiatives are helping to balance "work" and "life" and ensure that employees have diverse work style choices.

Diverse work styles (support)

Employees can raise families and work at the same time



Nurseries etc. at worksites
17 directly operated in Japan, plus 2 tie-up sites
total 19 sites
for
about 500 kids

Diverse work style choices (systems)

Balancing work and private life

Flextime system

Re-entry system

Teleworking

Aeon Retail: From March 2017, introduced systems for employees in specific regions and with specialized work duties

Reformed managers' awareness (education)

Aeon Group **39 companies** have implemented "IkuBoss" statement programs
Individual "IkuBoss" exam: 15,000 employees have passed

Aeon aims to be a company that responds to social change and diversifying consumer needs. We respect employees' personal values and individuality and practice diversity management.



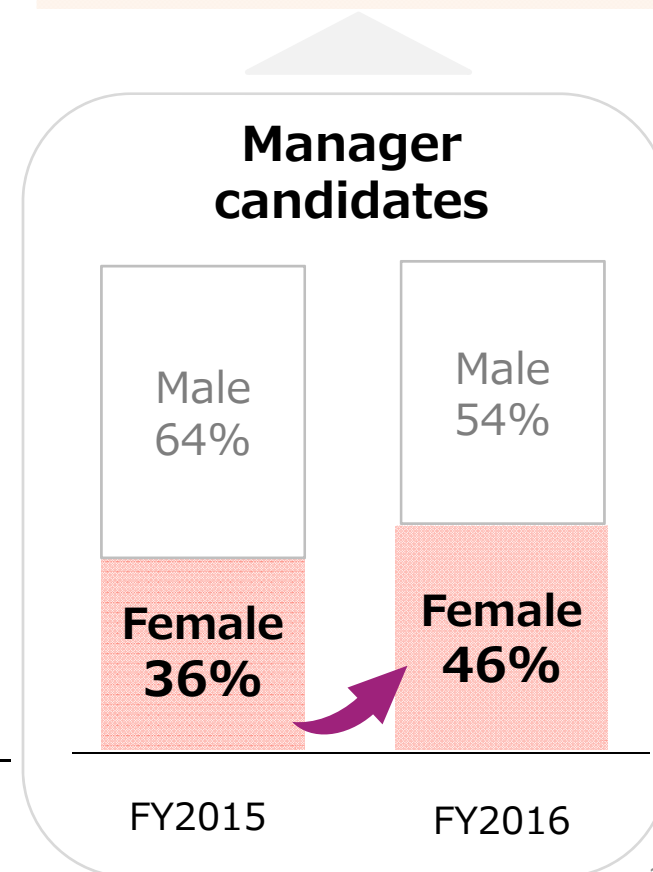
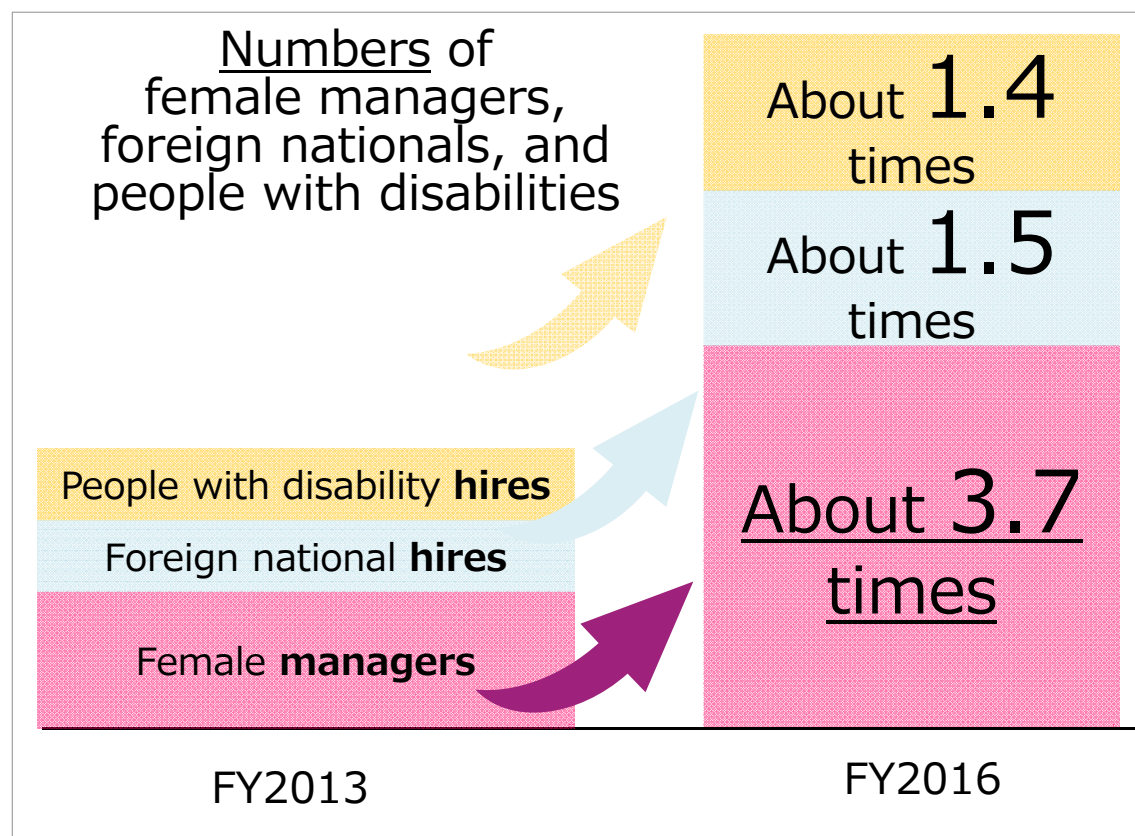
Keeping prioritizing “human rights and diversity” as the foundation of its human resources policy, Aeon aims to use diversity management as the source of the Aeon Group’s competitiveness and to **realize our ever-lasting innovative spirit.**

FY2016 Female manager ratio

27%



FY2020 50%



Developed in the Okadaya era
HR 5 Principles proposed &
adopted

“People” drive corporate growth
Jusco University
opened in 1969

1964: Okadaya Management College



Spirit Behind Founding of Jusco University

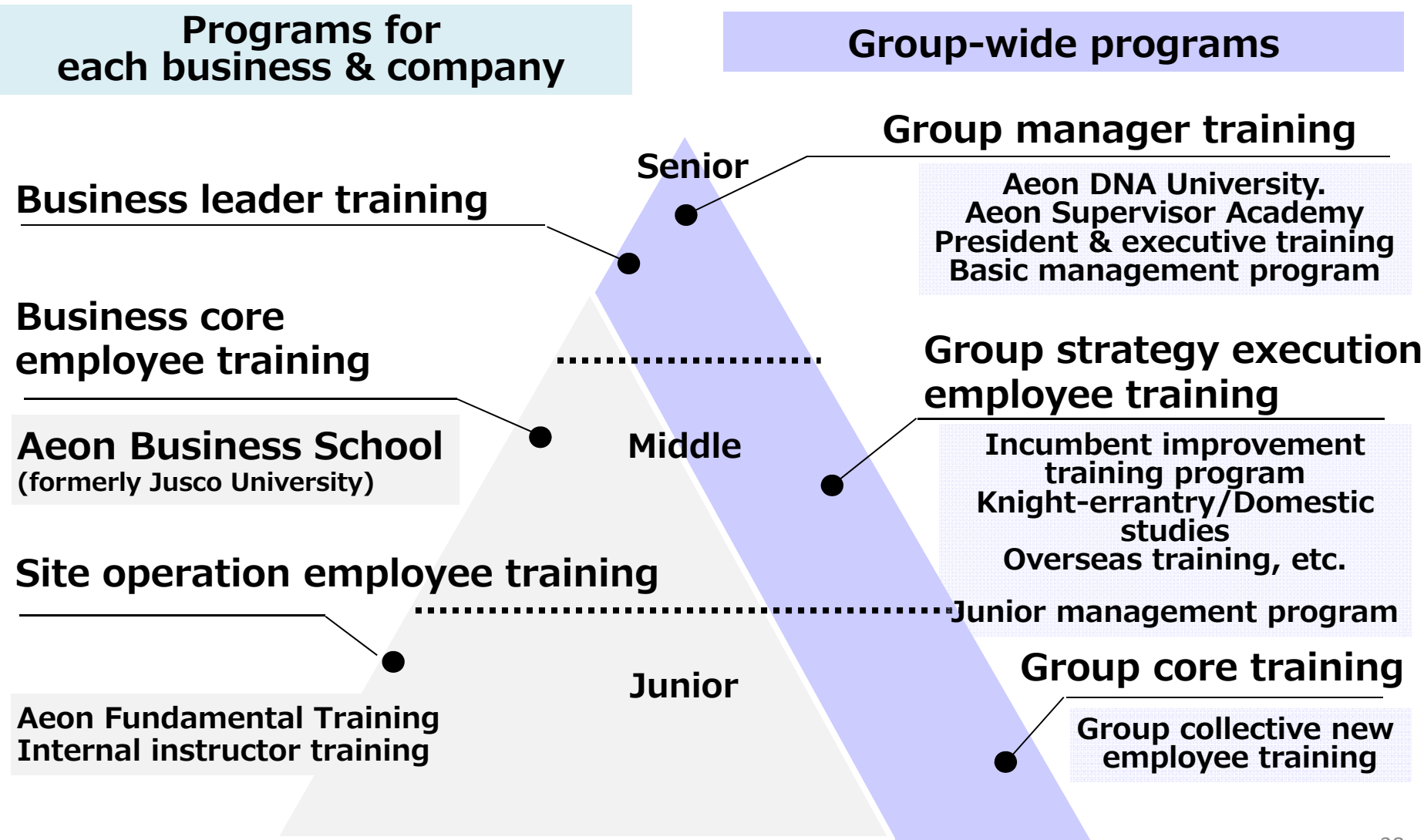
1. Retail companies that grow rapidly should achieve ever-lasting progress and reforms. Employees should rapidly and systematically acquire a broad education serving as the technical foundation for this growth.
2. From here on, industries should use knowledge as an asset. To make this possible, all employees should continually improve themselves.
3. Jusco University aims to provide a practical education unattainable at a Japanese university.
4. Jusco University aims to develop specialists who can succeed in the new information age and lead the retail industry.



First Jusco University opening ceremony

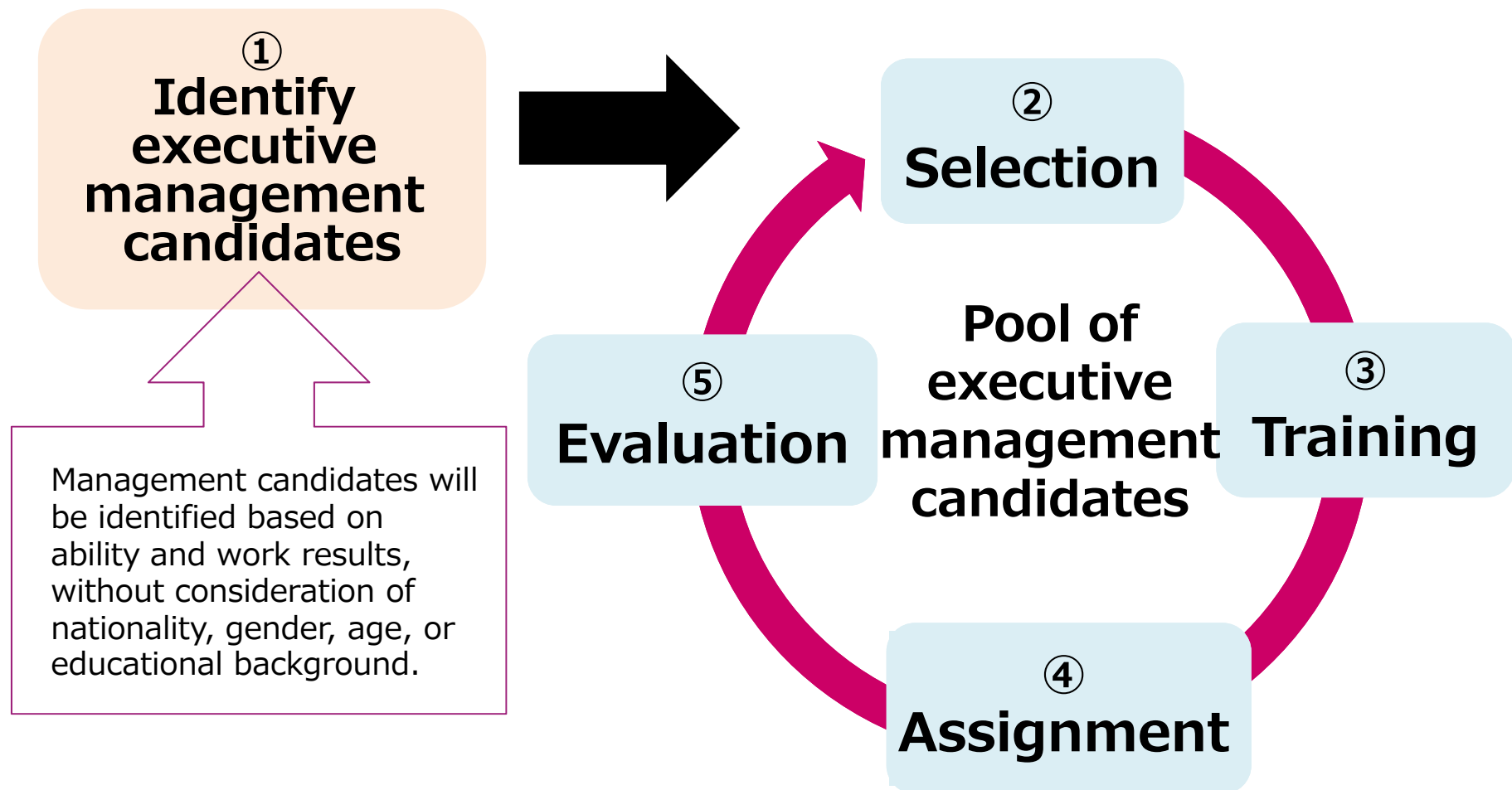
Origin of
HR Development

From its founding, Aeon has continually passed down the philosophy that education is the greatest welfare for employees, developing education systems to put this thinking into practice.



Establishing ATM'S (Aeon Talent Management System)

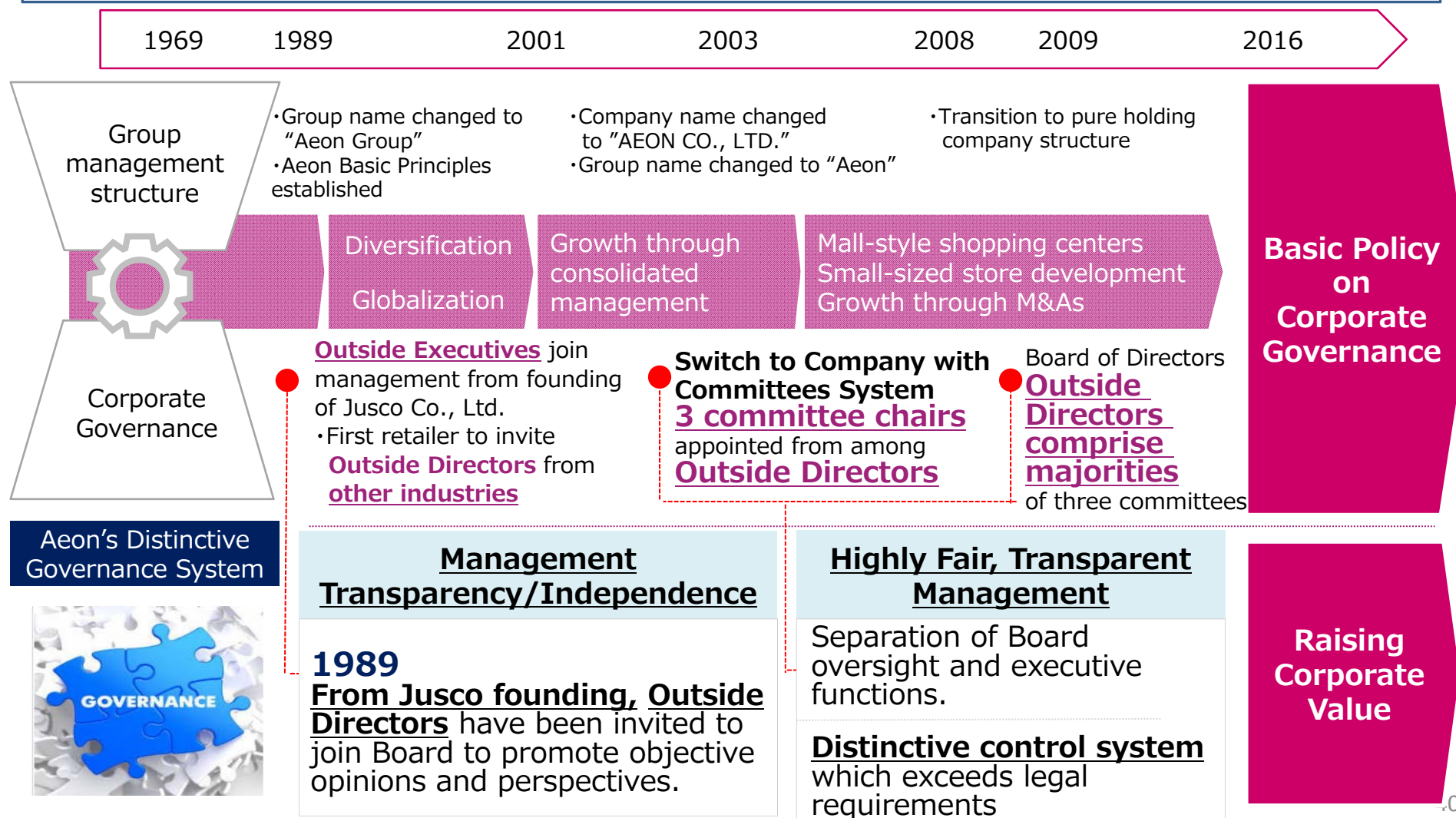
From FY2018, Aeon is introducing this new system to identify, select, train, assign, and evaluate executive management candidates more effectively, including through database management of candidate information.



5. Corporate Governance Structure

AEON Report: P40-41

Aeon was among the first retail companies in Japan to invite Outside Directors onto its Board in 1989. We have continually prioritized management transparency and independence. In 2003, we became one of the first Japanese companies to adopt a Company with Committees System in our effort to implement highly fair and transparent management.



ONE/ÆON