AEON Basic Principles

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

Peace

The word aeon (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.

AEON Basic Principles are the following:

“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 ever-lasting innovative spirit.

Aoern Continues to Make Innovation Aiming to Become Asia’s No. 1 Super Regional Retailer

Due to diversification of customer needs and increased competition across industries and business formats, the retail business environment has seen changes on a daily basis. In order to adjust to those changes and achieve further business growth towards 2020, we have formulated the AEON Group Medium-term Management Plan (FY 2014 – 2016), under which we have been working together to promote Group-wide shift to the four growth areas: Asian markets, urban markets, senior-oriented markets, and digital markets, while also implementing product-oriented reforms.

Last fiscal year, we have implemented Group-wide structural reforms, namely converting The Daiei Inc. into a wholly owned subsidiary, and Welcia Holdings Co., Ltd. into a consolidated subsidiary, while establishing joint stockholding companies United Super Markets Holdings Inc. In addition, we have streamlined functions at the headquarters to enhance flexibility and quickness in management execution.

Through implementing these reforms, AEON has worked to build a new Group structure centered around the operating companies and thus enhance Group collective strength.

Under this structure, AEON further promotes full-scale management reforms that include such Group key initiatives as reforms of GMS Business and SM Business along with promotion of autonomous management by the operating companies and community-oriented management.

At the same time, AEON accelerates its efforts under the common Group strategies such as promoting the shifts in the four growth areas and product-oriented reforms to achieve further growth.

In the ASEAN region where rapid economic growth is taking place, AEON opened its first shopping mall in Indonesia this year, after the launch in Vietnam and Cambodia last year. In order to cater to customer needs in the region, the Group companies work in close cooperation to roll out a multi-format business that capitalizes on the Group collective strength.

In terms of product development, AEON develops and offers customers in China and ASEAN countries regionally-oriented products under its private brand Topvalu. Just as in Japan, AEON offers “safe and secure” products that incorporate customer voice in the respective countries.

Thanks to continuous support from customers, AEON has grown to become a Group comprised of over 500 companies with its business operation expanding in total of 13 countries, and to target consolidated operating revenue of $ trillion yen this year. With its unchanged Principle of “Pursuing peace, respecting humanity, and contributing to local communities, always with customers’ point of view as its core,” AEON will continue its endeavor to achieve innovation in order to become Asia’s No. 1 super regional retailer.

Motoya Okada
Group CEO
President of AEON CO., LTD.
Aeon Group Expanding Over 13 Countries

¥7,078 billion
Consolidated operating revenue

35.67 million people
Consolidated number of cash holders for Aeon Financial Services Co., Ltd.

¥1,926 billion
Annual transaction amount made by AION money cards

440,000 people
Number of Group employees


Consolidated Business Results

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating revenue</th>
<th>Ordinary income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>56,853</td>
<td>2,125</td>
</tr>
<tr>
<td>FY2013</td>
<td>63,951</td>
<td>1,768</td>
</tr>
<tr>
<td>FY2014</td>
<td>70,785</td>
<td>1,525</td>
</tr>
</tbody>
</table>

Operating Revenue (%) by Segment

- GMS Business
- SM
- CVS
- Specialty Store
- Other Retail Store
- Mall-type SC
- Financial Service
- Service Business
- Other Business

Total 18,740 stores/locations

- GMS (Hondan) / Mentor supermarket: 618
- SM (supermarkets): 2,030
- DS (discount store): 391
- AO (department store): 171
- CVS (convenience store): 4,683
- Specialty Store: 3,932
- Drugstore: 3,347
- Other Retail Store: 919
- Mall-type SC (shopping center): 207
- NSC (nongovernmental shopping center): 155
- Financial Service: 698
- Service Business: 1,640
- Other Business: 9

The number of stores and offices, including consolidated subsidiaries and equity-method investees (As of March 31, 2022)

* Based on single combined figures before consolidated adjustment

*1 Including affiliated companies
*2 Including DS operated under the name of HACOSCA as well as those with walk-in area of over 20,000 sq ft
*3 NSCs operated under the name of Aeon TOWN

(AF2014)
Growth Strategy for Catching Market Trends and Foreseeing the Future

Aeon is executing the Aeon Group Medium-term Management Plan (FY 2014 - 2016) with an aim to achieve further business growth towards 2020. In response to the megatrends, namely the growing markets in Asia, concentration of population in urban areas, rapidly aging society, and expansion of e-commerce, Aeon is promoting the four shifts to Asian markets, urban markets, senior-oriented markets, and digital markets as the common Group strategies. Furthermore, Aeon is implementing product-oriented reforms in order to offer more attractive products to its customers by responding quickly to rapidly changing economic and social environments and customer needs.

Promoting the Four Shifts

Aeon has been allocating resources into the four growth areas awaiting new business opportunities.

Shift to Asian Markets

In China and the ASEAN region, the Group companies are working together in close cooperation to promote development of a multi-format business comprised of retail, financial services and other services, targeting operating revenue of one trillion yen in FY 2016.

Shift to Senior-Oriented Markets

Aeon coined a word “Grand Generation (G.G)” to describe senior citizens who enjoy active and unique life styles of their own. In order to serve these G.G customers, Aeon is promoting development of stores as well as products and services tailored to their needs.

Shift to Urban Markets

In order to strengthen business development in urban areas, Aeon will accelerate opening stores in multi-format; small-sized supermarket chain My Basket and small-sized discount store chain A-Colle as well as supermarkets and drugstores.

Shift to Digital Markets

Aeon is promoting the omni-channel strategy that integrates experiences, products and the Internet to offer an ultimate shopping experience to its customers. It is a unique initiative realized by capitalizing on the strength of operating both e-commerce and existing stores.

Product-Oriented Reforms

Aeon further advances its private brand Topvalu aiming to give shape to customer voice, while also working to develop new products, services and stores that cater to changes in customer needs and their life styles.
Diverse Businesses that Create Group Synergy

Led by Aeon Co., Ltd., a pure holding company, the Aeon Group is comprised of more than 300 companies all of which provide everyday support for its customers. The Group has built a unique business model that maximizes synergy effects derived from collaboration of retail, shopping center development, financial services and other service businesses as well as functional companies that assist the aforementioned businesses. Aiming to become No. 1 in their respective business segment, the Group companies continue to sustain their growth in Japan, China and the ASEAN countries.
Private Brand Incorporating Customer Voice

The origin of Topvalu dates back to 1974 with its first product “3-Cup,” a cup instant noodle. As a brand that embodies Aeon’s philosophy, Topvalu has made constant evolution to this date through incorporating customer voice in its products. Aeon plans, develops, and markets Topvalu products on its own adhering to the Five Topvalu Commitments. The annual sale of Topvalu has now grown to reach about 780 billion yen. Furthermore, Aeon also develops Topvalu products for local customers in China and ASEAN countries, catering to their needs at reasonable prices.

AEON Takes Full Responsibility

Aeon takes full charge in receiving feedback from customers that counts over 90,000 annually and makes full use of them for product development. We also use the information collected through these feedbacks for safety measures such as early product collection or information disclosure. Moreover, in order for customers to feel assured in choosing Topvalu products, we ensure disclosure of necessary information and producer details as well as thorough quality control including voluntary inspection. On the package of Topvalu products, we indicate only our company name*, instead of that of manufacturers, which demonstrates that Aeon is ultimately responsible for the products. We can implement these initiatives owing to our direct relationship with customers.

* Including when labeling of the location of manufacturing plant is required by law

Ensuring “Safety and Security” in Every Phase

Aeon puts the highest priority on “safety and security” for customers in all aspects of its business activities including products, services, and facilities. In terms of products, we work to maintain high standards in quality control as well as manufacturing process to realize “safety and security.” Research Institute For Quality Living Co., Ltd., an independent inspection organization, conducts as many as 25,000 voluntary inspections a year (including 11,272 inspections on radiation), where the field experts examine and analyze the products’ functionality and safety using the latest equipment. Furthermore, we work to achieve higher transparency of the product production through disclosure of information to customers.

Requesting Manufacturing Subcontractors to Create a Sound Working Environment

Aeon requests its manufacturing subcontractors to ensure legal compliance in the respective countries or regions and sound working conditions under the Aeon Supplier Code of Conduct. We believe this measure reduces potential risks at manufacturing process and leads to enhancing precision in “safety and security.”

Information on Producers and Others Available on Website

Since 2003, Aeon has offered the Producer Data Search System for Topvalu Gurinai vegetable for customers on its website. In addition, Aeon has disclosed information on the production process of domestically-raised cattle from early on through the Domestic Beef Safety Confirmation System introduced in 2002, prior to the enactment of the Beef Traceability Act.
Forging the Future Hand in Hand with Communities

In order to grow and develop with local communities, Aeon has promoted various initiatives that seek to root in the community and cooperate with each other. We have helped boost local economy through promoting local production for local consumption as well as promoting them at stores in Asian countries. In addition, Aeon has concluded comprehensive agreements with a total of 76 municipalities. Together with local governments and citizens, Aeon works on initiatives such as promotion of tourism, revitalization of the local economy, disaster prevention, environmental conservation, and provision of support for parenting.

Local-Product Day that Delivers Best Products from Local Region

At 2,000 stores nationwide, Aeon holds monthly Jinme-no-toki (Local-Product Day) where it delivers local specialties, especially those produced under Food Artisan Project that aims to help preserve and foster local food culture. Fresh local vegetables, seasonal seafood, and local specialties including daily and processed foods are offered extensively. This initiative also meets the needs of customers who want to contribute to the local economy.

Food Artisan Project that Helps Preserve Traditional Food Culture

In partnership with local citizens, Food Artisan Project helps protect and preserve local ingredients or traditional production techniques that have contributed to the unique food culture in Japan. The project conveys the attractiveness of local food cultures throughout Japan while aiming to foster the youth who will take over these cultures in the future and to contribute the revitalization of the local economy.

Promoting Environmental Conservation and Social Contribution Activities Together with Customers

Aeon aims to realize a sustainable society under the Aeon Sustainability Principle with four cores; “realization of a low-carbon society,” “conservation of biodiversity,” “better use of resources” and “addressing social issues.” Together with customers and stakeholders, Aeon is globally promoting community-based activities for environmental conservation and social contribution.

Tree Planting to Cultivate a Prosperous Future for Communities

Since 1991, Aeon has conducted the Aeon Homestay Forest Program in which it plants saplings of regionally-oriented trees together with customers on occasions such as store openings. The cumulative number of the planted trees through this Program as well as tree planting conducted by the Aeon Environmental Foundation exceeded 10 million in 2013.

The Aeon Happy Yellow Receipt Campaign

Aeon donates goods to local volunteer organizations at a 1% value of the total amount of the price on the yellow receipts collected from customers at stores on Aeon Day, the 15th of each month. The Campaign connects volunteer organizations which seek for support and customers who want to make contributions together.
Quest for Innovation with Unchanging “Customer-First” Philosophy