(Translation for reference purposes only)

Stock code: 8267

April 27, 2018

AEON CO., LTD.
1-5-1 Nakase, Mihama-ku
Chiba-shi, Chiba
Director, President and Representative Executive Officer: Motoya Okada

To the Shareholders of AEON CO., LTD.:

Notice of the 93rd Ordinary General Meeting of Shareholders

You are cordially invited to attend the 93rd Ordinary General Meeting of Shareholders of AEON CO., LTD., which will be held as described below.

For those who will be attending the meeting in person, we request that you submit the enclosed Form for Exercising Voting Rights to a receptionist at the meeting venue. Those who are unable to attend may vote by mail or on the Internet. Please cast your vote by 6:00 p.m. on Tuesday, May 22, 2018 after reviewing the enclosed Reference Documents for the General Meeting of Shareholders.

[For those attending the meeting]

Please bring the completed Form for Exercising Voting Rights to the meeting (no signature or affixing of seal necessary).
Please bring this document as well, as it contains the agenda for the meeting.

[For those voting by mail]

Those voting in writing should indicate “for” or “against” for each agenda item and return the completed Form for Exercising Voting Rights by postal mail to reach us by 6:00 p.m. on Tuesday, May 22, 2018.

[For those voting on the Internet]

Please access the online voting site (https://www.web54.net) and follow the on-screen instructions. An online voting code and password are printed on the enclosed Form for Exercising Voting Rights. The deadline for online voting is 6:00 p.m. on Tuesday, May 22, 2018.

In the event of duplicate votes, one cast on the Internet and the other cast by mail, the Company shall consider the vote arriving on the later day to be valid. However, if such duplicate votes arrive on the same day, the Company shall consider the vote cast on the Internet to be valid.

(Translation for reference purposes only)

93rd Ordinary General Meeting of Shareholders

1. Date and Time: 10:00 a.m., Wednesday, May 23, 2018

2. Place: Makuhari Messe International Exhibition Halls, Hall No. 5
2-1 Nakase, Mihama-ku, Chiba-shi, Chiba

3. Objectives of Meeting

Matters to be reported: 1. Business Report, Consolidated Financial Statements and Nonconsolidated Financial Statements for the 93rd business year (from March 1, 2017 to February 28, 2018)

2. Reports of the Independent Auditors and Audit Committee on audit results for the Consolidated Financial Statements

Matters to be resolved:

Agenda Item 1: Election of nine (9) members of the Board of Directors

Agenda Item 2: Continuance of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)

Notes:

1. *This English version is a translation of points summarized from an original notice written in Japanese. When discrepancies in interpretation arise, the content of the Japanese notice shall take precedence.*
2. *The financial statements shown in this English-language notice are summaries of financial statements that are prepared in Japanese.*
3. *The Company's financial statements are prepared on the basis of generally accepted accounting principles in Japan.*
4. *Please note that Internet voting is not available to such persons as those who are not residents of Japan and who have appointed a custodian in Japan for handling of their shares according to the Rules for the Handling of Shares of the Company.*
5. *AEON CO., LTD.'s ordinary share issue* — *Local code: 8267*
SEDOL# 6480048 JP
ISIN# JP 3388200002

(Translation for reference purposes only)

[Electronic Voting Platform for Institutional Investors]

Institutional shareholders, including standing proxies such as master trust banks, who have applied in advance to the ICJ Proxy e-Voting Platform Service (the Platform Service) offered by ICJ Inc., a joint venture established by Tokyo Stock Exchange, Inc., Japan Securities Dealers Association and Broadridge Financial Solutions, Inc., are entitled to use the Platform Service to exercise their votes, in addition to the above-described means of voting on the Internet.

(Translation for reference purposes only)

Reference Documents for the General Meeting of Shareholders

Agenda and Reference Items

Agenda Item 1: Election of nine (9) members of the Board of Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, management submits the following nominees for the election of nine (9) Directors based on a resolution of the Nomination Committee. Of the nine (9) nominees, five (5) of them, constituting a majority, are candidates for the post of outside director. All candidates for outside director satisfy the conditions for independent director as stipulated by the Tokyo Stock Exchange. Furthermore, the Company stipulates the following items as conditions of eligibility for director. All candidates for director fulfill these conditions.

[Election criteria for inside directors]

1. The inside director shall have the personality and insight appropriate for being a director.
2. The inside director shall have sufficient experience and knowledge in the Company's business as well as in the Group's business and outstanding ability for business judgment and execution.
3. The inside director shall be an executive officer of the Company, or chairman or president of one or more subsidiaries, who is able to take responsibility for the basic policy, strategic planning, and business execution of the Company and Group, and fulfill accountability for the Board of Directors; provided however, that this shall not be applied when electing inside directors who do not concurrently serve as an executive officer.

[Election criteria for outside directors]

1. The outside director shall subscribe to the Company's basic principles, code of conduct, etc.
2. The outside director shall have extensive experience as a chief executive officer or other corporate executive, or shall have comparable experience, knowledge and insight.
3. The outside director shall be able to make judgments independently of the Company's management.
4. The outside director shall be able to participate in most of the Company's Board of Directors' meetings and in the committees to which he or she is assigned.

* In relation to outside directors, in addition to the above items, they must fulfill the independence criteria mentioned below.

[Independence criteria for outside directors]

The Company's outside director shall satisfy the conditions stated below to maintain his or her independence.

1. The outside director does not presently serve, or has not served for the past ten (10) years as executive director, executive officer, manager, employee (hereafter referred to as "Executing Person") of the Company or its subsidiaries.
2. The subject person is someone to whom the conditions stated below are not presently applicable, or have not been applicable for the past three (3) years:

(1) Major shareholder of the Company (those who directly or indirectly hold 10% or more of voting rights), or its Executing Person.

(2) Partner of the independent auditors of the Company or employee who conduct the Company's audit.

(3) Executing Person of the Company's principal creditors (creditors who have lent to the Aeon Group an amount that exceeds 2% of the Aeon Group's Consolidated Total Assets).

(4) Executing Person of the Company's major vendors (vendors where the amount of Aeon Group transaction exceeds 2% of their annual consolidated sales in the most recent business year of the said vendors).

(5) Attorney at Law, certified public accountant, certified public tax accountant or other consultant who receives remuneration in the amount exceeding 10 million yen annually from the Aeon Group other than the Director's remuneration.

(6) Executing Person of a nonprofit organization where donation from the Aeon Group exceeds 10 million yen and where the amount of such donation exceeds 2% of the organization's total revenue or ordinary income.

(7) Spouse or a relative within the second degree of kinship of 1. and (1) through (6) above.

* Provided, however, if any of the items (1) through (7) above is applicable, and if it is judged that the said person is substantially independent in view of personality, insight etc., then the Company may propose him or her as a candidate for outside director on the condition that explanation is publicly made.

(Translation for reference purposes only)

■ Candidates for Director

Candidate no.	Name	Positions and areas of responsibility in the Company (*1)		Attendance at Board of Directors meeting during 93rd business year
1	Hiroshi Yokoo	Director; Chairman of the Board	Reelection Non-executive	100% (7/7)
2	Motoya Okada	Director; Nomination Committee member; Compensation Committee member; President and Representative Executive Officer, and Group CEO	Reelection	100% (7/7)
3	Yoshiki Mori	Director; Executive Vice President and Representative Executive Officer, and Group COO	Reelection	100% (7/7)
4	Akinori Yamashita	Director; Executive Vice President and Executive Officer, CFO, Business Management	Reelection	100% (7/7)
5	Yukako Uchinaga	Director; Chairman of the Nomination Committee; Audit Committee member	Reelection Outside Independent	100% (7/7)
6	Toru Nagashima	Director; Chairman of the Compensation Committee; Audit Committee member	Reelection Outside Independent	100% (7/7)
7	Takashi Tsukamoto	Director; Nomination Committee member; Compensation Committee member	Reelection Outside Independent	100% (6/6) (*2)
8	Kotaro Ohno	Director; Nomination Committee member; Audit Committee member	Reelection Outside Independent	100% (6/6) (*2)
9	Peter Child		New election Outside Independent	-

*1 Positions and areas of responsibilities of candidates for director are at the time of the sending of this notice.

*2 The attendances shown for Takashi Tsukamoto and Kotaro Ohno are their attendances after they assumed office as directors on May 24, 2017.

Outside Candidates for outside director

Independent Independent director to be notified to the Tokyo Stock Exchange

Non-executive Among inside directors (directors other than outside directors), candidates for non-executive directors who do not have a concurrent position as executive officer, manager, employee, or executive director of the Company or its subsidiaries

(Translation for reference purposes only)

1. Hiroshi Yokoo

Reelection | Candidate for Non-executive director

Date of birth	Dec. 27, 1950 **Number of the Company's shares owned:** 15,800 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Apr. 1974 Joined the Company 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 and CEO of Strategic Small-sized Store Business of the Company Mar. 2010 Appointed Executive Officer, CEO of Strategic Small-sized Store Business, and CEO of Merchandising and Merchandising Reform of the Company May 2014 Appointed Director and Chairman of the Board of the Company (current position) (Significant concurrent positions outside the Company) Outside Director of YAMAYA CORPORATION
Conflicts of interest	No conflict of interest exists between the Company and Hiroshi Yokoo.

2. Motoya Okada

Reelection

Date of birth	Jun. 17, 1951 **Number of the Company's shares owned:** 2,502,596 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Mar. 1979 Joined the Company May 1990 Appointed Director of the Company Jun. 1997 Appointed President and Representative Director of the Company May 2003 Appointed Director, President and Representative Executive Officer of the Company Mar. 2012 Appointed Director, President and Representative Executive Officer, and Group CEO of the Company (current position) (Significant concurrent positions outside the Company) Director and Advisor of Aeon Mall Co., Ltd. Director and Advisor of Aeon Retail Co., Ltd. Director and Advisor of Daiei, Inc. Director and Advisor of United Super Markets Holdings Inc. Director of Welcia Holdings Co., Ltd. Outside Director and Advisor of TSURUHA HOLDINGS INC. Outside Director of KUSURI NO AOKI HOLDINGS CO., LTD.
Conflicts of interest	No conflict of interest exists between the Company and Motoya Okada.

3. Yoshiki Mori

Reelection

Date of birth	Sep. 16, 1950 **Number of the Company's shares owned:** 30,900 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Mar. 1973 Joined the Company 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 the Company Apr. 2007 Appointed Director and Chairman of Executive Committee for Financial Services Business of the Company Aug. 2008 Appointed Director, Executive Officer and CEO of Financial Services Business of the Company Mar. 2010 Appointed Director, Executive Vice President and Representative Executive Officer, and Co-CEO of Financial Services Business of the Company Mar. 2012 Appointed Director, Executive Vice President and Representative Executive Officer, Group COO, and Co-CEO of Financial Services Business of the Company Mar. 2013 Appointed Director, Executive Vice President and Representative Executive Officer, Group COO, and Group CFO of the Company Mar. 2017 Appointed Director, Executive Vice President and Representative Executive Officer, and Group COO of the Company (current position) (Significant concurrent positions outside the Company) Chairman and Representative Director of Daiei, Inc. Chairman and Representative Director of AEON KYUSHU CO., LTD.
Conflicts of interest	No conflict of interest exists between the Company and Yoshiki Mori.

(Translation for reference purposes only)

4. Akinori Yamashita

Reelection

Date of birth	Jan. 1, 1954 **Number of the Company's shares owned:** 15,630 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Apr. 1977 Joined the Company May 2004 Appointed Executive Officer of the Company May 2007 Appointed Managing Director of Daiei, Inc. Sep. 2013 Appointed Executive Officer, Chief Officer of Finance of the Company Mar. 2014 Appointed Senior Managing Executive Officer, CEO of Financial Services Business and Chief Officer of E-money Business of the Company Jun. 2014 Appointed President and Representative Director of Aeon Financial Service Co., Ltd. Jun. 2014 Appointed Director of Aeon Bank Ltd. Mar. 2016 Appointed Executive Vice President and Executive Officer, CFO of the Company Mar. 2016 Appointed Chairman and Representative Director of Aeon Retail Co., Ltd. May 2016 Appointed Director, Executive Vice President and Executive Officer, CFO of the Company Mar. 2017 Appointed Director, Executive Vice President and Executive Officer, CFO, Business Management of the Company (current position)
Conflicts of interest	No conflict of interest exists between the Company and Akinori Yamashita.

5. Yukako Uchinaga

Reelection | Number of years served as outside director: **5 years** | Candidate for outside director | Candidate for independent director

Date of birth	Jul. 5, 1946 **Number of the Company's shares owned:** 0 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Jul. 1971 Joined IBM Japan Apr. 1995 Appointed Director of IBM Japan Apr. 2000 Appointed Managing Director of IBM Japan Apr. 2004 Appointed Senior Managing Director of IBM Japan Apr. 2007 Appointed Technical Advisor of IBM Japan Apr. 2007 Appointed President of Japan Women's Innovative Network (J-Win) (current position) Jun. 2007 Appointed Director of Benesse Corporation Apr. 2008 Appointed Director and Executive Vice Chairman of Benesse Corporation Apr. 2008 Appointed Chairman of the Board, CEO & President of Berlitz Corporation Jun. 2008 Appointed Outside Director of Sony Corporation Oct. 2009 Appointed Director and Executive Vice President of Benesse Holdings, Inc. Apr. 2013 Appointed Honorary President of Berlitz Corporation May 2013 Appointed Outside Director of the Company (current position) Jun. 2013 Appointed Outside Director of HOYA CORPORATION (current position) Sep. 2013 Appointed President and Representative Director of Globalization Research Institute (current position) Mar. 2014 Appointed Outside Director of DIC Corporation (current position) Apr. 2014 Appointed Board Chair of Japan Diversity Network Association (current position) (Significant concurrent positions outside the Company) President of Japan Women's Innovative Network (J-Win) Board Chair of Japan Diversity Network Association President and Representative Director of Globalization Research Institute Outside Director of HOYA CORPORATION Outside Director of DIC Corporation
Reason for nomination as a candidate for outside director	Yukako Uchinaga has extensive experience with IT business and expert knowledge thereof, as well as profound knowledge in the area of diversity. We are recommending her election as outside director to benefit from the guidance that she would be able to provide in promoting the soundness and efficiency of management.
Conflicts of interest	No conflict of interest exists between the Company and Yukako Uchinaga.

(Translation for reference purposes only)

6. Toru Nagashima

Reelection	Number of years served as outside director: **2 years**	Candidate for outside director	Candidate for independent director

Date of birth	Jan. 2, 1943 **Number of the Company's shares owned:** 0 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Apr. 1965 Joined Teijin Limited Jun. 2000 Appointed Director of Teijin Limited Jun. 2001 Appointed Managing Director of Teijin Limited Nov. 2001 Appointed President & Representative Director COO of Teijin Limited Jun. 2002 Appointed President & Representative Director CEO of Teijin Limited Jun. 2008 Appointed Chairman of the Board of Teijin Limited Jun. 2011 Appointed Outside Director of SEKISUI CHEMICAL CO., LTD Mar. 2013 Appointed Outside Director of Kao Corporation Jun. 2013 Appointed Senior Advisor of Teijin Limited Aug. 2015 Appointed Director of Japan Corporate Governance Network (current position) May 2016 Appointed Outside Director of the Company (current position) Jun. 2016 Appointed Audit & Supervisory Board Member (external) of Daikin Industries, Ltd. (current position) Apr. 2018 Appointed Honorary Advisor of Teijin Limited (current position) (Significant concurrent positions outside the Company) Honorary Advisor of Teijin Limited Audit & Supervisory Board Member (external) of Daikin Industries, Ltd. Director of Japan Corporate Governance Network
Reason for nomination as a candidate for outside director	Toru Nagashima has extensive experience and wide-ranging insight in global corporate management. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in promoting the Company's global management and in enhancing corporate governance.
Conflicts of interest	No conflict of interest exists between the Company and Toru Nagashima.

7. Takashi Tsukamoto

Reelection	Number of years served as outside director: **1 year**	Candidate for outside director	Candidate for independent director

Date of birth	Aug. 2, 1950 **Number of the Company's shares owned:** 0 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	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. 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) Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. (current position) Jun. 2017 Appointed Outside Director of Internet Initiative Japan Inc. (current position) (Significant concurrent positions outside the Company) Honorary Advisor of Mizuho Financial Group Outside Director of Asahi Mutual Life Insurance Company Outside Audit & Supervisory Board Member of Furukawa Electric Co., Ltd. Outside Director of Internet Initiative Japan Inc. Chairman of The Japan-British Society
Reason for nomination as a candidate for outside director	Takashi Tsukamoto has served as a corporate manager at a major financial institution, has been internationally active in the financial field, and has rich insights and extensive experience related to overall management. We are recommending his election as outside director to maintain and enhance the transparency and soundness of overall management, and to enhance corporate governance.
Conflicts of interest	No conflict of interest exists between the Company and Takashi Tsukamoto.

8. Kotaro Ohno

Reelection	Number of years served as outside director: **1 year**	Candidate for outside director	Candidate for independent director

Date of birth	Apr. 1, 1952 **Number of the Company's shares owned:** 0 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	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 Jul. 2012 Appointed Superintending Prosecutor of Tokyo High Public Prosecutors Office Jul. 2014 Appointed Prosecutor-General Sep. 2016 Retired as Prosecutor-General Nov. 2016 Appointed Special Counsel of Mori Hamada & Matsumoto (current position) May 2017 Appointed Outside Director of the Company (current position) Jun. 2017 Appointed President of International Civil and Commercial Law Centre Foundation (current position) Jun. 2017 Appointed Outside Audit & Supervisory Board Member of Komatsu Ltd. (current position) Jun. 2017 Appointed Outside Audit & Supervisory Board Member of ITOCHU Corporation (current position) (Significant concurrent positions outside the Company) Special Counsel of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Komatsu Ltd. Outside Audit & Supervisory Board Member of ITOCHU Corporation President of International Civil and Commercial Law Centre Foundation
Reason for nomination as a candidate for outside director	Kotaro Ohno is an attorney at law who has successively filled posts of Vice-Minister of Justice, Superintending Prosecutor and Prosecutor-General. Therefore, he has rich experience and insights in legislation and legal compliance. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in the area of promoting legal compliance management.
Conflicts of interest	No conflict of interest exists between the Company and Kotaro Ohno.

9. Peter Child

New election	Candidate for outside director	Candidate for independent director

Date of birth	Mar. 25, 1958 **Number of the Company's shares owned:** 0 shares
Career summary, position and areas of responsibility in the Company, and significant concurrent positions outside the Company	Sep. 1976 Joined United Kingdom Atomic Energy Authority Jun. 1980 Joined Michelin Tyre Company Jan. 1984 Joined McKinsey & Co., London Aug. 1987 Appointed Manager of McKinsey & Co., Los Angeles Aug. 1988 Appointed Partner of McKinsey & Co., London Aug. 1990 Appointed Senior Partner of McKinsey & Co., Paris Apr. 2007 Appointed Senior Partner of McKinsey & Co., London Mar. 2015 Appointed Senior Partner of McKinsey & Co., Hong Kong
Reason for nomination as a candidate for outside director	Peter Child has expertise in the retail sector gained primarily from serving as a leader of consumer goods and retail group at McKinsey & Co. We are recommending his election as outside director to benefit from the guidance that he would be able to provide in the area of promoting global management of the Company.
Conflicts of interest	No conflict of interest exists between the Company and Peter Child.

(Note 1) Number of years served as outside director is the number of years as of the end of this Ordinary General Meeting of Shareholders.

(Note 2) As stated in page 4, the Company sets forth election criteria for inside director. As shown by the details listed in the career summaries, etc., Hiroshi Yokoo, Motoya Okada, Yoshiki Mori, and Akinori Yamashita each possess suitable experience and knowledge of the Group's business operations and fulfill all the requirements of the said criteria, and accordingly, the Company has nominated them as candidates.

(Note 3) The Company is registered as a member of Japan Women's Innovative Network (J-Win), an NPO of which Yukako Uchinaga is President. The annual corporate membership fees plus any other monies paid to Japan Women's Innovative Network represent less than 0.01% of the Company's total consolidated SG&A expenses, and amount to less than 10 million yen.

(Note 4) Although Takashi Tsukamoto successively held the posts of Executive Officer, Executive Managing Director, and President & CEO at Mizuho Bank, Ltd. from 2002 to 2013, more than four years have passed since he retired from said bank in 2013, and currently he is not involved in the business execution of Mizuho Bank, Ltd. Also, Mizuho Bank, Ltd. is one of the primary lenders to the Company,

but it is not a business connection that has a significant effect on the Company's decision making. The balance of borrowings of the Company from Mizuho Bank, Ltd. as of the end of the most recent business year is less than 2% of the Consolidated Total Assets.

(Note 5) The Company is registered as a corporate member of International Civil and Commercial Law Centre Foundation of which Kotaro Ohno is President. In addition, the Company has transactions with Mori Hamada & Matsumoto of which Kotaro Ohno is Special Counsel. The monies paid to each of the said companies represent less than 0.01% of the Company's total consolidated SG&A expenses, and amount to less than 10 million yen.

(Note 6) Peter Child has served as Senior Partner at multiple branch offices of McKinsey & Co., and the Company has transactions with the said company. The monies paid to McKinsey & Co. represent less than 0.01% of the Company's total consolidated SG&A expenses.

(Note 7) With respect to the responsibilities stipulated under Article 423, paragraph 1 of the Companies Act, the Company has entered into agreements with each of its outside directors, Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto, and Kotaro Ohno which limit the liability of these directors for damage to the Company. These agreements state that, when outside directors carry out their duties in good faith and with no serious negligence, their liability to compensate the Company is limited to 15,000,000 yen or to an amount stipulated by applicable laws and regulations, whichever is higher, and that they are exempt from an outside director's obligation to compensate the Company for any amounts that exceed these limits. The Company also plans to enter into the agreements with each of the elected outside directors upon the approval of this proposal.

Agenda Item 2: Continuance of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)

At the 90th Ordinary General Meeting of Shareholders held on May 27, 2015, the Company received shareholder approval for and renewed the "Policy Concerning Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)" (the "existing takeover defense measures"). The specified effective period of the existing takeover defense measures shall end upon the conclusion of the Company's Ordinary General Meeting of Shareholders scheduled to be held on May 23, 2018 ("this Ordinary General Meeting of Shareholders"). Accordingly, while giving consideration to the various circumstances subsequent to the approval of the existing takeover defense measures, the Company has continued to examine the plan including the pros and cons of its renewal. As a result, at a meeting of the Company's board of directors (the "Board of Directors") held on April 11, 2018, the Company resolved to continue the existing takeover defense measures (the policy as it would exist after continuance is henceforth referred to as "this Policy") subject to shareholder approval at this Ordinary General Meeting of Shareholders.

All nine (9) Directors, including the five (5) outside directors, attended the aforesaid meeting of the Board of Directors and unanimously determined the contents of this Policy and its proposal at this Ordinary General Meeting of Shareholders. At the present time, there are no large-scale share acquirers (defined below) for the Company.

This Policy, to be propositioned at this Ordinary General Meeting of Shareholders, is a policy for responding to purchases of the Company's shares and other securities[3] aiming at 20% or more of the Company's voting rights[2] by a group of shareholders (*tokutei-kabunushi group*)[1], or purchases of the Company's shares and other securities that would result in a group of shareholders (*tokutei-kabunushi group*) holding 20% or more of the Company's voting rights (in both cases, with the exception of purchases agreed to in advance by the Board of Directors, and regardless of the specific purchasing method, whether by market transactions or tender offers or other means. Such purchases are referred to hereinafter as "Large-Scale Share Acquisitions" and a party carrying out or attempting a Large-Scale Share Acquisition is referred to as a "Large-Scale Share Acquirer"). This Policy is detailed below.

(Translation for reference purposes only)

1. Basic policy regarding control of the Company

(1) Basic policy and actions for its realization

AEON CO., LTD., and its Group companies (hereinafter in this section 1(1), "AEON"), while adhering to the unchanging ideals of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core, has succeeded in increasing corporate value by practicing its "Customer-First" philosophy. Also, while forging a close relationship, centered on the retail sector, with local communities, and aiming to realize a more prosperous future, all 323 of the Group's companies, including 24 publicly listed subsidiaries, are working together to operate numerous businesses including a developer that specializes in retailing and other services at approximately 20,000 stores in Japan and overseas, mainly in Asia, in addition to a bank that provides flexible and innovative services unique to the retail sector.

Such a broad and complex business operation contributes to increasing the entire Group's corporate value. At the same time, a substantial change in ownership would have a significant impact on the Group while causing concern regarding the effect on local communities. This calls for the situation to be handled with care.

Therefore, individuals who control decisions about the Company's financial and business policies should fully understand the Company's finances and business operations as well as the sources of the Company's corporate value, and make it possible to maintain and increase corporate value and, in turn, the common interests of its shareholders.

At the present time, the Financial Instruments and Exchange Act includes certain restrictions on abusive purchases, but it's possible that these restrictions will not be effective enough for ensuring that shareholders are provided adequate information and time for consideration, etc. As such, the Company believes that the policy described above should continue to be implemented as a necessary and reasonable means to prevent large-scale acquisitions that are in pursuit of short-term gains and those that are capable of damaging corporate value.

1) The kind of corporation AEON strives to be

AEON, with its unchanging basic principles and as a "corporate group with its ever-lasting innovative spirit," has repeatedly implemented self-reform without fear of risk. At a time when AEON's business scale and business domains are expanding and the number of countries and regions in which AEON does business is increasing, to conduct management grounded in a long-term perspective, AEON has adhered to the following Basic Stance on Corporate Governance, worked to implement its "Customer-First" philosophy, and is pursuing the maximization of corporate value.

Basic Stance on Corporate Governance

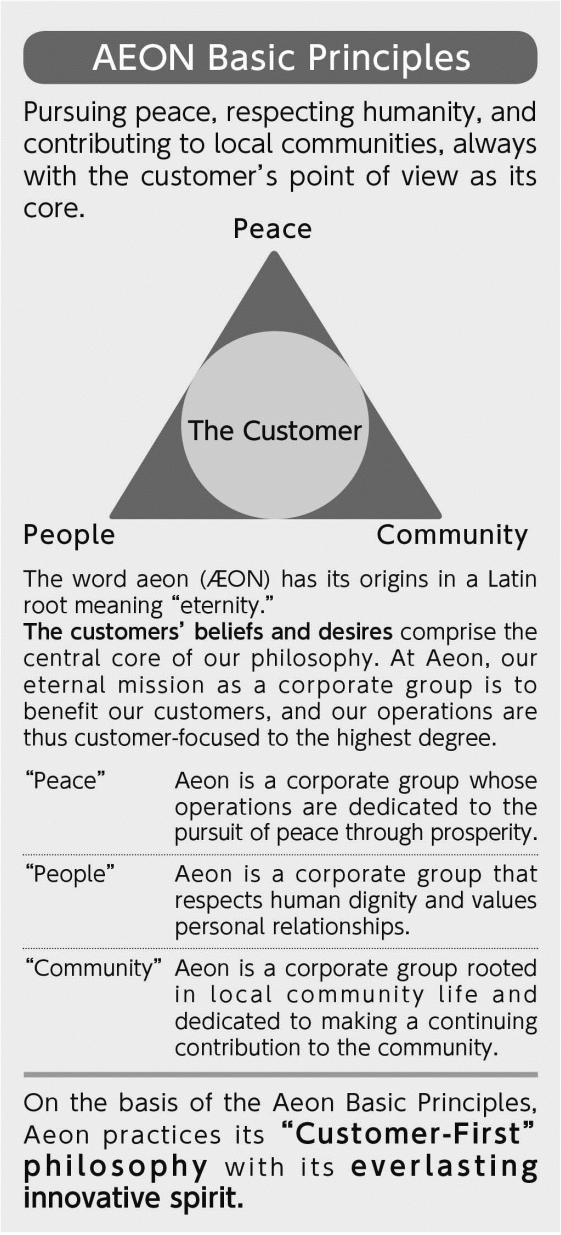
i. Value Creation through Customer Orientation and Frontline Focus

At AEON, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, which is our point of contact with customers, and by always thinking with customers as the starting point.

ii. 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.

iii. A Posture of Developing Together with Local Communities



As a member of local communities and a caring corporate citizen, AEON seeks to develop together with our fellow community members, namely our customers, employees, shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.

iv. Sustained Growth Based on a Long-Term Perspective and Ceaseless Innovation

To continue to meet the expectations of customers and local communities, AEON strives for sustained growth accompanied by value creation based on a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.

v. Pursuit of Transparent, Disciplined Management

AEON strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.

2) Growth Strategy



AEON, while continuing to build a value chain that has responsibilities in various parts of Asia, has grown into Asia's No. 1 super regional retailer with consolidated operating revenue of more than ¥8 trillion. The Aeon Group Medium-term Management Policy, designed to prepare AEON for 2020, includes the Shift to Regional Markets, Shift to Digital Markets, and Shift to Asian Markets. By promoting an Investment Shift into said shifts, AEON is striving to greatly change the group operation structure and transform the corporate group into one that achieves high levels of profitability.

At the same time, AEON aims to become a group of companies that lead in their respective regions and businesses by organically linking each business with a focus on the retail sector, which includes general merchandise stores and supermarkets.

3) Sustainable Management

In order to fulfill its social responsibilities as a corporate citizen and sustain an increase in corporate value, Aeon is promoting sustainable management that simultaneously supports business growth and the development of local communities. Under the "Aeon Sustainability Principle," the following are set as priority issues: the environmental issues of realizing a low carbon society, conserving biodiversity, and using resources better; and the social issues of responding to diverse consumer issues, carrying out fair business practices, creating workplaces that emphasize human rights and diversity, and collaborating with the community. With these priority issues in mind, Aeon is moving forward with initiatives that include conservation and creation of energy and reduction of waste at stores, the Tree Planting and Bring Your Own Shopping Bag Campaign undertaken together with customers, sustainable procurement across the supply chain, and Tohoku Restoration. Aeon also undertakes environmental and social contribution activities in various fields including

education of the next generation and friendship and goodwill projects with a number of countries through the Aeon 1% Club Foundation, and Tree Planting and environmental activity assistance programs through the Aeon Environmental Foundation.

4) Corporate Governance System

In response to the revision of the Commercial Code in 2003, the Company adopted a "Company with Committees (currently: Company with a Nomination Committee and Other Committees)" system, making it an early adopter among Japanese corporations. In doing so, the Company established a governance system in which operational supervision and operational execution functions are explicitly divided and allocated to individual directors and executive officers. A number of outside directors from a range of fields were invited to join the Board of Directors, which works to further maintain and improve the transparency and fairness of governance and to increase returns to shareholders by ensuring that a majority, five out of nine, of the members of the Board of Directors are outside directors, and by having outside directors serve as the chairpersons of the Nomination Committee, Compensation Committee, and Audit Committee. Also, the Company is working to build a foundation for the continued enhancement of corporate value, which has included, as part of the Group management reforms, becoming a pure holding company in 2008 to move forward with building a new growth model for the Group, rebuilding the business structure, and further strengthening Centralization and Decentralization.

(2) Policy for responding to Large-Scale Share Acquisitions and rules to be observed with respect to Large-Scale Share Acquisitions

We believe that when proposals are made to purchase the Company's shares, the final decision as to whether or not to accept the proposals rests with the shareholders of the Company. We suppose that there may be also cases, however, where the conditions attached to a purchase proposal, various circumstances, or the size, diversity and speed of change within the Aeon Group, make it difficult for the shareholders to make a proper decision about the impact on the shareholder value of the purchase within the legally allowed time.

The Board of Directors will therefore compose the following rules (the "Rules") regarding the provision of information by a Large-Scale Share Acquirer and the triggering of countermeasures, in order to secure sufficient information and time necessary for the shareholders of the Company to make a decision about the purchase proposal.

2. Details of the Rules

The Rules established by the Board of Directors 1) require a Large-Scale Share Acquirer to provide the Board of Directors with necessary and sufficient information prior to a Large-Scale

Share Acquisition and 2) allow a Large-Scale Share Acquirer to commence a Large-Scale Share Acquisition only after the passage of a designated evaluation period required for the Board of Directors to examine said information.

(1) Submission of a declaration of intent

When a Large-Scale Share Acquirer intends to make a Large-Scale Share Acquisition, it shall submit to the Company beforehand a declaration of intent, written in Japanese and indicating that the Acquisition will be in accordance with the Rules[4]. This declaration of intent shall include the name, address, laws with which the incorporation is in compliance, representatives' names, and Japanese contact address[5] of the Large-Scale Share Acquirer, and an overview of the Large-Scale Share Acquisition to be proposed (including the number of shares currently held and the number of shares targeted for acquisition by the Large-Scale Share Acquirer).

(2) Request to provide information

In order to receive necessary and sufficient information for the shareholders to make their decision and the Board of Directors to form an opinion (the "Required Information") from the Large-Scale Share Acquirer, the Board of Directors shall, within five business days following the date of receipt of the declaration of intent stipulated in (1) above, deliver to the Large-Scale Share Acquirer an initial list of information to be provided, with a deadline stipulated. The specific content of this Required Information will vary depending on the attribute of the Large-Scale Share Acquirer or the details of the Large-Scale Share Acquisition, but the following items shall be included, in principle:

1) Detailed information about the Large-Scale Share Acquirer (including capital makeup constituted by all the members; financial status; businesses; directors and other officers' names, summaries of personal histories and other concurrent directorships at other companies; experience in the Company's and similar business fields; and marketing, management and labor policies implemented when management rights or businesses in other companies were acquired)
2) Background to decide the Large-Scale Share Acquisition
3) Purpose and details of the Large-Scale Share Acquisition (including the amount and type of consideration for acquisition, structure of related transactions and legality of the acquisition method)
4) Basis for calculation of the amount of consideration for acquisition of the Company's shares (including facts and hypotheses underlying the calculation, the amount of anticipated synergies and basis for that calculation thereof)

5) Detailed explanation of funds to acquire the Company's shares (including fund procurement method, structure of related transactions, and names of parties directly or indirectly providing funds or expected to do so)

6) Policies or plans that the Large-Scale Share Acquirer expects the Company and Group companies or plans by themselves after the Large-Scale Share Acquisition, such as management policy (including its position with respect to AEON's principles), corporate governance, management strategies, business plans, financial plans, capital policies, dividend policy, measures to use assets, and policies on CSR activities ("Post-Acquisition Management Policies, etc.")

7) Policy toward the Company's and Group companies' customers, vendors, employees, local communities and other stakeholders

8) Other information deemed rationally necessary for the Board of Directors and the Independent Committee to examine and evaluate the appropriateness, legality and the like of the Large-Scale Share Acquisition

The Board of Directors shall closely examine the information initially provided, and if it is found insufficient, shall request additional information to be submitted by a specified time limit within the extent reasonable. (However, even when necessary and sufficient information has not been submitted, the time limit for the final reply shall be a maximum of 60 days beginning from the date the declaration of intent is received.) The Board of Directors shall promptly disclose the fact that a Large-Scale Share Acquisition has been proposed. In addition, in cases where the Board of Directors finds necessary for the decision-making of shareholders of the Company, it shall disclose all or part of the submitted Required Information when it is considered appropriate.

In order for the Rules to be carried out transparently and fairly, the Board of Directors shall establish the Independent Committee immediately upon receipt of the declaration of intent stipulated in (1) above.

The Independent Committee shall comprise 1) all of the Company's outside directors (who shall elect a chairperson of the committee from among their members), and 2) at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) recommended by the outside directors, in principle within ten business days following the day the declaration of intent is received, and appointed by the Board of Directors. The Independent Committee shall, however, commence its activities even prior to the appointment of the specialist committee members.

The primary mission of the Independent Committee prior to the commencement of the Board of Directors' Evaluation Period stipulated in the following section (3), is to present to

the Board of Directors their opinions and reasoning for 1) whether the materials received from the Large-Scale Share Acquirer is sufficient to serve as Required Information, 2) whether there is any additional material to be requested to the Large-Scale Share Acquirer, and if so, items to be requested and a time limit for submission, 3) whether the "Large-Scale Share Acquirer has failed to comply with the Rules" for reasons including the submission of insufficient materials, the contents of countermeasures to be implemented, including the allotment of stock acquisition rights without contribution, and whether the countermeasures are necessary or should be suspended, and 4) other items for which the Board of Directors requested their opinion.

The Board of Directors shall fully evaluate and examine the status of the submission of these materials and other matters on its own as well, while also carefully formulating an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee, and make a decision. In formulating this opinion, the Board of Directors may also seek advice from outside specialists including attorneys at law and certified public accountants. If it is found necessary for the shareholders of the Company to make their decision, moreover, the Board of Directors shall disclose all or part of the interim developments and the details of and reasons for the decisions when it is considered appropriate.

(3) Period of examination by the Board of Directors

After a Large-Scale Share Acquirer has completed the submission of the Required Information to the Board of Directors as per the preceding section (2), the Large-Scale Share Acquisition may not commence for 90 days following the submission, if any of the following apply to the proposed acquisition, and for 60 days in other cases (the "Board Evaluation Period").

1) The consideration for the Large-Scale Share Acquisition includes stock or other non-monetary items.
2) The consideration for the Large-Scale Share Acquisition is to be paid in money other than in Japanese yen.
3) The Large-Scale Share Acquirer's planned management policy for after the acquisition includes major changes in the constitution of Group companies or businesses.

During the Board Evaluation Period, the Board of Directors shall first seek an evaluation of the Large-Scale Share Acquisition from the Independent Committee. Upon receiving the Required Information, the Independent Committee shall present to the Board of Directors their comprehensive evaluation and decision, with opinions and reasoning based on the Required Information and other materials, for 1) whether the Large-Scale Share Acquisition

would damage the interests of all shareholders of the Company, 2) whether there is any additional information to be submitted from the Large-Scale Share Acquirer, and if so, items to be requested and a time limit for submission, 3) the contents of countermeasures to be implemented, including the allotment of stock acquisition rights without contribution, and whether the countermeasures are necessary or should be suspended, and 4) other items for which the Board of Directors requested their opinion.

The Board of Directors shall fully evaluate and examine the submitted Required Information on its own as well, while also carefully formulating an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee, and announce its opinion. In formulating this opinion, the Board of Directors shall also seek advice from outside specialists, including attorneys at law and certified public accountants. As necessary, the Board of Directors shall also negotiate with the Large-Scale Share Acquirer to improve the conditions of the Large-Scale Share Acquisition, and present alternative proposals to the shareholders of the Company. While the Board of Directors shall promptly disclose the commencement of the Board Evaluation Period, in cases where it finds necessary for the decision-making of shareholders of the Company, the Board of Directors shall disclose all or part of the interim developments and the details of and reasons for the decisions when it is considered appropriate.

3. Policy for responding to a Large-Scale Share Acquisition

(1) If the Large-Scale Share Acquirer complies with the Rules

If the Large-Scale Share Acquirer is in compliance with the Rules, there shall, in principle, be no countermeasures implemented with respect to the Large-Scale Share Acquisition. As noted in section 2 (3) above, the Board of Directors shall fully evaluate and examine the submitted Required Information, carefully formulate an opinion of the Board of Directors giving maximum consideration to the opinion of the Independent Committee with regard to the evaluation of the purchase proposal and existence or nonexistence, contents, etc. of alternative proposals, and announce its opinion. In such cases, the shareholders of the Company shall consider the purchase proposal as well as the opinion and alternative proposals presented by the Company, and decide whether to accept the Large-Scale Share Acquirer's purchase proposal.

If the Board of Directors' opinion is that the Large-Scale Share Acquisition would cause significant damage to the interests of all shareholders of the Company [6], however, or if the Independent Committee's opinion is that the Large-Scale Share Acquisition would cause substantial damage to the interests of all shareholders of the Company, the Board of Directors, giving maximum consideration to that opinion and as per its members' due care

and diligence as directors, may adopt measures deemed appropriate to protect the interests of the shareholders of the Company[7].

In this case, the contents and procedures of the countermeasures shall conform to those prescribed in (2) below.

(2) If the Large-Scale Share Acquirer does not comply with the Rules

If the Large-Scale Share Acquirer is not in compliance with the Rules, regardless of the specific purchase method, the Board of Directors may oppose the Large-Scale Share Acquisition by issuing stock acquisition rights or taking other countermeasures permitted under the Companies Act and other laws, as well as the Company's Articles of Incorporation, for the purpose of protecting the interests of the Company and its all shareholders. The specific steps taken shall be those deemed most appropriate by the Board of Directors at the time. The specific countermeasure expected at the moment would, in principle, be an issue of stock acquisition rights without contribution allotted to shareholders as per Attachment 3 only if it is deemed appropriate, but possible countermeasures are not limited to this. If such stock acquisition rights were actually to be issued, exercise conditions, including making exercise conditional on not being a party belonging to a group of shareholders (*tokutei-kabunushi group*) with more than a designated percentage of voting rights, and an exercise period may be set to make the issue an effective countermeasure. Furthermore, in order to make flexible issuance of stock acquisition rights possible, the Company shall continue shelf registration of stock acquisition rights.

Next, if there is deemed to be significant concern of possible harm to the common interests of shareholders, and stock acquisition rights with differentiated exercise conditions that restrict the Large-Scale Share Acquirer's exercising of rights are issued, the stock acquisition rights shall have clauses allowing for their acquisition by the Company. When stock acquisition rights that do not have clauses allowing for their acquisition by the Company attached are exercised, the shareholders of those stock acquisition rights shall follow procedures including the payment of the exercise amount, and this would be a great inconvenience for the more than 750,000 shareholders as of February 28, 2018. In order to avoid this inconvenient procedure, therefore, the Company shall have, by the resolution at a meeting of the Board of Directors, the right to acquire the stock acquisition rights of shareholders except the Large-Scale Share Acquirer, and deliver new shares to those shareholders in exchange therefor.

Because the details and adoption or rejection of such measures are considered an item to be determined by the Board of Directors in accordance with its members' due care and diligence as directors, this decision shall, in principle, be made and implemented by the Board of Directors. If the Board of Directors determines that a decision by the shareholders

should be made in view of the content, effect, etc. of the measure, however, the Board of Directors may exceptionally bring up the adoption of such measures as an agenda item for approval at a General Meeting of Shareholders of the Company. This would still be considered an item that is fundamentally a responsibility of the Board of Directors, so the Board of Directors would provide a full explanation at the General Meeting of Shareholders.

(3) Cancellation or the like after resolution of allocation of stock acquisition rights without contribution

If the Board of Directors subsequently determines that the triggering of the countermeasure would not be appropriate in the event that the Large-Scale Share Acquirer withdraws or changes the Large-Scale Share Acquisition after the Board of Directors has passed a resolution for the allotment of stock acquisition rights without contribution, or in the similar event, the Board of Directors may cancel the allotment of stock acquisition rights without contribution. In principle, however, the allotment without contribution of these stock acquisition rights shall not be cancelled on or after the fourth business day (assuming the current fourth day settlement of the exchange, should this be changed, the date will change accordingly; the same shall apply hereinafter) prior to the "Record Date" (see definition in section 5 (2) below) for the allotment without contribution. If the Board of Directors determines that events requiring the cancellation of the countermeasure have emerged on or after the fourth business day prior to the "Record Date," the Company shall, in principle, have the right to acquire the stock acquisition rights held by all shareholders, including the Large-Scale Share Acquirer, in exchange for shares of the Company, which would effectively have the same effect as a cancellation[8]. The Board of Directors may also cancel or review other countermeasures in a similar manner as appropriate.

4. Measures to secure transparency and fairness

The following measures are being taken to secure transparency and fairness in the Rules.

(1) Satisfying the requirements of guidelines released by the Corporate Value Study Group, etc. in relation to takeover defense measures

This Policy satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. (The three principles, as set out in the Guidelines, are 1) the principle of protecting and enhancing corporate value and shareholders' common interests, 2) the principle of prior disclosure and shareholders' will, and 3) the principle of ensuring the necessity and reasonableness.)

This Policy also takes into consideration the report "Takeover Defense Measures in Light of Recent Environmental Changes" released by the Corporate Value Study Group established in the Ministry of Economy, Trade and Industry on June 30, 2008 and other discussions and the like concerning takeover defense measures.

Furthermore, this Policy is in accordance with the purposes of principles, etc. concerning takeover defense measures established by the Tokyo Stock Exchange.

(2) Respect for shareholders' will

Approval by the shareholders at this Ordinary General Meeting of Shareholders shall be required for the Rules to become effective. After this approval, moreover, subsequent changes that would have a substantive impact on the shareholders of the Company, not including pro-forma changes necessitated by revisions of laws and regulations, etc., shall also be proposed as an agenda item for approval of the shareholders at a General Meeting of Shareholders. Even in the event that no changes are made, the period for which the Rules will remain in effect shall be restricted to three years. In other words, the Rules are structured so that their revision or abolition as well as continuation will fully reflect the intent of shareholders.

(3) Introduction to secure and enhance the Company's corporate value and the common interests of shareholders

As noted in the preceding sections 1 and 2 (3), the purpose of the introduction of the Rules is to secure and enhance the Company's corporate value and the common interests of shareholders in the event of a purchase proposal for the Company's shares, by securing sufficient information and time required for the shareholders to make a decision on whether to accept the proposal and by securing conditions, including information and a period of time sufficient for the Board of Directors to present alternative proposals. The Rules shall not be used for the self-protection of management or any other purpose.

(4) Emphasis on the judgment of highly independent outside persons and information disclosure

The Company has introduced a "company with a nomination committee and other committees" governance system, and it strives constantly to secure management transparency and fairness. In addition, the Company shall establish an Independent Committee to avoid arbitrary decisions by the Board of Directors as to whether the materials submitted by a Large-Scale Share Acquirer is sufficient, and whether to trigger countermeasures against a Large-Scale Share Acquisition, etc., and to secure objectivity and rationality in the Board of Directors' decision-making and responses. The Independent Committee shall be independent of the management that executes the Company's operations, and shall comprise all the Company's outside directors and at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) appointed each time by the Board of Directors based on recommendations from the outside directors. When formulating its opinion, the Independent Committee may also seek the opinions of other suitable outside specialists at the Company's expense.

The Board of Directors shall also seek the advice of additional outside specialists, including attorneys at law and certified public accountants, when formulating its opinion.

The Company shall strive to disclose information quickly, except for information that would be misleading for the shareholders in their efforts to reach a decision. In addition, when the opinion of the Board of Directors is announced, the Board of Directors shall endeavor to provide as specific an explanation as possible, including the reasoning behind its decision.

These measures are designed to ensure that the Rules are carried out transparently, so that decisions by the Board of Directors will contribute to corporate value of the Company and the common interests of the shareholders thereof.

(5) Not causing unforeseen harm to shareholders and investors other than the Large-Scale Share Acquirer

The stock acquisition rights to be issued as a countermeasure when the Rules have not been followed are, in principle, seen as having differentiated exercise conditions so as to restrict only the Large-Scale Share Acquirer's ability to exercise rights. Even in the event that any other countermeasure is adopted, a countermeasure that will not cause unforeseen harm to shareholders and investors other than the Large-Scale Share Acquirer shall be selected.

These stock acquisition rights shall also contain clauses allowing for their acquisition by the Company, so as to cause as little inconvenience as possible to shareholders other than the Large-Scale Share Acquirer.

(6) Not a “dead-hand” or “slow-hand” takeover defense measure

No special restrictions have been established regarding the cancellation of this Policy, and this Policy does not, therefore, constitute a “dead-hand” takeover defense measure (a defense measure that does not allow the triggering from being halted, even if a majority of the members of the Board of Directors have been replaced). Since the term of office of all the directors is one year, moreover, this Policy also does not constitute a “slow-hand” measure (a takeover defense measure that requires time for the triggering to be halted because the members of the Board of Directors cannot be replaced at the same time).

5. Impact etc. on shareholders and investors

(1) Impact etc. of the Rules on shareholders and investors

The Rules are intended to disclose the information required for the shareholders of the Company to decide whether to accept a Large-Scale Share Acquisition, and the opinions of the Board of Directors currently responsible for managing the Company, to the shareholders of the Company, as well as to secure opportunities for the shareholders of the Company to receive presentation of alternative proposals. We believe this will make it possible for the shareholders of the Company to make an appropriate decision as to whether or not to accept a Large-Scale Share Acquisition, based on appropriate information, thereby preserving the interests of all shareholders of the Company.

As noted in section 3 above, the Company’s policy for responding to a Large-Scale Share Acquisition will differ depending on whether the Large-Scale Share Acquirer complies with the Rules. We therefore ask that the shareholders of the Company and investors pay careful attention to the actions and positions taken by the Large-Scale Share Acquirer.

(2) Impact etc. on shareholders and investors when countermeasures are triggered

The Board of Directors may implement countermeasures permitted under the Companies Act and other laws, as well as the Company’s Articles of Incorporation, for the purpose of protecting the Company and the interests of all shareholders of the Company, in the event that a Large-Scale Share Acquirer fails to comply with the Rules. The structure of such countermeasures is not expected to cause any particular harm to the shareholders of the Company (with the exception of the Large-Scale Share Acquirer that failed to comply with the Rules) economically or in terms of legal rights. In the event that the Board of Directors decides to implement a specific countermeasure, it will disclose that fact in a timely and appropriate manner according to applicable laws and regulations and securities exchange regulations.

With regard to the issuing of stock acquisition rights, one of the countermeasures envisioned, stock acquisition rights would, in principle, contain a clause attached to the stock acquisition rights that allow for their acquisition by the Company. In order to be able to proceed without the inconvenient procedure of paying the exercise amount necessary for exercising stock acquisition rights that do not contain clauses allowing for their acquisition by the Company, this clause shall make it possible for the Board of Directors, by its resolution, to acquire the stock acquisition rights of the shareholders, and to deliver new shares to the shareholders as consideration. The details of this procedure shall be announced separately, based on the relevant laws and regulations, when stock acquisition rights are actually issued. In such cases, in order to acquire the stock acquisition rights, it will be necessary for holders of book-entry stocks to have their common shares recorded in an account with a securities company, etc. on the date separately determined and announced by the Board of Directors on which the shareholders eligible to receive stock acquisition rights are to be fixed (the "Record Date"). This action will be taken to ensure that the holders of book-entry stocks will be included as the shareholders of record in the Company's final shareholder registry. It will also be necessary to complete emergency measures for unregistered shares in special accounts.

6. Commencement of application of the Rules and the effective period thereof

In order to review the response policy regularly, this Policy shall be effective for a period of three years (until the conclusion of the Ordinary General Meeting of Shareholders for the final business year ending within three years of March 1, 2018).

Going forward, based on trends in relevant laws and regulations, including the Companies Act, and judicial rulings in the years ahead, the development of listing regulations stipulated by the Tokyo Stock Exchange and other developments, if any pro forma change to this response policy above is necessitated following revisions of laws and regulations or the like, this Policy shall be reviewed by the Board of Directors as necessary, with a prompt announcement of the details thereof. In the event the Board of Directors deems abolishing this Policy reasonable, the Company shall abolish this Policy by resolution of the Board of Directors, and the abolishing of this Policy and the reasons for doing so shall be disclosed. Changes in this Policy that have a substantive effect on the shareholders of the Company shall, however, be proposed as an agenda item for approval of the shareholders at a General Meeting of Shareholders. The Company's directors serve terms of one year and are elected or reelected each year at the Ordinary General Meeting of Shareholders.

The existing takeover defense measures shall be abolished as of an affirmative vote on this proposal to approve this Policy at this Ordinary General Meeting of Shareholders. However, if a Large-Scale Share Acquirer has appeared and procedures including the submission of a

declaration of intent or the provision of information under the existing takeover defense measures have begun as of that time, then following the approval of this Policy, the procedures shall be continued as per this Policy.

(Note 1) A group of shareholders (tokutei-kabunushi group) is:

(i) A holder, including a holder deemed as a holder pursuant to Article 27-23(3) of the Financial Instruments and Exchange Act (the same shall apply hereinafter), and a joint holder (a joint holder prescribed in Article 27-23(5) of the same Act, including a party deemed as a joint holder pursuant to paragraph 6 of the same Article; the same shall apply hereinafter) of the Company's shares, etc. (share certificates, etc. prescribed in Article 27-23(1) of the same Act), or

(ii) A party that performs purchase, etc. (as prescribed in Article 27-2(1) of the same Act, including those made on a financial instruments exchange market) of the Company's shares, etc. (share certificates, etc. as prescribed in Article 27-2(1) of the same Act), and a party in special relationship with the party conducting such purchase, etc. (a party in special relationship as prescribed in Article 27-2(7) of the same Act.)

(Note 2) The percentage of voting rights is:

(i) In cases where the group of shareholders (tokutei-kabunushi group) is as described in Note 1(i), the holding ratio of shares, etc. (holding ratio of share certificates, etc. prescribed in Article 27-23(4) of the Financial Instruments and Exchange Act; in this case the number of shares, etc. held by the joint shareholder (number of share certificates, etc. prescribed in the same paragraph), shall be added) of the shareholder, or

(ii) In cases where the group of shareholders (tokutei-kabunushi group) is as described in Note 1(ii), the total of holding ratio of shares, etc. (holding ratio of share certificates, etc. prescribed in Article 27-2(8) of the same Act) of the Large-Scale Share Acquirer and the party in special relationship.

In calculating each holding ratio of shares, etc., the total number of voting rights (as prescribed in Article 27-2(8) of the same Act) and the total number of shares issued (as prescribed in Article 27-23(4) of the same Act) may be found in the most recent issue of the Annual Securities Report, Semiannual Securities Report, Quarterly Securities Report, or the Share Buyback Report.

(Note 3) Share certificates, etc., prescribed in Article 27-23(1) of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

(Note 4) The Company lists its shares on financial instruments exchange markets in Japan and, therefore, has an obligation for timely disclosure to Japanese shareholders and investors. The official versions of lists delivered by the Company, documents containing the Required Information prepared by the Large-Scale Share Acquirer, and the Company's opinions regarding that information and requests for submitting additional materials should consequently be the written Japanese versions. Written documents include documents transmitted by e-mail or facsimile as well as those printed on paper. The written documents must use A4 or A3 size paper and be printed in characters of at least 10 points (as per JIS Z 8305) in size. The written documents must be prepared in Japanese by the party preparing them in its name, and the Company shall bear no responsibility for translating any written documents into any foreign language. Any characters and symbols not printed on paper for logical reasons, including being cut off on the facsimile paper or failing to appear due to the use of characters or symbols not registered in our system when received by the Company shall be deemed not to have been written. The same shall apply hereinafter.

(Note 5) The contact address in Japan shown on this document shall be that of the sender of written documents that are sent pursuant to the relevant Rules of the Company.

(Note 6) Such determination is expected to be made if there is an objective and rational basis for determining that the Large-Scale Share Acquirer would be inappropriate as the Company's controlling shareholder from the standpoint of public order and morals, specifically in cases where 1) a Large-Scale Share Acquirer purchases the Company's shares simply to force parties affiliated with the Company to buy them back at a higher price, for example, although those concerned do not intend to actually participate in the Company's management, 2) the Large-Scale Share Acquirer purchases the Company's shares for purposes of so-called "scorched-earth" management, by temporarily taking control of the Company in order to gain intellectual assets, experience, confidential corporate information, vendors, or customers essential to the Company's management, 3) the Large-Scale Share Acquirer purchases the Company's shares with the intention of using

the Company's assets as collateral for or source of repayment of its own liabilities after taking control of management, 4) the Large-Scale Share Acquirer purchases the Company's shares to gain temporary control of management and sell high-value assets or the like such as real estate and securities not immediately related to the Company's business, in order to use the profit from the sale to pay a high dividend temporarily, or to use a temporary high dividend as a device to sharply raise the share price and sell its shares at a profit, 5) the purchase method proposed by the Large-Scale Share Acquirer is a two-tiered structure with second-tier purchase conditions that are less favorable than the first-tier conditions, or it is determined that there is a concern that the opportunity and freedom of shareholders to make decisions is restricted, or that they may virtually be forced to sell the Company's shares to their disadvantage, 6) the handling scheme and stock acquisition methods regarding the purchase of the Company's shares proposed by the Large-Scale Share Acquirer are extremely unreasonable from the standpoint of the common interests of shareholders, such as the price being very disadvantageous to shareholders or option rights carrying high risk, or 7) it is determined that any person of the management or major shareholders of the Large-Scale Share Acquirer has a relationship with antisocial elements, including organized crime groups or their members, as defined in Article 2 of the Act on Prevention of Unjust Acts by Organized Crime Group Members.

(Note 7) Regardless of whether this Policy is adopted, in cases where a Large-Scale Share Acquisition as described in the preceding Note 6 would cause significant damage to the interests of all shareholders, the Board of Directors, in accordance with its members' due care and diligence as directors, may implement emergency measures similar to measures taken to avoid clear and present danger to protect the interests of all shareholders of the Company. In order to guarantee objectivity and rationality in such a decision, the Large-Scale Share Acquirer and the specific details of the Large-Scale Share Acquisition (purpose, method, scope, type and amount of consideration for acquisition, etc.), and impact of the Large-Scale Share Acquisition on the interests of all shareholders of the Company shall be examined based on the Required Information, including the Post-Acquisition Management Policies, etc., submitted by the Large-Scale Share Acquirer. This shall be done with the advice of outside specialists or the like, including attorneys at law and certified public accountants, and with consideration given to the opinion of the Independent Committee.

(Note 8) On and after the day after the fourth business day prior to the Record Date for allotment of stock acquisition rights, financial instruments markets assume that the rights will be removed (shares subsequently traded will not have stock acquisition rights attached), and the theoretical share price in anticipation of the conversion of stock acquisition rights to shares is therefore expected to fall to, for example, approximately 50%-60% of the immediately preceding price. Nevertheless, if the Company subsequently cancels the triggering of the takeover defense measures in its entirety by acquiring the stock acquisition rights without contribution, the number of shares will return to that of the ex-rights date, and the temporarily depressed stock price will theoretically return to the immediately preceding price. Since this could possibly disrupt the market, the shares shall, in principle, be allotted for the stock acquisition rights after the ex-rights date.

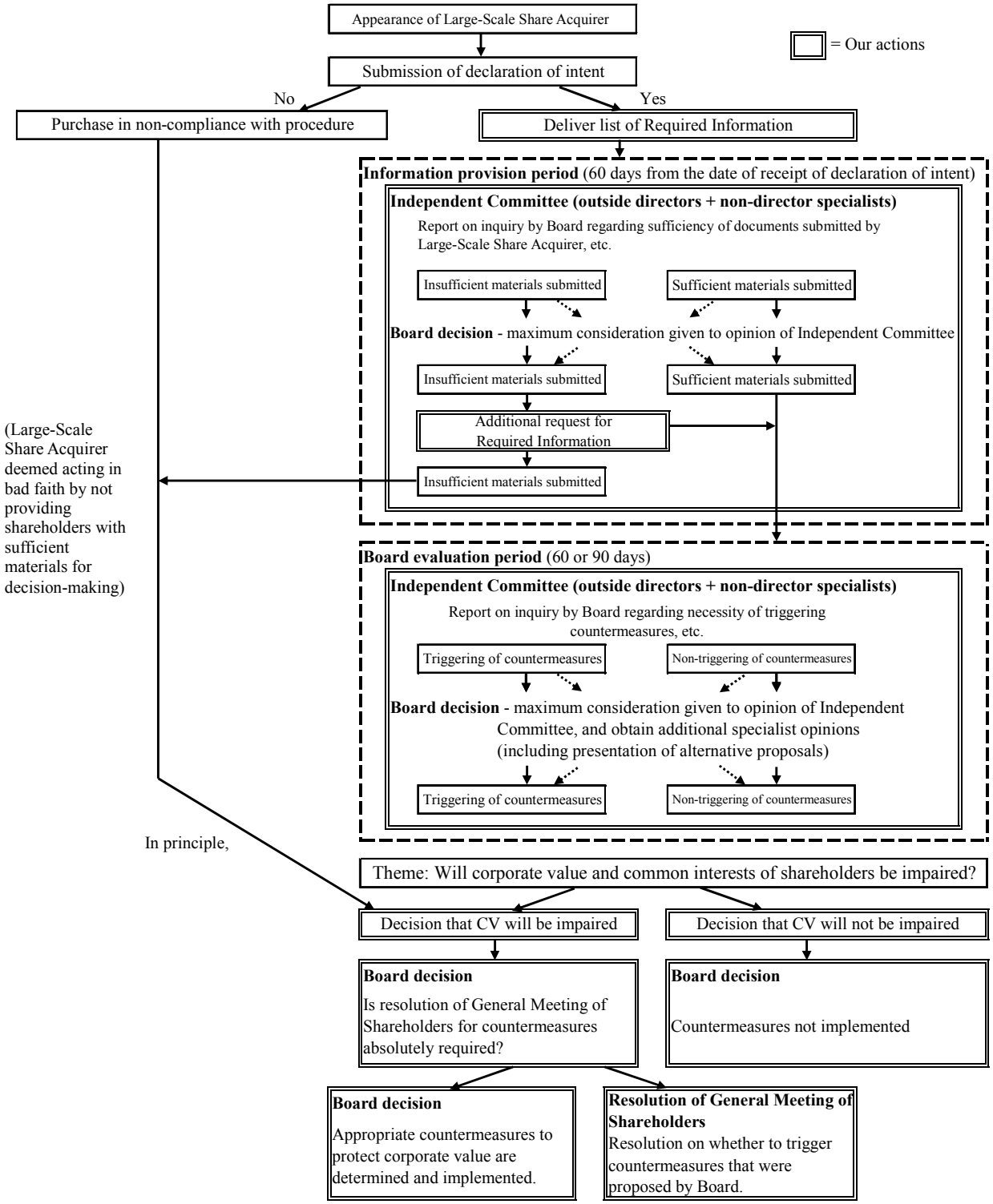
(Note 9) Share and major shareholder information (as of February 28, 2018) is provided later in the Business Report on page 47.

(Translation for reference purposes only)

Attachment 1

(Reference)

Procedures and Decision-Making Flow of This Policy



(Note 1) In principle, both parties' materials and opinions will be disclosed as soon as possible.

(Note 2) If countermeasures are triggered, in principle, stock acquisition rights with differentiated exercise conditions will be issued only if the execution is deemed appropriate.

(Translation for reference purposes only)

Attachment 2

Overview of the Independent Committee and Committee Candidates

1. Overview of the Independent Committee

(1) Establishment

The Independent Committee shall be established and disbanded by the Board of Directors.

(2) Composition

1) The Independent Committee shall have at least three members.

2) The Independent Committee members shall comprise all the Company's outside directors and at least one specialist committee member (in principle, one attorney at law and one university professor or other outside person with academic experience) recommended by the outside directors, in principle within ten business days following the day the declaration of intent is received, and appointed by the Board of Directors. The Independent Committee shall, however, commence its activities even prior to the appointment of the specialist committee members, and the number and composition of committee members who are not outside directors may be changed by resolution of the Board of Directors based on a unanimous opinion of the outside directors.

3) The appointment of the committee members who are not outside directors of the Company shall be made with their expertise in corporate management, the Companies Act, and financial instruments exchange markets of exchanges, their opinions with regard to the Company's principles, and their business experience, among others, taken comprehensively into consideration, in light of the role of the Independent Committee.

4) The committee members who are not outside directors of the Company shall conclude a contract of mandate with the Company that designates their duties, including due care and diligence with respect to the Company.

(3) Chairperson

The chairperson of the Independent Committee shall be elected from among outside directors of the Company.

(4) Term of office

1) The term of office of Independent Committee members shall be from the time the Board of Directors establishes the Committee until the Committee is disbanded by the Board of Directors.

2) Notwithstanding the provision of the preceding paragraph, if all or any number of the outside directors of the Company should retire because of the expiration of their term of office during the aforementioned period, the terms of office of the members who are not outside directors of the Company shall expire at the same time. In such cases, the newly (re)elected outside directors of the Company shall recommend committee members who are not outside directors without delay and seek their appointment by the Board of Directors. This shall not preclude reappointment.

(5) Mission

The Independent Committee shall receive the Required Information submitted to the Board of Directors by a Large-Scale Share Acquirer, evaluate, examine and deliberate, in principle with regard to the following items, and based on the questions of the Board of Directors, and present the details and results of those activities to the Board of Directors:

(a) Opinion as to whether the materials received from the Large-Scale Share Acquirer are sufficient as Required Information

(b) Whether or not the Large-Scale Share Acquirer must provide additional information and, if so, the items to be requested and the time limit for submission

(c) Opinion as to whether or not the case falls under the category of "The Large-Scale Share Acquirer does not comply with the Rules" due to the reasons such as the insufficiency of the materials provided by the Large-Scale Share Acquirer, and on the necessity and contents of countermeasures, including an allotment of stock acquisition rights without contribution, or on the necessity of canceling countermeasures already implemented

(d) Evaluation and examination of whether the Large-Scale Share Acquisition will damage the interests of all shareholders of the Company and whether or not to request additional information from the Large-Scale Share Acquirer and, if so, the items to be requested and the time limit for submission

(e) Pros and cons of gratis allotment of stock acquisition rights with differentiated exercise conditions, of cancellation thereof, and of their acquisition for elimination thereof, and other items related to stock acquisition rights and other countermeasures

(f) Other items of inquiries from the Board of Directors concerning this Policy, or stock acquisition rights and other countermeasures

(6) Determining the contents of the evaluation, etc.

1) The contents of the evaluation and the like submitted to the Board of Directors by the Independent Committee shall, in principle, be approved by a majority vote of the

Independent Committee at a meeting at which all the committee members are in attendance. If all the members agree by written or electromagnetic means as particular urgency is required, however, the quorum may be reduced to attendance by a majority of committee members.

2) When submitting the evaluation and the like pursuant to the preceding paragraph, the Independent Committee shall also present its reasons for arriving at that evaluation and the like.

(7) Administrative office, etc.

1) An administrative office shall be established within the Company for activities including the submission of materials that the Independent Committee must examine.

2) The Independent Committee may seek advice from outside specialists and the like, including attorneys at law and certified public accountants, at the Company's expense.

2. Candidates for Independent Committee members

The Independent Committee shall be established on a temporary basis, and some members shall be appointed when the Committee is established.

Considering all outside directors shall become Independent Committee members, the candidates for outside directors who would become Independent Committee members subject to the approval of Agenda Item 1 are listed on pages 8 to 10 of the Reference Documents for this General Meeting of Shareholders.

(Translation for reference purposes only)

Attachment 3

Overview of Stock Acquisition Rights

1. Eligible shareholders to receive stock acquisition rights and issuing conditions therefor

One stock acquisition right shall be allocated per share of common stock of the Company (excluding common stock of the Company held by the Company) held by shareholders recorded in the final shareholder registry as of the record date determined by the Board of Directors.

2. Class and number of shares underlying the stock acquisition rights

A maximum total of no more than 1,200 million shares of common stock of the Company shall be delivered upon exercise of stock acquisition rights. The Board of Directors shall separately determine the number of shares that shall be delivered upon exercise of one stock acquisition right ("number of target shares"). If the Company carries out a stock split, a consolidation of shares or the like, however, this number shall be adjusted as necessary.

3. Total number of stock acquisition rights to be issued

The total number of stock acquisition rights to be allocated shall be determined separately by the Board of Directors.

4. Issuing price of stock acquisition rights

Without contribution

5. Type and amount of properties to be contributed upon exercise of each stock acquisition right

The type and amount of properties to be contributed upon exercise of each stock acquisition right shall be a monetary amount of at least one yen to be determined by the Board of Directors.

6. Restrictions on assignment of stock acquisition rights

Any assignment of stock acquisition rights shall be subject to the approval of the Board of Directors.

7. Conditions for exercising stock acquisition rights

Conditions such as a provision barring any party belonging to a group of shareholders (*tokutei-kabunushi group*) that would hold at least 20% of the voting rights ("Large-Scale Share Acquirer") from exercising the stock acquisition rights may be established. Details shall be determined separately by the Board of Directors.

8. Acquisition of stock acquisition rights by the Company

(1) On an acquisition date to be determined separately by the Board of Directors, the Company may acquire all the stock acquisition rights, except those of the Large-Scale Share Acquirer, that have not been exercised as of the business day prior to said acquisition date, and deliver the number of target shares of the Company for each stock acquisition right in exchange.

(2) In the event that the Company deems it appropriate to cancel a countermeasure based on this Policy, the Company may cancel the allotment of stock acquisition rights for that purpose by resolution at a meeting of the Board of Directors up to five business days prior to the Record Date (assuming the current fourth day settlement of the exchange, should this be changed, the date will change accordingly; the same shall apply hereinafter).

(3) In the event that the Board of Directors determines that events necessitate a cancellation of a countermeasure on or after the fourth business day prior to the Record Date for the allotment of these stock acquisition rights, in order to substantively have the same effect as a cancellation, the Company may, on an acquisition date determined separately by the Board of Directors, acquire all stock acquisition rights, including those of the Large-Scale Share Acquirer, that have not been exercised as of the business day prior to said acquisition date, and deliver the number of target shares of the Company for each stock acquisition right in exchange.

(4) Further details regarding cases in which the Company may acquire stock acquisition rights, and the conditions thereof, shall be determined separately by the Board of Directors.

9. Non-issuance of stock acquisition right certificates

No certificates of stock acquisition rights shall be issued.

10. Exercise period for stock acquisition rights

The period for exercising stock acquisition rights shall be determined separately by the Board of Directors.

11. Reasons for extinguishment of stock acquisition rights, etc.

Reasons for the extinguishment of stock acquisition rights and other necessary items shall be determined separately by the Board of Directors.

(Translation for reference purposes only)

ATTACHED DOCUMENTS

Business Report for Fiscal 2017

(March 1, 2017 – February 28, 2018)

1. Consolidated Business Review

As for the management environment in which AEON CO., LTD. ("AEON" or the "Company") operated, although the Japanese economy showed signs of a moderate recovery due to improvements in employment and income, consumers continued to have more cautious spending habits and the outlook for the personal consumption continued to be uncertain, against a backdrop of factors including the unstable international situation and concern over future prospects. Conversely, in Asia, personal consumption recovered, and strong economic growth continued especially in developing countries, against a backdrop of strong economies in the US and the stable growth of Chinese economy.

In this environment, working to achieve sustainable management that aims for both the growth of the Group and the development of society, AEON developed the Aeon Group Medium-term Management Plan, which started from the fiscal year ended February 28, 2018, and commenced the earnings structure reforms of existing businesses and Group-wide structural reforms towards new growth. In December, AEON announced Shift to Regional Markets, Shift to Digital Markets, and Shift to Asian Markets as the Aeon Group's medium-term management policies for the year 2020, and articulated an Investment Shift, a strategic direction of the Group, linked to these areas.

In order to respond to customers' frugality, AEON expanded the range of discounted items for the AEON's private brand, "Topvalu," by conducting rational cost reductions following repeated business efforts such as improving efficiency in logistics systems and strengthening production management.

Overseas, through the Aeon Group's business expansion, to contribute to invigorating the economies of the countries in which AEON operated, and further regional development, AEON concluded a comprehensive memorandum of understanding with the Hanoi People's Committee (Vietnam) to achieve regional economic vitality, and a comprehensive memorandum of understanding with the export development office of the Ministry of Trade, Republic of Indonesia regarding cooperation on sales promotion of Indonesian products.

Under these initiatives, as for the consolidated revenue and profit of the Aeon Group, operating revenue amounted to 8,390 billion yen (up 2.2% year on year), operating income was 210.2 billion

yen (up 13.8% year on year), and ordinary income was 213.7 billion yen (up 14.1% year on year), reaching a historic high, respectively. Profit attributable to owners of the parent was 24.5 billion yen (up 117.9% year on year), marking profit growth again for the second consecutive year.

Regarding operating income by business segment, the GMS (General Merchandise Store) Business, which is working on the earnings structure reform, posted the largest year-on-year improvement among all segments. The SM (Supermarket) Business' profit increased in the fourth quarter. Also, in addition to the Financial Services Business, the Shopping Center Development Business, and the Drugstore & Pharmacy Business growing steadily as primary sources of income, the International Business turned a profit. As a result of these and other factors, all businesses contributed to income.

(Translation for reference purposes only)

Operating revenue, operating income, and ordinary income reached a historic high.

Financial highlights

Years ended February 28 (2015, 2017 and 2018) and February 29 (2016)	2015	2016	2017	2018
Operating revenue (Millions of yen)	7,078,577	8,176,732	8,210,145	8,390,012
Operating income (Millions of yen)	141,368	176,977	184,739	210,273
Ordinary income (Millions of yen)	152,509	179,674	187,351	213,772
Profit attributable to owners of the parent (Millions of yen)	42,069	6,008	11,255	24,522
Earnings per share (Yen)	50.22	7.19	13.44	29.23
Total assets (Millions of yen)	7,859,803	8,225,874	8,750,856	9,452,756
Net assets (Millions of yen)	1,829,980	1,819,474	1,862,410	1,916,737
Net assets per share (Yen)	1,443.97	1,364.57	1,349.79	1,371.60

Business segment information

Business segment	Operating revenue (Millions of yen)	YOY (%)	Operating income (Millions of yen)	YOY (%)
GMS Business	3,084,278	100.6	10,536	–
SM Business	3,240,978	100.7	30,722	91.2
Drugstore & Pharmacy Business	696,392	111.7	27,700	125.6
Financial Services Business	408,092	109.7	69,766	112.7
Shopping Center Development Business	335,664	106.2	51,542	110.0
Services & Specialty Store Business	774,237	101.1	20,261	76.8
International Business	418,884	105.1	232	–
Reportable Segments Total	8,958,529	102.3	210,761	114.4
Other Operations	10,813	152.0	400	179.9
Total	8,969,343	102.3	211,161	114.5
Adjustment	(579,330)	–	(888)	–
Consolidated	8,390,012	102.2	210,273	113.8

(Note) The main activities in each business segment are as follows:

GMS Business
General merchandise stores (GMS), specialty stores selling packaged lunches and household dishes, and digital business

SM Business
Supermarkets, discount stores, convenience stores, and small-scale supermarkets

Drugstore & Pharmacy Business
Drugstores, pharmacies

Financial Services Business
Credit card business, fee business, banking business

Shopping Center Development Business
Development and leasing of shopping centers

Services & Specialty Store Business

Comprehensive facility management services, amusement services, food services, specialty stores selling family casual apparel, women's apparel, footwear, etc.

International Business

Retail stores in the ASEAN region and China

Other Operations

Mobile Marketing Business, etc.

(1) Review of Operations

Retailing

- In the GMS Business, Aeon Retail Co., Ltd. ("Aeon Retail") opened 9 new stores and implemented revitalization initiatives at 51 existing stores, in order to reinforce the creation of sales floors replete with fresh products, the installment of large eat-in spaces, and the development of G.G. (Grand Generation) stores aimed at seniors. Aeon Retail also improved operating results significantly by improving the gross profit margin, and working to more efficiently use marketing and promotional expenses.

- In the SM Business, Daiei, Inc. ("Daiei") expanded the range of products covered by the "Eh! Yasui Ne!" sales promotion, which offers great low prices, and made progress lowering workloads at individual stores by strengthening collaboration with food processing centers. Daiei also reduced food loss by introducing new packaging technologies that are effective at preserving the freshness of fresh foods. Under these initiatives, Daiei strived to improve its business results. United Super Markets Holdings Inc. promoted development of efficient store operation, including the expansion of semi-automatic self-checkout registers, and the introduction of the Total Labor Scheduling Program (LSP).

- In the Drugstore & Pharmacy Business, Welcia Holdings Co., Ltd. ("Welcia Holdings") posted higher sales and profits due to factors such as the opening of 111 new stores, the expansion of drugstores offering prescription drugs, and 24-hour stores, and the acquisition of Marudai Sakurai Pharmacy Limited, which is an operator primarily in the Tohoku area, making the company a consolidated subsidiary. In addition, Welcia Holdings established joint venture companies in China followed by Singapore and began opening stores in November 2017.

- In the Specialty Store Business, the largest pet specialty store in Japan, Aeonpet Co., Ltd., reported increases in revenue and profit primarily due to proactive store openings, sales promotion activities targeting 1.12 million members, and the expansion of the pet health support service.

Financial Services

In the Financial Services Business, in addition to launching a new joint credit card, the Aeon Group made strides toward changing its business model through measures such as starting a demonstration project for new credit card applications using robot technologies. In the banking business, Aeon Bank Ltd., which celebrated its tenth anniversary, has increased the number of in-store branches to 138, and commenced offering iDeCo (individual-type defined contribution pension plan) and installment-type NISA (Nippon Individual Savings Account) services. In the

overseas business, the Aeon Group worked to develop new sources of profit such as in Thailand, collaborating with a major retailer to launch a new joint credit card, and in the Philippines, starting an auto loan business using new IoT devices.

Shopping Center Development

In the Shopping Center Development Business, Aeon Mall Co., Ltd. ("Aeon Mall") opened 7 SCs (Shopping Centers), expanded 2 SCs, and refurbished 12 SCs in Japan. Furthermore, performance was favorable mainly following sales promotions such as "Aeon Black Friday" and "Ultimate Localization 2017," which made the most of the charm of local communities. As for overseas shopping centers, Aeon Mall opened new shopping centers in 5 locations, and 14 of the 19 shopping centers opened by the previous fiscal year turned a profit. As a result of such growth in Japan and overseas, the Shopping Center Development Business achieved record-high levels for operating revenue and profits.

Services

In the Services Business, Aeon Delight Co., Ltd. ("Aeon Delight") strengthened offers for existing customers, from the perspective of finding new customers overseas and in Japan, and improving asset value. Also, aiming to improve automation and efficiency in the facility management business, Aeon Delight promoted testing and R&D using technologies such as IoT and AI, which included the remote monitoring and automated control of various facilities.

Aeon Fantasy Co., Ltd. recorded its highest net sales and profits due primarily to robust sales at existing stores in Japan, along with the development of new store format and services, the organization of 1.36 million members of a mobile phone application in China, and the ASEAN business achieving profitability.

International

In the International Business, in Malaysia, AEON CO. (M) BHD., to strengthen the business foundation in the ASEAN region, promoted the reform of products and sales spaces by, for example, developing sales spaces similar to a restaurant in which a specialist chef prepares meals using the products purchased by the customer, and a kitchen studio located next to the fresh foods section. AEON VIETNAM CO., LTD. saw significantly increased sales and profit due to contributions from responding to the demand to cater to social occasions and community events and expanding the range of products developed in-house.

In China, the Aeon Group expanded GMS stores to 55 stores for the fiscal year under review, and worked to reform the product development structure. Aeon Qingdao (Qingdao Aeon Dongtai Co., Ltd.) achieved a return to profitability following the successful structural reform of operations that included streamlining unprofitable stores in the previous fiscal year.

(2) Environmental and Social Initiatives

In the year under review, regarding the Aeon Sustainability Principle, in which the entire Group's initiatives for developing a sustainable society are established, the Company newly specified priority issues for society, in addition to the existing priority issues for environment. Based on the principle, the Company announced the Aeon's Sustainable Procurement Policy and Sustainable Procurement Goals for 2020 in April 2017 to fulfill its corporate social responsibility throughout the supply chain. Also, in October, the Company announced its new Group goals to reduce food waste.

Aeon Sustainability Principle

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.

Priority Issues for Environment	• Realization of a low-carbon society • Conservation of biodiversity • Better use of resources	**Priority Issues for Society**	• Responding to diverse consumers issues • Carry out fair business practices • Create workplaces that emphasize human rights and diversity • Collaborate with the community

Toward the realization of a sustainable society

- Aiming for the realization of a low-carbon society, the Group continued working to complete the "Aeon Eco Project," the goal of which is to cut energy consumption, expand renewable energy, and establish disaster prevention centers.

- As initiatives for the conservation of biodiversity, the Group strengthened sales of Aquaculture Stewardship Council (ASC)-certified products produced through aquaculture that has less of an impact on the environment and Marine Stewardship Council (MSC)-certified products from natural marine produce caught through sustainable fishing practices. In October the Company has become the first Asian retailer to participate in the Global Sustainable Seafood Initiative (GSSI), an international organization committed to promoting the use of sustainable seafood.

- The cumulative total of trees planted by the Group's tree planting activities, which have continued since 1991 in Japan and overseas, and the AEON Environmental Foundation's activities, has exceeded 11.66 million.

- As for the promotion of resource recycling, the Group set new goals. The Group aims to reduce food waste by half by 2025, and to establish a food resource recycling model at ten or more locations throughout Japan by 2020.

- In regard to efforts to collaborate with communities, as activities to support various groups that contribute to the community with the customers, the Group is continuing to put effort into the promotion of the "Aeon Happy Yellow Receipt Campaign" that contributes goods accordingly at a value of 1% of the total amount of the yellow receipts placed in boxes for specific organizations, and into the expansion of Gotouchi (Regional) WAON cards, which involves a portion of the money used by these WAON cards going toward the development of local communities. Also, the Group worked to conclude comprehensive agreements with local authorities in regions throughout Japan, with goals including supporting safe and secure communities, revitalizing local regions, and improving services for local citizens.

- The AEON Environmental Foundation is undertaking environmental conservation activities aimed at conserving our beautiful planet for future generations. In addition to planting trees in Japan and overseas, the Foundation promoted environmental activities in collaboration with governments and research organizations in numerous nations, such as the United Nations Environment Programme's Secretariat for the Convention on Biological Diversity, and supported groups carrying out environmental activities. Furthermore, through collaborative efforts between the Foundation and major universities in Asian countries in environmental activities, such as vocational training in the field of the environment, the Foundation worked to construct a "society coexisting with nature" that is supportive of abundant lifestyles.

- Aiming for the sound development of the next generation, the promotion of friendship with foreign countries, and the sustainable development of regional communities, the Aeon 1% Club Foundation, which is supported by major Group companies that donate 1% of their pretax profits, put energy into activities including an ongoing farming experience program for children, international exchange programs at high schools in Asian countries, and activities to support disaster-stricken areas.

Support activities for disaster-stricken areas

We carried out various initiatives toward realizing local (hometown) revitalization as the next stage after restoration support after the Great East Japan Earthquake, under the slogan of "Nigiwai Tohoku" based on four guiding principles: "revitalization of local industry through business," "creating job opportunities and worker-friendly environment," "environmental and social contribution activities which together form the local future," and "creating communities where people can live with peace of mind." In "Project Aeon Joining Hands," a program that has been ongoing for 10 years involving the concerted efforts of labor and management to support the reconstruction, one of the initiatives that were carried out was "Aeon Future Co-creation Program," which aims for the revival of a sustainable community through community-exchange support activities. Through these activities, a total of 284 thousand employees have participated in volunteer activities, and the cumulative total of trees that have been planted in the Tohoku coastal areas, exceeded 250 thousand.

Encouraging human resources to play active roles and promoting diversity

AEON positions the Group's employees, who create value for customers, as its most important management resource. We promote diversity management throughout the Group in order to maximize the capabilities of each individual employee and implement innovative management that leverages diverse values. We worked to share best practices within the Group, nurture personnel in management roles who consider their own and their subordinates' work-life balance while working to improve the organization's performance, and increase the number of the on-site child care facilities, etc. Furthermore, by expanding the scope of workplace diversity promotion to include people with disabilities, personnel from outside Japan, and LGBT people (sexual minorities) in addition to the existing promotion of women in the workplace, we started a three-year initiative with the goals of informing all employees of the current state of diversity at the Company, changing internal systems and work environments, and expanding into new businesses. As a result of these initiatives, in March 2018, the Company was selected as a Nadeshiko Brand, which is granted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to certain TSE-listed enterprises that are outstanding in terms of encouraging the empowerment of women in the workplace.

2. Prospective Challenges for the Aeon Group

In recent years, changes to population dynamics and technical innovation, particularly in IT, have caused extremely large environmental changes at a speed that was unthinkable until now. Also, the needs of customers are changing, such as the shift from spending on goods to spending on services, heightened awareness of health and prevention, and further frugality, causing the retail environment to undergo rapid changes.

In this environment, the Aeon Group aims to anticipate any changes that may occur in the future, and achieve sales and profit levels that rank among the world's top companies, as a "corporate group with its ever-lasting innovative spirit." To this end, the Group will implement reforms to be the number one company in each region and business area, and achieve sustainable growth and improved profitability, by broadly allocating resources to the digital field and the Asian region, with an eye to 2020.

(1) Major Initiatives for Structural Reform of Group Operations

1) Food products reforms

In order to respond to changes in the environment surrounding food and contribute to more affluent customer lifestyles, the Aeon Group will work to enhance private brands and manufacture food under the SPA (Specialty store retailer of Private-label Apparel) model. Both of these activities will respond to customers' heightened sense of health and frugality. Furthermore, by ensuring the scale of operations through the restructuring and unification of the food businesses of the SM Business and GMS Business, which form the core of the Group's businesses, the Group aims to promote initiatives that include the consistent provision of fresher products as a result of being closely attuned to local communities, the development of local ingredients, property development, and the maintenance of distribution and processing centers, and aims to create clear product differentiation.

Furthermore, the Group will proceed with the merger of the discount stores belonging to various Group companies, which currently have a combined scale of 400 billion yen. We will achieve a dramatic reduction of price and establish a new discount store model through development of original products, refining the number of products offered, and improved distribution efficiency.

2) GMS business reforms

With regard to food products in the GMS Business, we will pursue regional corporate splits. We will promote corporate splits in relation to apparel and home-fashion products, and H&BC

(health and beauty care) to become a specialist integrated manufacturer and retailer, with the aim of becoming number one in each specialist area. With regard to food, we will build resilient food marketplaces that reflect the unique characteristics of each region. With regard to apparel and home-fashion products, we will concentrate our resources in the area, where growth is expected, and establish SPA style business. With regard to home-fashion products, we will proceed with the development of private brands with exceptional functionality and design, focusing on the Aeon home fashion brand HOME COORDY. With regard to H&BC, the Group will leverage its scale, conduct development of original products and joint product procurement, and improve service levels and profitability. In addition, we will establish a new type of business featuring food with a scale of 3,000m^2 that combines food, H&BC, and dining, and achieve growth in the GMS Business.

3) Digital reforms

In order to further enhance the e-commerce business, we aim to create model with a marketplace where Group companies, tenant companies, and local producers and retailers are able to exhibit their wares, with the ability to sell regional specialties and private brands in physical stores as well as online, and that allows the Company to grow along with local regions. Furthermore, in order to improve convenience for customers, we will promote the digitalization of stores, such as by providing receipt of goods in store and checkout-free transactions. With regard to the Net Supermarket, we will appoint specialist managers, further improve convenience, such as by shortening the time it takes to place an order and receive delivery and enable pickup in all Group stores, and establish a new business model.

(2) Renewal of Business Foundation

To achieve the three aforementioned reforms, we will renew the business foundations such as IT and logistics. Coinciding with the restructuring of the food section of the SM Business and the GSM Business, we will review IT, logistics, and supply chain management foundations, which have maximized profits for each business up to this point, on a regional level, manufacture food under the SPA model, provide fresher food products, and create a seamless interface between physical stores and online shopping sites through e-commerce. Furthermore, we will create a system that allows products sought by customers in the Asian region to be easily provided worldwide and further enhance its competitiveness.

Also, in addition to building a business foundation, we aim to expand private brands, invest 500 billion yen in digital fields, such as e-commerce and digitalization of stores, over three years, and quickly accomplish food products and digital reforms.

3. Overview of AEON and the Aeon Group (as of February 28, 2018)

(1) Main Business of the Aeon Group

The Aeon Group comprises the Company (a pure holding company), 291 consolidated subsidiaries and 31 equity-method affiliates. The Group is engaged in various business operations, including the Group's core retail store operations together with businesses such as Financial Services, Shopping Center Development and Services.

(2) Number of Stores of Aeon Group Businesses

1) Head Office
   1-5-1, Nakase, Mihama-ku, Chiba-shi, Chiba

2) Number of stores by format

Format	Number of stores	Format	Number of stores	Format	Number of stores
General merchandise stores	584	Home centers	122	Drugstores	2,054
Supermarkets	2,185	Department stores	1	Other retail	909
Supercenters	28	Convenience stores	5,436	Financial services	690
Discount stores	568	Specialty stores	4,324	Other services	2,045
				Total	18,946

(3) Financing and Investment by the Aeon Group

In addition to the Shopping Center Development Business, which continues to demonstrate growth, the Aeon Group focused capital spending on growth markets in Asia and on the refurbishment of existing domestic retail stores. Total capital spending on such projects as store renovation and new store construction amounted to 481.7 billion yen, which was financed by internal cash flows and new borrowings.

(4) Share-related Information

1) Number of shares authorized: 2,400,000,000 shares

2) Number of shares issued: (including treasury stock) 871,924,572 shares

3) Minimum share-trading unit: 100 shares

4) Number of shareholders at year-end: 753,034

5) Ten largest shareholders:

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)	29,191	3.47
Japan Trustee Services Bank, Ltd. (Trust Account)	25,308	3.01
AEON Environmental Foundation	21,507	2.56
The Cultural Foundation of Okada	21,100	2.51
The Norinchukin Bank	18,133	2.15
Japan Trustee Services Bank, Ltd. (Trust Account #5)	14,483	1.72
Employees' stockholding association	13,406	1.59
Aeon Mutual Benefit Society (Nomura Securities account)	11,994	1.42

(Note 1) Calculations of ratio of shares held exclude treasury stock (30,202,546 shares) and have been rounded.

(Note 2) On March 6, 2018 BlackRock Japan Co., Ltd. and its seven joint holders submitted a Report of Possession of Large Volume and reported that they held 43,824 thousand shares of the Company (5.03% of the total number of shares issued) as of February 28, 2018. However, as it is not possible to confirm the actual number of shares held as of the end of this fiscal year, this information has not been included in the above table.

(5) Directors of the Company

1) Directors

Board of Directors

Name	Area of responsibility	Significant concurrent positions outside the Company
Hiroshi Yokoo	Chairman of the Board	Outside Director, YAMAYA CORPORATION
Motoya Okada	Nomination Committee member; Compensation Committee member	
Yoshiki Mori		
Akinori Yamashita		
Ken Sato	Chairman of the Audit Committee; Compensation Committee member	President, Nakasone Yasuhiro Peace Institute Board Director, Nippon Television Holdings Inc. Director, Nippon Television Network Corporation
Yukako Uchinaga	Chairman of the Nomination Committee; Audit Committee member	President, Japan Women's Innovative Network (J-Win) (NPO) Board Chair, Japan Diversity Network Association President and Representative Director, Globalization Research Institute Outside Director, HOYA CORPORATION Outside Director, DIC Corporation
Toru Nagashima	Chairman of the Compensation Committee; Audit Committee member	Senior Advisor, Teijin Limited External Corporate Auditor, Daikin Industries, Ltd. Director, Japan Corporate Governance Network
Takashi Tsukamoto	Nomination Committee member; Compensation Committee member	Honorary Advisor, Mizuho Financial Group Outside Director, Asahi Mutual Life Insurance Company Outside Audit & Supervisory Board Member, Furukawa Electric Co., Ltd. Outside Director, Internet Initiative Japan Inc. Chairman, The Japan-British Society
Kotaro Ohno	Nomination Committee member; Audit Committee member	Special Counsel, Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member, Komatsu Ltd. Outside Audit & Supervisory Board Member, ITOCHU Corporation President, International Civil and Commercial Law Centre Foundation

(Translation for reference purposes only)

Executive officers

Position	Name	Area of responsibility and significant concurrent positions outside the Company
President and Representative Executive Officer	Motoya Okada	Group CEO
		Director and Advisor, Aeon Mall Co., Ltd.
		Director and Advisor, Aeon Retail Co., Ltd.
		Director and Advisor, Daiei, Inc.
		Director and Advisor, United Super Markets Holdings Inc.
		Director, Welcia Holdings Co., Ltd.
		Outside Director and Advisor, TSURUHA HOLDINGS INC.
		Outside Director, KUSURI NO AOKI HOLDINGS CO., LTD.
Executive Vice President and Representative Executive Officer	Yoshiki Mori	Group COO
		Chairman and Representative Director, Daiei, Inc.
		Chairman and Representative Director, AEON KYUSHU CO., LTD.
Executive Vice President	Akinori Yamashita	CFO
		Chief Officer of Business Management
		Director, Aeon Retail Co., Ltd.
Executive Vice President	Shinya Wako	Chief Officer of Management Strategy
		Director, Daiei, Inc.
		Director, AEON Stores (Hong Kong) Co., Limited
Executive Officer	Soichi Okazaki	Chief Officer of GMS Business, President and Representative Director, Aeon Retail Co., Ltd.
Executive Officer	Eiji Shibata	Chief Officer of Merchandising
		Executive Vice President and Representative Director, Aeon Retail Co., Ltd.
Executive Officer	Akio Yoshida	Chief Officer of Shopping Center Development Business
		President and Representative Director, Aeon Mall Co., Ltd.
Executive Officer	Hidenori Osano	Chief Officer of IT
Executive Officer	Motohiro Fujita	Chief Officer of SM Business
		President and Representative Director, United Super Markets Holdings Inc.
Executive Officer	Hideharu Mizuno	Chief Officer of Drugstore & Pharmacy Business
		President and Representative Director, Welcia Holdings Co., Ltd
Executive Officer	Ippei Nakayama	Chief Officer of Services & Specialty Store Business
		President, Aeon Delight Co., Ltd.
Executive Officer	Masaki Suzuki	Chief Officer of Financial Services Business
		Chairman, Aeon Financial Service Co., Ltd.
Executive Officer	Yuki Habu	Chief Officer of China Business
		Chairman and Managing Director, AEON Stores (Hong Kong) Co., Limited
Executive Officer	Kaori Miyake	Chief Officer of CSR & Communication
Executive Officer	Takeharu Takahashi	Chief Officer of Human Resources and Administration
		Administration & Risk Management

(Note 1) In addition to their positions as directors, Motoya Okada, Yoshiki Mori and Akinori Yamashita concurrently hold positions as executive officers. Area of responsibility and significant concurrent positions are stated under the Executive Officer summary.

(Note 2) Ken Sato, Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto, and Kotaro Ono are all outside directors as stipulated under the Companies Act. In accordance with the rules of the Tokyo Stock Exchange, the Company has registered the names of all its outside directors as independent directors.

(Note 3) All Audit Committee members are to be independent outside directors (part-time) in the Company in order to maintain full independence of the Audit Committee and conduct highly transparent audit. Furthermore, Internal Audit Office has been set up independent from the business execution department. The Office ensures the effectiveness of the audit by gathering information through attendance of important meetings or interviews with executive officers while also assisting the duties of the Audit Committee by cooperating with the internal audit of the Group management and independent auditors.

(Note 4) The following personnel changes occurred during the year ended February 28, 2018:

- *March 1 2017: Motohiro Fujita, Hideharu Mizuno, Ippei Nakayama, Masanori Suzuki, Yuki Habu, Kaoru Miyake, and Takeharu Takahashi were newly elected as Executive Officers, and each assumed their positions.*
- *May 24, 2017: The following officers retired from their positions upon the completion of their terms: Takejiro Sueyoshi and Keiichi Tadaki as Outside Directors; and Masaaki Toyoshima, Shohei Murai, and Masato Nishimatsu as Executive Officers.*

  Takashi Tsukamoto and Kotaro Ohno were newly appointed as Directors, and each assumed their positions.

(Note 5) As a result of a restructuring effective April 11, 2018, the organizational responsibilities for executive officers are now as follows.

Position	Name	Area of responsibility
President and Representative Executive Officer	Motoya Okada	Group CEO
Executive Vice President and Representative Executive Officer	Yoshiki Mori	Group COO
Executive Vice President and Executive Officer	Akinori Yamashita	CFO, Business Management
Executive Vice President and Executive Officer	Shinya Wako	Management Strategy
Executive Officer	Akio Yoshida	Shopping Center Development Business
Executive Officer	Soichi Okazaki	GMS Business
Executive Officer	Motohiro Fujita	SM Business
Executive Officer	Yuki Habu	China Business
Executive Officer	Eiji Shibata	Merchandising
Executive Officer	Masaki Suzuki	Financial Services Business
Executive Officer	Ippei Nakayama	Services & Specialty Store Business
Executive Officer	Kaori Miyake	CSR & Communication
Executive Officer	Hidenori Osano	IT
Executive Officer	Takeharu Takahashi	Human Resources and Administration Administration & Risk Management
* Executive Officer	Takehiko Saitoh	Digital Business

An asterisk indicates a first-time executive officer.

2) Items related to outside directors

a. Significant concurrent positions held at other organizations and the relationships between these organizations and the Company

- The organizations in which outside directors hold significant concurrent positions are as shown on page 48.
- The Company is registered as a member of Japan Women's Innovative Network (J-Win), an NPO of which Yukako Uchinaga is Executive Director. The annual corporate membership fees plus any other monies paid to Japan Women's Innovative Network amount to less than 10 million yen, and represent less than 0.01% of the Company's total consolidated SG&A expenses.
- Takashi Tsukamoto held the position of President & CEO of Mizuho Bank, Ltd., a group company of Mizuho Financial Group, Inc. at which he now concurrently serves as Honorary Advisor. However, more than four years have passed since his retirement from Mizuho Bank, Ltd. in 2013, and he currently has no involvement with the execution of business at the said bank. Even though the said bank is one of several principal lenders of the Company, it is not a business partner which has a significant impact on the Company's decision making. The Company's borrowings from the said bank at the end of the most recent fiscal year were below 2% of the consolidated total assets of the Company.
- The Company has transactions with Mori Hamada & Matsumoto of which Kotaro Ohno is Special Counsel. The monies paid to Mori Hamada & Matsumoto represent less than 0.01% of the Company's total consolidated SG&A expenses, and amount to less than 10 million yen.
- The Company has no special relationship with other organizations in which its outside directors hold concurrent positions.

b. Attendance at Board/committee meetings (attendances/meetings) during the year under review

	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee
Ken Sato	7/7	9/9	–	3/3
Yukako Uchinaga	7/7	8/9	3/3	–
Toru Nagashima	7/7	8/9	1/1	2/2
Takashi Tsukamoto	6/6	–	2/2	2/2
Kotaro Ohno	6/6	6/6	2/2	–

(Note) The attendance shown for Takashi Tsukamoto and Kotaro Ohno is their attendance after they assumed office as director on May 24, 2017.
For Toru Nagashima, attendance at Nomination Committee refers to attendance until May 24, 2017, while attendance at Compensation Committee refers to attendance on and after May 24, 2017, when he assumed the position of Compensation Committee Member.

c. Major activities during the year under review

- Based on an extensive career and expert knowledge, Ken Sato provided leadership in discussions in risk management as well as enhancing the transparency and objectivity of management. Furthermore, as Chairman of the Audit Committee he led deliberation on agendas for resolutions at the Committee, including monitoring the Company's internal control systems and auditing the Company's financial statements.
- In addition to her broad experience and expertise in IT sector, Yukako Uchinaga is well versed in diversity-related issues and provided leadership in discussions on matters such as promotion of healthy and efficient business management. Furthermore, as Chairman of the Nomination Committee she led deliberation on agendas for resolutions at the Committee, including nominate directors of the Company.
- Based on his broad experience and wide-ranging insight in global corporate management, Toru Nagashima provided leadership in discussions on matters such as the promotion of global management and enhanced corporate governance. Furthermore, as Chairman of the Compensation Committee he led deliberation on agendas for resolutions at the Committee, including remuneration for directors of the Company.
- Takashi Tsukamoto has deep insight and ample experience as a manager of a major financial institution, and actively participates in discussions relating to maintenance and improvement of transparency and soundness throughout management as a whole, and improvement of corporate governance.
- Kotaro Ohno has ample experience and insight with regard to law and compliance, and actively participates in discussions relating to the promotion of compliance management, etc.

3) Summary of agreements limiting liability

- To ensure an ability to attract persons capable of contributing as outside directors, the Company has entered into agreements which limit the liability of each outside director. For damages as set forth in Article 423, paragraph 1 of the Companies Act, these agreements state that, when outside directors carry out their duties in good faith and with no serious negligence, their liability to compensate the Company is limited to 15 million

yen or to an amount stipulated by laws and regulations, whichever is higher; and that they are exempt from an outside director's obligation to compensate the Company for any amounts that exceed these limits.

4) Policies on personal remuneration for directors and executive officers

Remuneration for directors and executive officers of the Company shall be determined by the Compensation Committee where outside directors hold the majority and one serves as chairman for the purpose of high transparency with objectivity.

a. Remuneration basic policy

i. The remuneration structure shall link remuneration with the management strategy and performance of the Company which will create strong incentives toward the execution of the management strategy.

ii. The remuneration structure shall be highly transparent, fair, and easy to understand so that it will be accepted and endorsed by partners (customers, shareholders, employees etc.).

b. Remuneration to directors

i. Basic remuneration shall be paid to directors.

ii. Remuneration to directors shall not be paid for directors who concurrently perform executive duties.

c. Remuneration to executive officers

i. Basic remuneration

It shall be determined in accordance with their individual evaluation within the standard amounts set for each position.

ii. Performance-based remuneration

The percentage weight of the performance-based remuneration of executive officers to the total monetary remuneration (basic remuneration + performance-based remuneration) shall be to the extent from 30% to 50% and the weight shall be higher for ones serving higher positions.

Payment rate for the performance-based remuneration shall be payable at the rate of 100% of the standard amounts when the designated target set at the beginning of the business year has been achieved. The rate shall vary within the range of 0% to 200% based on the financial results of AEON and the evaluation of individual performances for the year in question.

Performance-based remuneration for executive officers shall be composed of corporate performance-based remuneration and personal performance-based remuneration. For Representative Executive Officers, however, such remuneration will be corporate performance-based remuneration only.

a. Corporate performance-based remuneration

It shall be determined by calculating from the multiple based on the degree of achievement in AEON's consolidated performance to the standard amounts set for each position in consideration of the overall performance.

b. Personal performance-based remuneration

It shall be determined by calculating from the multiple based on the performance of each department and the evaluation of the individual performance based on the degree of achievement of the management target to the standard amounts set for each position.

iii. Stock compensation-type stock options

Stock compensation-type stock options shall be granted in the form of stock acquisition rights for the purpose of enhancing the moral and motivation to continuously improve performance and increase corporate value. Such shall be done by strengthening the linkage between the stock price and performance with the remuneration and sharing with shareholders not only the benefits received when the stock price rises but also the risks when the stock price falls.

The number of stock acquisition rights granted shall be determined based on the performance of the year in question according to the standard number for each position.

5) Total remunerations paid to the Company's directors and executive officers

Directors

	Basic remuneration based on Compensation Committee resolutions	Of which, outside directors
Number of persons paid	8	7
Amount paid	121 million yen	75 million yen

Executive officers (incumbent as of the fiscal year-end)

Position	Number of persons	Basic remuneration based on Compensation Committee resolutions	Performance-based remuneration based on Compensation Committee resolutions	Remuneration through stock compensation-type stock options	Total
President and Representative Executive Officer	1	36 million yen	46 million yen	13 million yen	95 million yen
Other Executive Officers	9	237 million yen	179 million yen	63 million yen	480 million yen
Total	10	273 million yen	225 million yen	76 million yen	575 million yen

(Note 1) Remuneration through stock compensation-type stock options for executive officers is projected amounts. The actual amounts will be paid after being resolved at the Compensation Committee meeting and the Board of Directors meeting to be held on May 25, 2018, based on performance during the 93rd fiscal period. In regard to the stock compensation-type stock options, the stock acquisition rights will be allocated on June 21, 2018. The above amounts to be allocated are calculated based on the closing price of the Company's stock on the Tokyo Stock Exchange on or around the last day of February 2018.

(Note 2) In addition to the amounts detailed above, a total of 14 million yen was paid in basic remuneration to 3 executive officers who resigned during the year under review.

(6) Independent Auditors

1) Name: Deloitte Touche Tohmatsu LLC

The financial statements of the Company's overseas consolidated subsidiaries are audited by other auditing firms.

2) Amount of compensation

i.	Amount of compensation paid for services rendered as independent auditors during the fiscal year under review	114 million yen
ii.	Total cash and other compensation paid by AEON and its subsidiaries to their independent auditors	2,158 million yen

(Note 1) Since the auditing services contract between the Company and the independent auditors does not make a clear distinction between the amounts of remuneration payable to the independent auditors with respect to auditing services rendered under the Companies Act and those amounts payable for auditing services rendered under the Financial Instruments and Exchange Act, the "Amount of compensation paid for services rendered as independent auditors during the fiscal year under review" equals the sum of the amounts for these two categories.

(Note 2) Payments by the Company and its subsidiaries to the independent auditors are for counsel, guidance and other relevant services provided in relation to International Financial Reporting Standards (IFRS), which are defined as services other than those provided under Article 2, paragraph 1 of the Certified Public Accountants Act.

(Note 3) Auditing firms other than the Independent Auditors of AEON provide auditing services to Aeon Credit Service (Asia) Co., Ltd. and four other major subsidiaries of the Company.

(Note 4) The Company's Audit Committee has confirmed the validity of the audit hours and the estimated amount of remuneration payable to the independent auditors through interviews conducted to independent auditors on the personnel structure, audit plans, audit situation, quality management of audit etc., and opinions received from related divisions on the independence and expertise of the auditing team as well as its work performance. After reviewing, the Audit Committee has agreed with the matters relating to the remuneration of independent auditors.

3) Policy regarding decisions to dismiss or not to reappoint independent auditors

The Company will make such decisions if it is deemed that actions by independent auditors violate or conflict with provisions of the Companies Act or other laws and regulations, or that a significant event has occurred resulting in a loss of trust in independent auditors.

(7) Aeon Group Employees

Business segment	Number of employees (Note 1)	Number of other employees (Note 2)
GMS Business	31,678	99,326
SM Business	29,376	100,499
Drugstore & Pharmacy Business	7,807	16,445
Financial Services Business	18,119	7,782
Shopping Center Development Business	3,449	1,801
Services & Specialty Store Business	21,750	30,640
International Business	33,055	4,499
Other Business	153	23
Pure Holding Company, etc.	2,759	1,943
Total	148,146	262,958

(Note 1) Figures refer to employees on the full-time payroll of Aeon Group companies (excluding any employees seconded to companies outside the Aeon Group, but including any external workers on temporary loan to Aeon Group companies).

(Note 2) Numbers of other employees represent the average number of part-timers during the term (calculated on the basis of eight working hours/day).

(8) Principal Creditors

Creditors	Amount (Millions of yen)
Mizuho Bank, Ltd.	53,608
The Norinchukin Bank	33,500
Sumitomo Mitsui Banking Corporation	33,400
Sumitomo Mitsui Trust Bank, Limited	26,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note)	22,900
Resona Bank, Limited	16,100
Mizuho Trust & Banking Co., Ltd.	16,000

(Note) On April 1, 2018, the Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd.

(9) Group Status

Major subsidiaries

Name	Capital	Voting rights (%)	Main businesses
GMS Business			
Aeon Retail, Co., Ltd.	¥48,970 million	100.00	General merchandise store
AEON Hokkaido Corporation	¥6,100 million	81.37	General merchandise store
AEON KYUSHU CO., LTD.	¥3,156 million	73.86	General merchandise store
Sunday Co., Ltd.	¥3,241 million	77.01	Home center
SM Business			
United Super Markets Holdings Inc.	¥10,000 million	53.70	Management in supermarket
Maxvalu Chubu Co., Ltd.	¥3,950 million	67.18	Supermarket
Maxvalu Tohoku Co., Ltd.	¥3,688 million	71.56	Supermarket
Maxvalu Tokai Co., Ltd.	¥2,267 million	69.85	Supermarket
Maxvalu Nishinihon Co., Ltd.	¥1,699 million	63.66	Supermarket
Maxvalu Kyushu Co., Ltd.	¥1,604 million	78.53	Supermarket
Maxvalu Hokkaido Co., Ltd.	¥1,176 million	64.93	Supermarket
Ministop Co., Ltd.	¥7,491 million	53.86	Convenience store
Drugstore & Pharmacy Business			
Welcia Holdings Co., Ltd.	¥7,736 million	50.63	Management in drug store
Financial Services Business			
Aeon Financial Service Co., Ltd.	¥45,698 million	49.89	Bank holding company
AEON CREDIT SERVICE (ASIA) CO., LTD.	HK$269 million	67.13	Financial services
AEON CREDIT SERVICE (M) BERHAD	M$466 million	65.07	Financial services
AEON THANA SINSAP (THAILAND) PLC.	THB250 million	63.12	Financial services
Aeon Bank Ltd.	¥51,250 million	100.00	Banking services
Shopping Center Development Business			
Aeon Mall Co., Ltd.	¥42,271 million	56.16	SC development
Services & Specialty Store Businesses			
Cox Co., Ltd.	¥4,503 million	71.65	Casual apparel specialty store
G Foot Co., Ltd.	¥3,750 million	66.93	Specialty shoe store
Aeon Delight Co., Ltd.	¥3,238 million	57.73	Facilities management services
Aeon Fantasy Co., Ltd.	¥1,747 million	68.68	Amusement services
ZWEI CO., LTD.	¥456 million	68.81	Bridal information services
International Business			
AEON CO. (M) BHD.	M$702 million	51.68	General merchandise store
AEON Stores (Hong Kong) Co., Limited	HK$115 million	60.59	General merchandise store

(Note 1) Voting rights percentages include indirect ownership.
(Note 2) No specified wholly owned subsidiary is present as of the fiscal year-end.

(10) Policy Regarding Decisions on Dividends of Surplus

The policy on returns to shareholders strives to maintain an optimal balance between paying dividends and improving corporate value through medium- to long-term growth as a key management priority. The Company sets dividends in consideration of its consolidated earnings results and strives to reward shareholders appropriately for capital invested.

Specifically, the Company has set a target of maintaining its annual dividend payment at or above the previous year's payment and implementing a dividend payout ratio of 30% as the Group endeavors to increase earnings and return even more to shareholders in coming years.

The Company pays dividends twice a year for the purpose of enhancing the opportunities for profit distribution to shareholders. In accordance with the provisions of Article 459 of the Companies Act, the Board of Directors can resolve the year-end dividend payment from surplus to shareholders.

[Dividends of surplus for the year under review]

Pursuant to a resolution by the Board of Directors at its meeting on April 11, 2018, the year-end dividend payment from surplus for the fiscal year under review is an ordinary dividend of 15 yen per share. The total annual dividend for the fiscal year is 30 yen per share including the interim dividend of 15 yen per share. The starting date for dividend payments (effective date) is Tuesday, May 1, 2018.

(Note 1) The amounts and numbers of shares shown in this Business Report have been rounded down to the appropriate units used in the document.

(Note 2) Figures shown for sales, etc. do not include consumption taxes.

(Translation for reference purposes only)

Consolidated balance sheet

(Unit: Millions of yen, rounded down)

As of February 28, 2018

Assets		Liabilities	
Current assets	**5,474,121**	**Current liabilities**	**5,447,642**
Cash and time deposits	918,053	Notes and accounts payable – trade	906,195
Notes and accounts receivable – trade	1,292,103	Deposits for banking business	3,007,289
Marketable securities	208,866	Short-term borrowings	332,486
Merchandise inventories	600,287	Current portion of long-term debt	272,136
Deferred tax assets	45,707	Bonds due within one year	25,803
Financial loan	347,829	Commercial paper	81,049
Loans and bills discounted for banking business	1,819,681	Lease obligations	14,460
		Income taxes payable	50,003
Other	298,118	Provision for bonuses	31,874
Allowance for doubtful accounts	(56,525)	Provision for store closing expenses	5,790
		Allowance for point program	19,435
Fixed assets	**3,978,634**	Notes payable, construction	106,253
Property, buildings and equipment	**2,755,112**	Other	594,862
Buildings and structures, net	1,529,041	**Long-term liabilities**	**2,088,377**
Tools, furniture and fixtures, net	228,380	Bonds	482,112
Land	828,326	Convertible bonds with stock acquisition rights	29,948
Lease assets, net	75,653		
Construction in progress	93,251	Long-term debt	1,026,738
Other, net	459	Lease obligations	61,055
		Deferred tax liabilities	54,648
Intangible fixed assets	295,100	Liability for directors' retirement benefits	927
Goodwill	155,628	Provision for store closing expenses	3,776
Software	77,090	Provision for contingent liabilities	75
Lease assets, net	26,584	Allowance for loss on refund of interest received	3,098
Other	35,796		
		Allowance for loss on redemption of gift coupons	4,956
Investments and other assets	928,421		
Investment securities	252,386	Net defined benefit liability	25,643
Net defined benefit asset	16,209	Asset retirement obligations	85,993
Deferred tax assets	96,951	Lease deposits from lessees	264,591
Fixed leasehold deposits to lessors	406,500	Other	44,811
Deposits for stores in progress	2,349	**Total liabilities**	**7,536,019**
Other	166,126	**Net assets**	
Allowance for doubtful accounts	(12,102)	**Shareholders' equity**	**1,061,920**
		Common stock	220,007
		Capital surplus	306,464
		Retained earnings	574,409
		Treasury stock	(38,962)
		Accumulated other comprehensive income	**89,641**
		Unrealized gain on available-for-sale securities	77,701
		Deferred gain (loss) on derivatives under hedge accounting	(3,013)
		Foreign currency translation adjustments	13,356
		Remeasurements of defined benefit plans	1,597
		Stock acquisition rights	**1,921**
		Non-controlling interest	**763,254**
		Total net assets	**1,916,737**
Total assets	**9,452,756**	**Total net assets and liabilities**	**9,452,756**

(Translation for reference purposes only)

Consolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 28, 2018	
Net sales	**7,380,567**
Operating revenue in the financial services business	**363,824**
Other operating revenue	**645,620**
Total operating revenue	**8,390,012**
Cost of sales	**5,325,422**
Operating costs in the financial services business	**31,260**
Total operating costs	**5,356,683**
Gross profit on sales	**2,055,144**
Gross profit from operations	**3,033,329**
Selling, general and administrative expenses	**2,823,056**
Operating income	**210,273**
Other income	
Interest income	2,540
Dividend income	2,371
Equity in gains of equity-method affiliates	3,839
Income from unredeemed gift coupons	3,414
Penalty income from leaving tenants	2,759
Reversal of allowance for doubtful accounts	716
Gain on collection of fixed leasehold deposits	2,707
Other	9,756
	28,106
Other expenses	
Interest expense	15,321
Other	9,286
	24,607
Ordinary income	**213,772**
Extraordinary gains	
Gain on sale of fixed assets	22,582
Other	4,604
	27,186
Extraordinary losses	
Loss on sale of fixed assets	3,606
Impairment loss	48,332
Provision for store closing expenses	4,132
Loss on disposal of property, buildings and equipment	3,466
Loss related to store closing	3,558
Other	9,267
	72,364
Income (loss) before income taxes	**168,594**
Income taxes	
Current	83,807
Deferred	(8,072)
	75,735
Profit (loss)	**92,859**
Profit attributable to non-controlling interest	68,336
Profit (loss) attributable to owners of the parent	**24,522**

(Translation for reference purposes only)

Nonconsolidated balance sheet

(Unit: Millions of yen, rounded down)

As of February 28, 2018

Assets		Liabilities	
Current assets	**466,307**	**Current liabilities**	**174,004**
Cash and time deposits	808	Short-term borrowings	23,308
Prepaid expenses	114	Current portion of long-term debt	22,500
Deferred tax assets	467	Bonds due within one year	20,000
Short-term loans receivable to subsidiaries	444,434	Accounts payable – other	9,342
Accrued income	12,146	Accrued expenses	2,482
Accounts receivable – other	8,251	Income taxes payable	1,643
Other	84	Accrued consumption taxes	420
		Deposits received	93,679
Fixed assets	**1,043,058**	Provision for bonuses	161
Property, buildings and equipment	**14,998**	Other	465
Buildings, net	10,680	**Long-term liabilities**	**627,733**
Structures, net	79	Bonds	171,500
Tools, furniture and fixtures, net	254	Long-term debt	359,800
Land	3,984	Allowance for investment loss, etc.	79,408
		Deferred tax liabilities	15,007
Intangible fixed assets	**1,078**	Other	2,016
Rights of trademark	518	**Total liabilities**	**801,737**
Other	559	**Net assets**	
		Shareholders' equity	**634,982**
Investments and other assets	**1,026,980**	Common stock	220,007
Investment securities	144,566	Capital surplus	316,894
Stock of subsidiaries and affiliates	811,496	Legal capital surplus	316,894
Investments in capital of subsidiaries and affiliates	97,189	**Retained earnings**	**136,977**
		Legal retained earnings	11,770
Long-term prepaid expenses	100	Other retained earnings	125,207
Other	1,319	Reserve for advanced depreciation of fixed assets	4,485
Allowance for doubtful accounts	(165)		
Allowance for investment loss, etc.	(27,525)	General reserve	95,500
		Retained earnings brought forward	25,221
		Treasury stock	**(38,897)**
		Valuation and translation adjustments	**72,333**
		Unrealized gain on available-for-sale securities	73,562
		Deferred gain (loss) on derivatives under hedge accounting	(1,229)
		Stock acquisition rights	**313**
		Total net assets	**707,628**
Total assets	**1,509,365**	**Total net assets and liabilities**	**1,509,365**

(Translation for reference purposes only)

Nonconsolidated statement of income

(Unit: Millions of yen, rounded down)

Year ended February 28, 2018	
Operating revenue	
Dividends from subsidiaries and affiliates	36,899
Commissions from subsidiaries and affiliates	20,717
Other	1,149
	58,766
Gross profit from operations	**58,766**
Selling, general and administrative expenses	**19,770**
Operating income	**38,995**
Other income	
Interest and dividend income	7,216
Other	92
	7,308
Other expenses	
Interest expense	6,186
Provision of allowance for investment loss, etc.	20,275
Other	1,141
	27,603
Ordinary income	**18,701**
Extraordinary gains	
Gain on liquidation of subsidiaries and affiliates	3,656
Gain on sales of stock of subsidiaries and affiliates	2,550
Other	89
	6,296
Extraordinary losses	
Provision of allowance for investment loss, etc.	2,577
Loss on valuation of stock of subsidiaries and affiliates	1,081
Other	337
	3,996
Income before income taxes	**21,001**
Income taxes	
Current	4,415
Deferred	(354)
	4,060
Profit (loss)	**16,941**

(Translation for reference purposes only)

Reference

Composition of Committee Members and Executive Officers Following Conclusion of General Meeting of Shareholders (Planned)

Committee Members (planned effective date May 23, 2018)

Committee	Name	*Members with * mark are the chairman of the Committee.*
Audit Committee	* Kotaro Ohno, Yukako Uchinaga, Toru Nagashima, Takashi Tsukamoto	
Nomination Committee	* Yukako Uchinaga, Kotaro Ohno, Peter Child, Motoya Okada	
Compensation Committee	* Toru Nagashima, Takashi Tsukamoto, Peter Child, Motoya Okada	

Executive Officers (planned effective date May 23, 2018)

Position	Name	Area of responsibility
President and Representative Executive Officer	Motoya Okada	Group CEO
Executive Vice President and Representative Executive Officer	Yoshiki Mori	Group COO
Executive Vice President and Executive Officer	Akinori Yamashita	CFO, Business Management
Executive Vice President and Executive Officer	Shinya Wako	Management Strategy
Executive Officer	Akio Yoshida	Shopping Center Development Business
Executive Officer	Soichi Okazaki	GMS Business
Executive Officer	Motohiro Fujita	SM Business
Executive Officer	Yuki Habu	China Business
Executive Officer	Eiji Shibata	Merchandising
Executive Officer	Masaki Suzuki	Financial Services Business
Executive Officer	Ippei Nakayama	Services & Specialty Store Business
Executive Officer	Kaori Miyake	CSR & Communication
Executive Officer	Hidenori Osano	IT
Executive Officer	Takeharu Takahashi	Human Resources and Administration Administration & Risk Management
Executive Officer	Takehiko Saitoh	Digital Business

(Note) The structure in place following the conclusion of the General Meeting of Shareholders will be published on the Company's website following the conclusion of the General Meeting of Shareholders along with the resolution results of each proposal.

Excerpts of Internet Disclosure Items

● Items Related to the Company's Stock Acquisition Rights

1) Stock acquisition rights delivered as consideration for execution of duties, and held by the Company's directors and executive officers as of the final day of the business year under review

Issues of stock options (Issuance resolution date)	Exercise period	Number of stock acquisition rights	Number of shares subject to the rights	Number of persons holding the rights	Issuing price	Amount of capital contributed upon exercise
No. 4 stock acquisition rights (November 20, 2008)	November 21, 2008 to November 20, 2023	18	1,800 shares	2	710 yen per share	1 yen per share
No. 8 stock acquisition rights (June 21, 2010)	July 21, 2010 to July 20, 2025	74	7,400 shares	2	885 yen per share	1 yen per share
No. 9 stock acquisition rights (June 21, 2011)	July 21, 2011 to July 20, 2026	79	7,900 shares	2	805 yen per share	1 yen per share
No. 10 stock acquisition rights (June 21, 2012)	July 21, 2012 to July 20, 2027	186	18,600 shares	4	817 yen per share	1 yen per share
No. 11 stock acquisition rights (June 21, 2013)	July 21, 2013 to July 20, 2028	223	22,300 shares	5	1,097 yen per share	1 yen per share
No. 12 stock acquisition rights (June 21, 2014)	July 21, 2014 to July 20, 2029	97	9,700 shares	4	1,064 yen per share	1 yen per share
No. 13 stock acquisition rights (June 21, 2015)	July 21, 2015 to July 20, 2030	94	9,400 shares	4	1,423 yen per share	1 yen per share
No. 15 stock acquisition rights (June 21, 2017)	July 21, 2017 to July 20, 2032	185	18,500 shares	7	1,515 yen per share	1 yen per share

Conditions for exercising stock acquisition rights (same for all issues)

- The person receiving stock acquisition rights must be an executive officer of the Company (or an executive officer of a Group company whose position is deemed the equivalent of such by the Compensation Committee of AEON) at the time that the rights are exercised. However, even if a person retires from his/her position as executive officer of the Company, he or she may exercise those rights within a period of five years from the date of his/her retirement.
- When exercising stock acquisition rights, the executive officer must exercise the entire number of the rights in his/her possession and may not exercise them in installments.

2) New deliveries of stock acquisition rights in the fiscal year under review as consideration for execution of duties to employees of the Company and officers and employees of Group subsidiaries and affiliates

a. Employees of the Company (delivered as consideration for execution of duties during the terms of office as Company officers)

Issues of stock options (Issuance resolution date)	Exercise period	Number of stock acquisition rights	Number of shares subject to the rights	Number of persons holding the rights	Issuing price	Amount of capital contributed upon exercise
No. 15 stock acquisition rights (June 21, 2017)	July 21, 2017 to July 20, 2032	43	4,300 shares	2	1,515 yen per share	1 yen per share

Conditions for exercising stock acquisition rights (same as item 1) above)

b. Officers and employees of Group subsidiaries and affiliates

Issues of stock options (Issuance resolution date)	Exercise period	Number of stock acquisition rights	Number of shares subject to the rights	Number of persons holding the rights	Issuing price	Amount of capital contributed upon exercise
No. 15 stock acquisition rights (June 21, 2017)	July 21, 2017 to July 20, 2032	29	2,900 shares	11	1,515 yen per share	1 yen per share

Conditions for exercising stock acquisition rights (same as item 1) above)

● Company Structure and Policies

(1) Basic Concept and Structure of AEON's Corporate Governance and its Implementation Status

1) Basic Concept of Corporate Governance

AEON places its Basic Principles of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core" to all of its policies in corporate activities, and has pursued its business based on such policies.

Our ideal corporate governance based in these values is set forth under the Basic Policy on Corporate Governance with the following five basic stances as its core.

i. Value Creation through Customer Orientation and Frontline Focus

At AEON, we consider realization of a sense of well-being for customers our most important mission. We pursue optimal value creation adapted to changing customer needs by focusing tightly on the frontline of the business, our point of contact with customers, and by always thinking with customers as the starting point.

ii. 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.

iii. A Posture of Developing Together with Local Communities

As a member of local communities and a caring corporate citizen, AEON seeks to develop together with our fellow community members, namely our customers, employees, shareholders, and business partners, and to contribute to the prosperity of local communities, sustainability of the natural environment, and peace.

iv. Sustained Growth Based on a Long-Term Perspective and Ceaseless Innovation

To continue to meet the expectations of customers and local communities, AEON strives for sustained growth accompanied by value creation from a long-term perspective and management focused on sustained value enhancement for the entire group by undertaking ceaseless innovation to cope with a changing business environment.

v. Pursuit of Transparent, Disciplined Management

AEON strives for transparent and disciplined management by seeking proactive dialogue with customers and other stakeholders, taking their evaluation seriously, and being self-disciplined at all times.

2) Corporate Governance System

AEON pursues "management based on a Basic Principle that incorporates a group-wide perspective," "management that is transparent, sustainable, and stable" and "ceaseless innovation with customers as the core." To put these into practice, AEON has adopted a "company with a nomination committee and other committees system" as the optimal corporate governance system.

Under such system, the Company segregates management oversight and business execution and has instituted a governance system that realizes expeditious management decision-making through delegation of significant authority to executive officers. We have established the Nomination Committee, Audit Committee, and Compensation Committee, each consisting of a majority of outside directors, to ensure management transparency and objectivity.

Furthermore, as a pure holding company, AEON is taking initiatives which go beyond the framework of the Group business and of each company and formulating a management policy which the Group is to pursue, optimizing the allocation of management resources and creating synergy across business.

3) Status of the Board of Directors and committees

	Meeting status	Principal roles
Board of Directors	Met 7 times	- Supervision of the performance of duties by directors and executive officers - Decisions on matters that require resolution by the Board of Directors under the provisions of Article 416 of the Companies Act and that cannot be delegated to executive officers
Audit Committee	Met 9 times	- Auditing of the performance of duties by directors and executive officers - Decisions pertaining to the content of motions to be introduced at shareholders' meetings concerning the appointment, dismissal or non-reappointment of independent auditors
Nomination Committee	Met 3 times	- Decisions pertaining to the content of motions to be introduced at shareholders' meetings concerning the appointment or dismissal of directors
Compensation Committee	Met 3 times	- Decisions concerning the content of financial remuneration received by directors and executive officers

(2) Matters Necessary for the Performance of Duties by the Audit Committee, Systems Necessary to Ensure That the Execution of Duties by Executive Officers Complies with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary to Ensure Proper Conduct of the Company's Operations

[Summary of Resolutions by the Board of Directors]

1) Matters related to auditing

The approval of the Audit Committee is required for any personnel changes within the Internal Audit Division, which assists the Audit Committee in its work.

Regular reports are provided to the Audit Committee on the status of internal auditing/control activities covering the Group as a whole and on messages that have been received through the Company's internal notification system, which is accessible by all the Group's employees.

In addition to participating in important meetings, the members of the Internal Audit Division receive reports from executive officers and others on their execution of duties, and pass this information on to the Audit Committee.

2) Preservation and management of information

The minutes of all meetings are prepared by the Secretariat Division, which also stores the minutes; documentation of the decisions reached at the meetings is also stored and managed by the individuals drafting the resolutions.

3) Risk management

AEON has established a post of Administration & Risk Management, which convenes the Risk Management Committee. AEON's risk management system is designed to report to the Aeon Management Committee (the Group's top-level management body), while the Internal Audit Division monitors its operating status.

AEON is committed to opposing antisocial forces in every aspect of its business. Any related matters are handled at the organizational level, and the Group's readiness in this area is maintained by providing internal regulations and by keeping close relations with investigative and other institutions.

The Company and all its Group member companies are committed to the ongoing construction and development of internal controls related to financial reporting (as required by Japan's Financial Instruments and Exchange Act).

4) System for efficient execution of duties

Job descriptions and the authority allotted to each position within the Company are determined by regulations which spell out responsibilities and authority. In addition to promoting the organized and efficient operation of the Company's business, this structure also functions as a checking mechanism by stipulating which departments may be consulted.

5) Compliance system

The Company has formulated a compliance system in accordance with the latest revisions of laws and regulations that entails the adoption and strict enforcement of the Aeon Code of Conduct, which all of the Group's employees are expected to follow, and periodic training sessions for employees.

6) Management of Group companies

At the holding company level, reform committees that are organized according to both business and function deliberate and formulate management plans for Aeon Group companies. Acting as a Group headquarters, holding company divisions oversee the management of the Group's businesses in an integrated management approach that also preserves the operational independence and autonomy of the individual Group member companies.

[Management Status]

With the goal of fulfilling our responsibilities to all stakeholders, the Company ensures the transparency and fairness of management while working to practice management that is sustainable and stable. As a structure to support the above, the Company is constantly putting effort into the creation of an internal control system and into enhancing compliance and risk management.

In the audit structure, all Audit Committee members are independent outside directors in order to maintain full independence of the Audit Committee and conduct highly transparent audit. Furthermore, Internal Audit Office has been set up independent from the business execution department. The Office ensures the effectiveness of the audit by gathering information through attendance of important meetings or interviews with executive officers, etc. while also assisting the duties of the Audit Committee by cooperating with the internal audit of the Group management and independent auditors.

In the compliance structure, AEON has established the Aeon Code of Conduct which summarizes the basic concept and decision-making standards of every day behavior to be

shared by the employees. The Code is disseminated among Group's all employees. Furthermore, training for the purpose of enhancing awareness toward compliance and sharing the Aeon's Basic Principles is held on a continuous basis. The Aeon Code of Conduct Hotline has also been established as an internal notification system, which provides direct contacts with the Company and external contacts, for the prevention and early discovery of violations against laws and regulations and code of ethics.

Reports and consultation matters are examined and confirmed by the relevant department and corrective action and preventive measures are taken, and important cases are reported to each Director based on the chain of command for response that has been determined in advance. Further, operational status of the internal notification system is reported to the Audit Committee on a regular basis.

In the information storage management structure, AEON makes an effort in information management and the prevention of leakage of confidential information by establishing various in-house regulations such as "Regulation on internal information management and insider trading control" for the purpose of appropriate storage and management of information along with the prevention of leakage of the aforesaid.

In the risk management structure, a post of Administration & Risk Management has been created, and meetings of the Risk Management Committee are held with the post of Administration & Risk Management as the committee chair. The Risk Management Committee extracts high-priority risks through risk assessment and other ways, and then implements progress management of the measures for the risks and effects of the measures. Furthermore, risk management status and measures are reported and proposed to the Aeon Management Committee. Also, the various measures to mitigate risk when ensuring business continuity were evaluated, and in July 2017, AEON was designated by the Prime Minister as a "designated public institution" according to the Basic Act on Disaster Control Measures. AEON's product procurement and distribution network functions are expected to provide a lifeline to temporary evacuation shelters. In December 2017 AEON gained the highest rating in the DBJ BCM Ratings, administered by the Development Bank of Japan Inc. In regard to the construction and development of internal controls related to financial reporting, the Company and all its Group member companies are committed to efforts including clearly describing policies related to the management's preparation of reliable financial reports, and developing a system for transmitting policies and instructions to consolidated subsidiaries involved in preparing financial reports. As for the progress status, it is reviewed by the Internal Audit Office.

In the exclusion of antisocial forces, AEON has established crime prevention rules, etc. which provide specific measures, educating ones responsible through various training programs. Furthermore, for the purpose of acquiring information relating to unreasonable claims from antisocial forces, AEON is a member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department which is an “Institution for Information Management of Unreasonable Claims.”

In the management of the Group member companies, policies and budgets for each business that AEON manages are discussed by each of the business reform committees, etc. and the direction of management is set forth. In particular, especially important deals are discussed by the Aeon Management Committee where decisions as the holding company are made, and management of policies and numerical progress is conducted. Furthermore, meetings relating to business practice and exchange of information are held by the auditors of major Group member companies in Japan on a regular basis. Group-wide meetings including meetings of General Managers of Internal Audits and meetings of General Managers of General Affairs are held to enhance the promotion of policies and sharing of information to realize the management based on the Basic Principles.

● Basic Policy Regarding Control of Company

1) Outline of contents of basic policy and actions for its realization

AEON is an organization that aims always to put the customer first and to develop retail and other businesses in a way that contributes to more affluent customer lifestyles. AEON adheres to the unchanging ideals of pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core. Within this framework, AEON endeavors to effect measures which lead to customer satisfaction and to a continual enhancement of corporate value. These ideals form the essential core of the corporate value. There are other elements contributing to the formation of AEON's corporate value, beyond continual and long-term growth and cooperating and collaborating with partners and allies. These include various other values, such as ensuring employment, enhancing lifestyles, and conserving the environment and contributing to society.

To execute good business practices and meet the Company's social responsibilities requires that these ideals be realized over the long-term. We believe that those who control decisions on the Company's financial and operating policies must be persons capable of sustaining and developing the corporate value as described above.

2) Measures to prevent control detrimental to shareholders' interests

Whilst the Company's shares are listed on financial instrument exchanges (stock exchanges) and can be freely bought and sold, groups intent on pursuing short-term profits may sometimes propose an unfair acquisition that ultimately endangers the interests of shareholders. The Company believes the right to make decisions on whether to accept or reject proposals to acquire the Company rests with its shareholders. Accordingly, when such proposals arise, it believes that the shareholders must be given adequate and accurate information, as well as sufficient time, to make their decisions. Toward this end—and as a means of demanding that prescribed procedures are taken for the provision of sufficient documents and countering proposed acquisitions that it believes would clearly harm the interests of shareholders in general—the Company included a proposal for the "Continuance of policy concerning large-scale acquisitions of the Company's shares (takeover defense measures)" among the matters to be resolved at its 90th Ordinary General Meeting of Shareholders held on May 27, 2015. Shareholder approval for this proposal was received.

This is an "advance notice-type" takeover protection policy, under which the Company requires that any person(s) seeking to purchase 20% or more of the voting rights in the Company respect certain rules of acquisition, including the need to provide the Company with adequate information. Under these rules, prospective purchasers are required to

provide the following, among other information: a general description of the person(s) making the acquisition; the basis for their calculations of the purchase price; the methods of acquisition; the source of funds for the acquisition; and the management policy to be adopted following the acquisition.

When such a prospective purchaser appears on the scene, the Company's Board of Directors shall, in addition to disclosing this fact, immediately establish an independent committee composed of one or more outside experts and its outside directors. Based on the information it has received (when additional information is requested, the deadline for the final reply shall be 60 days from the date on which the declaration of intent is received), the Company shall seek the opinions of said committee and, while giving the utmost weight to its opinions, shall announce the results of its evaluation of the proposed purchase within a prescribed evaluation period (within 60 or 90 days). To further enhance the objectivity of their judgments, the Board of Directors and the independent committee may seek the opinions of other experts on a timely basis. On the other hand, if the purchaser fails to abide by the above-mentioned rules, or if it becomes evident that the shareholders' interests will be harmed because reasons exist to suspect that the purchaser's aim is to demand that the Company buy back the shares at an inflated price, or that its aim is to sell the shares at a profit, the Company's Board of Directors may, without waiting for the passage of the prescribed evaluation period, adopt countermeasures which include the issuance of new stock, the issuance of stock acquisition rights, etc. In addition, when it issues stock acquisition rights with differentiated exercise conditions that restrict the exercise of rights by the prospective purchaser, the Company shall issue such rights with a call option feature to avoid burdening shareholders with onerous procedures. Moreover, as a general rule, decisions on the content and the adoption of countermeasures shall be made by the Board of Directors which, in making such decisions and implementing such measures, shall abide by its duty to employ due care. In exceptional instances, however, the Board of Directors may determine that, in light of the content and effect of such measures, it is necessary to submit the matter to shareholders for their approval, in which case it will seek the approval of shareholders at the Company's General Meeting of Shareholders.

At each stage in this process, the Company shall provide shareholders with sufficient information in a timely manner to enable them to make their decisions.

These takeover defense measures are valid only until the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held on May 2018.

3) Determinations by the Board of Directors regarding the consistency of actions noted in item 2) above with the Company's basic policies, etc.

The materials that the Company requires a potential purchaser to provide consist not only of basic information about the purchaser but also information on parties behind the financing, on financing schemes, on items related to the legality of the stock acquisition methods, and on management plans following completion of the acquisition, etc. Disclosing this information will not only concretely demonstrate the attitudes of the purchaser toward AEON's management ideals (the above-mentioned "basic policy") but also, and most importantly, add to the information available to the shareholders in making their decisions.

The Board of Directors therefore believes that the aforementioned policy vis-à-vis prospective large-scale acquisitions is aligned with the Company's basic policy and with the interests of shareholders, and believes that this policy has not been adopted to maintain the status of the Company's directors.

(Translation for reference purposes only)

Consolidated statement of changes in net assets

(Unit: Millions of yen, rounded down)

	Shareholders' equity				
Year ended February 28, 2018	**Common stock**	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**
Balance as of March 1, 2017	220,007	315,813	575,147	(40,709)	1,070,259
Changes during period					
Cash dividends			(25,249)		(25,249)
Profit attributable to owners of the parent			24,522		24,522
Purchase of treasury stock				(27)	(27)
Disposal of treasury stock			(10)	1,775	1,764
Change in ownership interest of parent due to transactions with non-controlling interests		(9,348)			(9,348)
Net change in items other than shareholders' equity during period					
Total changes during period	–	(9,348)	(738)	1,747	(8,338)
Balance as of February 28, 2018	220,007	306,464	574,409	(38,962)	1,061,920

	Accumulated other comprehensive income							
Year ended February 28, 2018	**Unrealized gain on available-for-sale securities**	**Deferred gain (loss) on derivatives under hedge accounting**	**Foreign currency translation adjustments**	**Remeasure-ments of defined benefit plans**	**Total accumulated other comprehensive income**	**Stock acquisition rights**	**Non-controlling interest**	**Total net assets**
Balance as of March 1, 2017	52,440	(2,588)	10,178	1,091	61,121	1,820	729,209	1,862,410
Changes during period								
Cash dividends								(25,249)
Profit attributable to owners of the parent								24,522
Purchase of treasury stock								(27)
Disposal of treasury stock								1,764
Change in ownership interest of parent due to transactions with non-controlling interests								(9,348)
Net change in items other than shareholders' equity during period	25,261	(425)	3,177	505	28,519	100	34,045	62,665
Total changes during period	25,261	(425)	3,177	505	28,519	100	34,045	54,326
Balance as of February 28, 2018	77,701	(3,013)	13,356	1,597	89,641	1,921	763,254	1,916,737

(Translation for reference purposes only)

Nonconsolidated statement of changes in net assets

(Unit: Millions of yen, rounded down)

	Shareholders' equity					
		Capital surplus		Retained earnings		
Year ended February 28, 2018	Common stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings (Note)	Total retained earnings
Balance as of March 1, 2017	220,007	316,894	316,894	11,770	133,526	145,296
Changes during period						
Cash dividends					(25,249)	(25,249)
Reversal of reserve for advanced depreciation of fixed assets					–	–
Profit					16,941	16,941
Purchase of treasury stock						
Disposal of treasury stock					(10)	(10)
Net change in items other than shareholders' equity during period						
Total changes during period	–	–	–	–	(8,318)	(8,318)
Balance as of February 28, 2018	220,007	316,894	316,894	11,770	125,207	136,977

	Shareholders' equity		Valuation and translation adjustments				
Year ended February 28, 2018	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Total Valuation and translation adjustments	Stock acquisition rights	Total net assets
Balance as of March 1, 2017	(40,645)	641,553	47,769	(1,467)	46,301	361	688,217
Changes during period							
Cash dividends		(25,249)					(25,249)
Reversal of reserve for advanced depreciation of fixed assets		–					–
Profit		16,941					16,941
Purchase of treasury stock	(27)	(27)					(27)
Disposal of treasury stock	1,775	1,764					1,764
Net change in items other than shareholders' equity during period			25,793	237	26,031	(48)	25,982
Total changes during period	1,747	(6,571)	25,793	237	26,031	(48)	19,410
Balance as of February 28, 2018	(38,897)	634,982	73,562	(1,229)	72,333	313	707,628

(Translation for reference purposes only)

(Note) Breakdown of "Other retained earnings"

(Unit: Millions of yen, rounded down)

	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	Total
Balance as of March 1, 2017	4,596	95,500	33,429	133,526
Changes during period				
Cash dividends			(25,249)	(25,249)
Reversal of reserve for advanced depreciation of fixed assets	(111)		111	–
Profit			16,941	16,941
Purchase of treasury stock				
Disposal of treasury stock			(10)	(10)
Net change in items other than shareholders' equity during period				
Total changes during period	(111)	–	(8,207)	(8,318)
Balance as of February 28, 2018	4,485	95,500	25,221	125,207