

Sustainability Report 2004

AEON Environmental and Social Report 2004



The Legacy We Inherited



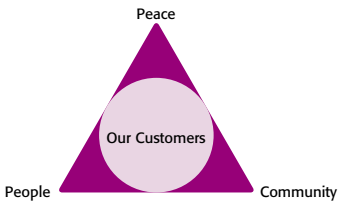
We are all part of AEON.

Our desire is to create a “Sustainable Society” along with our customers, and to seek out “a Future of Limitless Promise”



AEON’s Basic Principles

The word “aeon” has its origin in a Latin root meaning “eternity.”
The starting point of our principles is the customer.
At AEON, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.



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

AEON’s Corporate Commitment

AEON creates
a future of limitless promise – an aeon –
by transforming daily life
through our open, dynamic approach.



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Editorial Policy

This annual environmental report will be our 9th since the first was issued in 1996, and the second to be published under the new title, “AEON Environmental and Social Report (Sustainability Report),” rather than “AEON Environmental Report.” We adopted the subtitle “The Legacy We Inherited” with the idea of concretely and concisely reporting our activities “together with our customers” until today and into the future. AEON consists of 158 companies, and due to space limitations it is simply impossible to cover them all adequately. This report gives a glimpse into the pioneering and symbolic efforts and activities carried out with the cooperation of the entire group. More information can be found on each company’s Web site.
*In this report, AEON refers to a group of 158 companies engaged in 13 fields of operation, whereas “AEON Co., Ltd.” refers to the AEON company engaged in general merchandise store (GMS) operations.

Companies Covered by the Report 158 AEON group companies

Target Readers

This report is principally targeted at AEON’s customers. It is also intended for all AEON stakeholders, including shareholders, local residents of all of the store locations of the AEON group, business partners, NPOs, and employees.

Reported Period FY2003 (February 21, 2003 – February 20, 2004)

* Whenever data does not fit into this reporting period due to different terms or other reasons, the applicable reporting period is clearly indicated.

Sustainability Report

* The icons at right are used to show the category (economic, environmental, or social) of the reported activities.



This is a sustainability report, which reports not only activities concerning nature conservation, but also the economic and social dimensions of corporate activities. This report has been compiled with reference to international reporting guidelines – the Global Reporting Initiative (GRI) Guidelines.

Major Group Companies

*Public companies

GMS
* AEON Co., Ltd.
* AEON Kyushu Co., Ltd.
* Jaya JUSCO Stores Bhd.
* JUSCO Stores (Hong Kong) Co., Ltd.
Ryukyu JUSCO Co., Ltd.
MYCAL Corporation
MYCALKUSHU Corporation
Posfūl Corporation.
Siam JUSCO Co., Ltd.
Guangdong JUSCO Teem Stores Co., Ltd.

Qingdao AEON Dongtai Co., Ltd.
Shenzhen JUSCO Friendship Stores Co., Ltd.
Taiwan AEON Stores Co., Ltd.

Supermarkets
* Maxvalu Hokkaido Co., Ltd.
* Maxvalu Tohoku Co., Ltd.
* Maxvalu Chubu Co., Ltd.
* Maxvalu Nishinohon Co., Ltd.
Maxvalu Tokai Co., Ltd
Maxvalu Kyushu Co., Ltd

Kasumi Co., Ltd.
Drugstores
* Tsuruha Co.,Ltd.
* Kraft Inc.
* Sugi Pharmacy Co., Ltd.
CFS Corporation
* Green Cross Coa Co., Ltd.
* Terashima Co., Ltd.
Medical Ikko Co., Ltd.
Takiya Co., Ltd.

Welpark Co., Ltd.
IINO Co., Ltd.
Kusuri No Aoki Co., Ltd.

Home centers
* Homac Corp.

Convenience stores
* Ministop Co., Ltd.

Department stores
Bon Belta Isejin Co., Ltd.
Bon Belta Co., Ltd.
Tachibana Department Store Co., Ltd.

Specialty stores
* The Talbots, Inc.
* Blue Grass Co., Ltd.
* Cox Co., Ltd.
* Yamaya Corporation
Talbots Japan Co., Ltd.

Laura Ashley Japan Co., Ltd.
AEON Forest Co., Ltd.
Mega Sports Co., Ltd.
Claire’s Nippon Co., Ltd.
NuStep Co., Ltd.
Abilities JUSCO Co., Ltd.
Book Bahn Co., Ltd.
Petcity Co., Ltd.
Mega Petro Co., Ltd.

SC development operations
* Diamond City Co., Ltd.
* AEON Mall Co., Ltd.
Diamond Family Co., Ltd.
LOC Development Co., Ltd.

Financial services
* AEON Credit Service Co., Ltd.
* AEON Credit Service (Asia) Co., Ltd.
* AEON Thana Sinsap (Thailand) Plc.
AEON Credit Service (M) Sdn. Bhd.

AEON Credit Service (Taiwan) Co., Ltd.

Services
* AEON Fantasy Co., Ltd.
Jusvel Co., Ltd.
Reform Studio Co., Ltd.
Zwei Co., Ltd.
AEON Techno Service Co., Ltd.
AEON Cinemas Co., Ltd.
Quality Control Center Co., Ltd.

Food services
Gourmet D’Or Co., Ltd.
MYCAL 1st Co., Ltd.

Food processing, distribution, and other operations
Certo Co., Ltd.
Food Supply JUSCO Co., Ltd.
AIC Inc.
Tasmania Feedlot Pty. Ltd.

E-commerce businesses
AEON Visty Co., Ltd.

AEON 1% Club
AEON Environment Foundation
The Cultural Foundation of Okada

Establishment of the “ÆON Code of Conduct”

We Believe the Most Significant Point of Contact between Our Customers and ÆON Is Our Employees. Therefore, We Have Created a Yardstick that Measures the Daily Behavior and Way of Thinking of Our Employees.

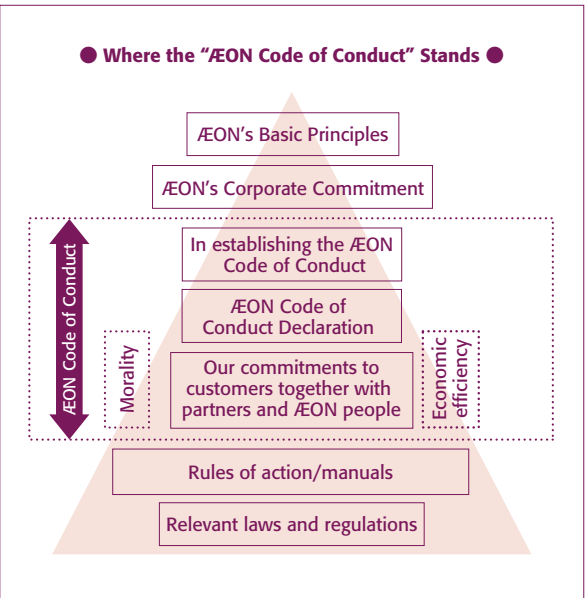
The ÆON Code of Conduct — Everything we do, we do for our customers

At ÆON, we have the “ÆON’s Basic Principles” (see page 2), which comprise the three elements of peace, people, and communities — with our customers at the core. In April 2003 we established the “ÆON Code of Conduct” as the specific guidelines for all ÆON people to share in order to implement these basic principles.

for our shareholders.” The code of behavior toward each pillar is so structured to have adaptability and expandability to allow for a review and revisions as necessary. In other words, the “ÆON Code of Conduct” can be described as the starting point from which each and every one of the ÆON people can pursue an unlimited challenge toward a “future of limitless promise.”



The ÆON Code of Conduct sets forth the five pillars of (1) customers, (2) local communities, (3) business partners, (4) shareholders, and (5) ÆON people. It clarifies our way of thinking and code of behavior toward each of these pillars. In particular, we regard (2), (3), and (4) as the “partners” of ÆON and define the ideal relationship with each of them as follows: For (2), “As a good corporate citizen, we will contribute to the community’s development, working with people in the community.” For (3), “We will work for our mutual prosperity through fair transactions.” For (4), “We will strive for innovative and sound management practices that should bring about higher returns



For understanding and practice by each and every one of the ÆON people

In introducing the “ÆON Code of Conduct,” we held training sessions for top executives of ÆON Group companies as well as heads and managerial officials of retail outlets and offices to help them understand “ÆON’s Basic Principles,” the basic approach to corporate ethics, and the way of thinking demanded under the “ÆON Code of Conduct.” Following these sessions, at the initiative of sections promoting corporate ethics at Group companies and heads of retail outlets and offices, education

programs are being developed and implemented sequentially for new recruits and those with higher job qualifications, as well as for different levels of employees in line with prevailing conditions of different industrial sectors and workplaces.

In training sessions, participants learn from a variety of practical examples how they should behave under the “ÆON Code of Conduct.” These training sessions offer curriculums that help participants deepen their understanding of the “ÆON Code of Conduct” by thinking on their own with the aid of video clips and through group discussions.

Nevertheless, there may still be instances where employees in the workplace each day will be at a loss as to “What should we do in this kind of situation?” or “Is that course of action really right?” In response, we have established the “ÆON Code of Conduct Emergency Call Center,” where ÆON people can have easy access when in doubt. It also functions as a mutual support system that allows the ÆON Group as a whole to share questions and the awareness of problems of individual employees for prompt resolution.

! <http://www.aeon.info/aeoncorp/english/>, and click on The ÆON Code of Conduct



President
ÆON Co., Ltd.

岡田 元也
Motoya Okada

We at ÆON keep reforming ourselves with the aim of becoming a company in which society places confidence as one of the Global 10 retailers. This effort also represents our strong determination and vision to become a “good company” from not only an economic perspective but also a perspective of social responsibility.

We believe that economical growth and social contribution activities, including environmental preservation, should not be traded off under any circumstances, since they are inseparable and at the core of corporate activities. We believe that our customers’ stronger expectations and support for ÆON’s commitment to the development and marketing of safety and environment-conscious TOPVALU private-brand products as well as ÆON’s continued resource saving activities in collaboration with our customers, such as the “My Bag My Basket Campaign,” and the “ÆON Hometown Forests Program” will lead to better branding for ÆON and also provide a massive pool of energy for the next stage of growth. Therefore, we will continue with ceaseless reforms.

Since the start of our business, we at ÆON have upheld the tradition of doing business honestly and fairly. ÆON also has a history of developing our business by gathering together a variety of companies. Through that process, we have nurtured a corporate culture that values “diversity” and “tolerance toward something different.” Last year we welcomed new colleagues from MYCAL and many other companies into our group. At the same time, in order to pursue a group synergy of our organization rich in diversity, we embarked on the “corporate-governance reform” and “group management reform.” These reforms should serve as powerful driving forces for the environmental-conservation and social-contribution activities we undertake as a group. The sharing of know-how and best practices of group companies is a viable compass for all of us at ÆON in our endeavors to build a “good company.”

In reporting on ÆON’s environmental-conservation and social-contribution activities in fiscal 2003, we tried to present a multidimensional report by giving greater weight to the perspective of our group as a whole than last year and also by adopting the approach of the Global Reporting Initiative (GRI), the global standard for corporate reporting.

While continuing to faithfully living up to the expectations for and trust placed in us by our customers, we will devote ourselves to necessary changes without hesitation to achieve the goal of “Toward a future of limitless promise,” as declared in ÆON’s Corporate Commitment.

We would like to ask for your kindest understanding and your comments and suggestions would be most welcome and appreciated.

Establishment of the Risk Management System

We Will Try to Prevent Accidents by Drawing Fully on the Strength of Every Piece of Data Gathered and Imaginative Power. On Top of These Efforts, AEON Firmly Believes in Disaster Preparedness.

The whole group participates in “AEON joint disaster prevention drills,” in anticipation of a Tokai-region earthquake, etc. 

Risks associated with business activities can be found anywhere. They are not limited to economic aspects but could come from human-induced causes or natural disasters. AEON has a common policy shared throughout the entire corporate organization of standing prepared for such risks as much as possible on a day-to-day basis. This means that our customers can enjoy shopping feeling secure and that we can provide prompt and sure-footed support to people who suffer in the event of a disaster that strikes the area of one of our stores.

In particular, regarding measures to deal with earthquakes, it is imperative that we have in place a system under which all employees can respond calmly and act promptly. At present, AEON group companies regularly conduct emergency drills that pay heed to the aspects of both of awareness and action.

On Disaster Prevention Day (September 1) of FY2003 the “AEON joint disaster prevention drills” were held at a total of 1,328 locations across the country. AEON Co., Ltd., AEON Mall Co., Ltd., and MYCAL Corp. carried out such exercises across Japan, while Maxvalu Tohoku Co., Ltd., AEON Credit Service Co., Ltd., Reform Studio Co., Ltd., Book Bahn Co., Ltd., The Talbots, Inc. and other group companies also participated, transcending industry sectors and types of business.

The latest “AEON joint disaster prevention drills” comprised exercises conducted in advance, unified drills carried out simultaneously on the day of the joint drills, and a variety of drills conducted under specific circumstances of each store. The drills in advance included the collection of information from municipal offices, assumptions of damage done to our outlets, and training to use the 171 (disaster message dial) telephone service. Based on this preparatory training, the joint drills conducted across Japan on September 1 covered reporting from each outlet and simulation

training of postquake facility and equipment checks. Drills conducted at the initiative of each outlet also included a variety of exercises, including the direction of customers to safety, announcements using stores’ public address systems, and responses to power failures, as well as the testing of arrangements for intrastore communication and confirmation of the safety of employees.

The drills conducted by group companies were reported to the general affairs department of AEON Co., Ltd., which sifted through drill reports and later disseminated the collected data as feedback of reference examples under specific circumstances to group companies across the country. This effort also shed some light on some improvements necessary, including the unification of drill report forms.

We plan to conduct the “AEON joint disaster prevention drills” regularly on September 1 (Disaster Prevention Day) and January 17 (the anniversary of the Great Hanshin-Awaji Earthquake of 1995), as part of our continuing efforts to enhance our employees’ consciousness and readiness to act.

Moreover, at stores in the Tokai district in the Chubu central Japan region (including stores still in preparation for opening), we plan to install disaster-prevention equipment and conduct drills on the assumption that a major earthquake will hit the district. Information obtained through these regional programs and proposals for safety improvement will be shared by all stores across Japan. Rescue and relief efforts for quake victims are seen to be particularly important during the initial 72 hours after a killer earthquake. We at AEON hope to contribute to community-based disaster-prevention measures through emergency assistance to support residents’ everyday lives, by providing temporary shelters, medical centers, distribution centers for food and other relief goods, and bathing facilities.

Concerning an accident at the AEON Yamato Shopping Center

Early in the morning on November 5, 2003, an explosion occurred at a food waste disposal facility at the AEON Yamato Shopping Center (in Yamato City, Kanagawa Prefecture). Smoke from an unknown source started coming from the food waste disposer installed at the JUSCO Yamato Tsuruma Store, the core store of the shopping center, and the explosion occurred about 10 minutes after the start of firefighting efforts. In the explosion, a total of 11 firefighters and policemen were injured (with three of them hospitalized), with some damage done to the store building.

As of the end of March 2004, the cause of the accident, which caused great inconvenience and worry to residents around the shopping mall as well as our customers and relevant public authorities, is still under investigation by the police and firefighting authorities. Immediately after the accident, AEON also began an investigation of its own into the cause, enlisting the cooperation of the Japan Society for Safety Engineering (JSSE).

Regarding food waste disposal equipment installed at other stores, we are striving to build a thorough system that can absolutely forestall similar accidents, with the head office of AEON Co., Ltd. taking charge of the process of ascertaining a variety

of information, including each store’s procedures to operate the garbage-disposal equipment. AEON recognizes the recycling of food waste as a socially important task. Going forward, we intend to continue efforts to find solutions to the task by choosing optimum measures, including the promotion of recycling through collaboration with registered recycling business operators under the “Foodstuff Recycling Law” and the in-house composting of garbage. We would like to express our apologies anew to the victims of the accident and other affected parties as well as to our customers and society at large, and to ask for your further understanding and cooperation.



The November 5, 2003 edition of The Asahi Shimbun

Security measures for the protection of personal information

A case of AEON Credit Service Co., Ltd.

In the wake of a succession of incidents where customer information was leaked out from companies, AEON is placing particular emphasis on the management system for the protection of personal information. As part of this effort, AEON Credit Service Co., Ltd., which has a customer base of some 12.10 million^{*1}, acquired the certification of the Privacy Mark^{*2} in January 2003.

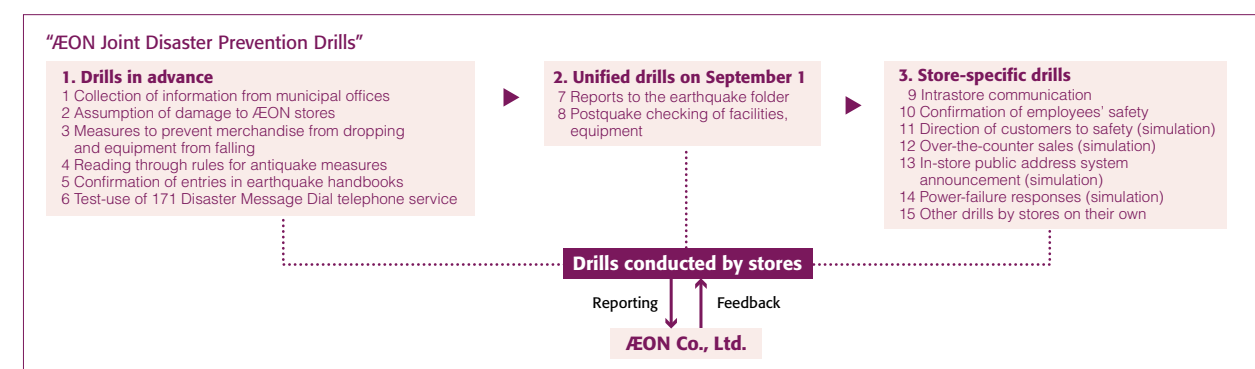
In the certification, the “compliance program on personal information” worked out by the company in 2002 was highly rated. But the company is placing even greater weight on the “education of employees” than on the administration of the compliance program. This is because the company believes that however sophisticated the protection system is, it means nothing if the moral standards of employees are low. The company is providing training programs cover-

ing a wide range of issues from the importance of the protection of personal information and legal knowledge to ethics and manners, not only to its 800-plus regular employees but also to about 2,000 part-timers and about 3,700 field staff, who collect membership applications. Together with very strict controls over the entrance into and exit from data rooms and work there (there is the strict rule in place that denies access to customer information by employees of group companies), the company has established a leading-edge security model.

The company has prepared detailed manuals to deal with possible system troubles and leakage of personal information, and is also taking the initiative in the industry toward the establishment of an organization-wide risk-management system.

^{*1} As of the end of February 2004.

^{*2} The mark a company is allowed to use as a “business concerned with the protection of personal information,” as examined and certified by the Japan Information Processing Development Corporation (JIPDEC).

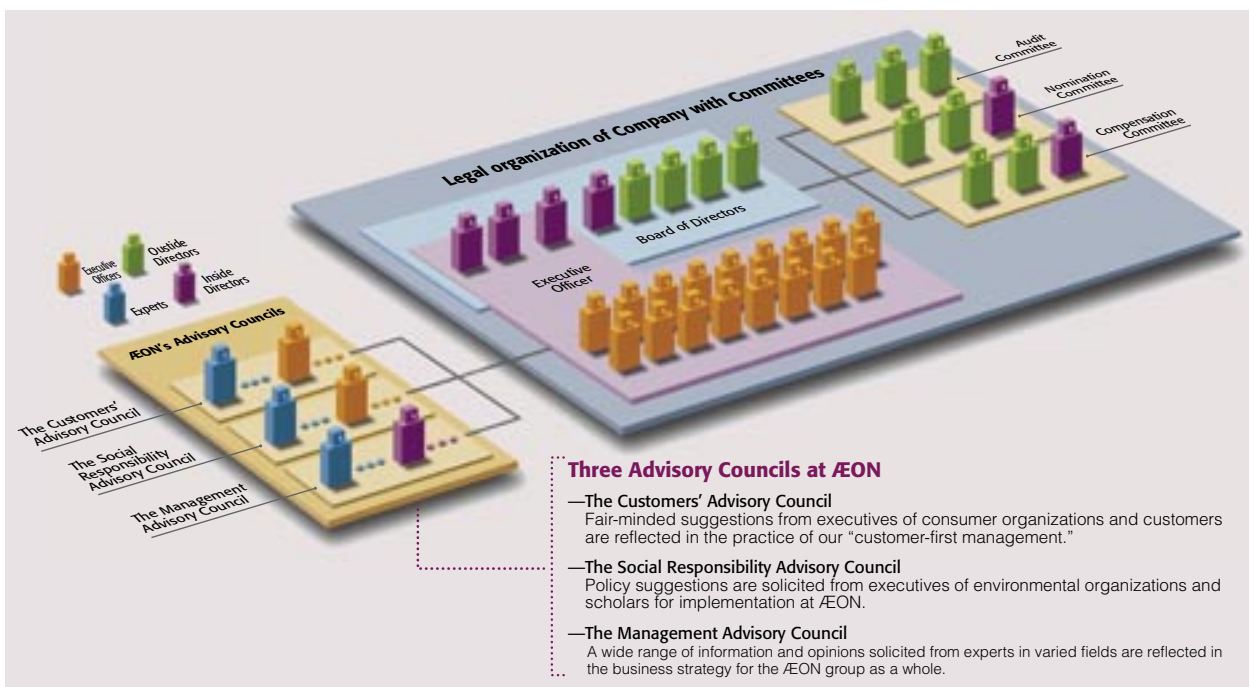


Two Reforms toward Open Management

We Shifted to More Open Management for Mutual Enlightenment and Enhancement.

AEON has a long-term goal of joining the “Global 10” by becoming one of the top 10 global retailers, both in reality and in name, by 2010. In order to secure a group management system of global standards for attaining this goal, we embarked upon two major reforms in fiscal 2003.

For a speedier, more transparent management system – Corporate-Governance Reform



In May 2003, AEON Co., Ltd., the core company of the AEON group, reorganized to a Company with Committees. We made the decision in the belief that in addition to speedier management decisions, it is essential for AEON in the future to have a management system with a viewpoint of greater objectivity and free of exclusivity, opacity, and ambiguity.

Specifically, the new system completely separates management oversight and business execution. Directors devote themselves to the formulation of basic management policies and management oversight, while executive officers conduct business execution more swiftly with greater management authority that extends to cover matters hitherto subject to resolutions of the board of directors, such as issuance of new equity shares and personnel affairs. Executive officers are expected to maintain a high level of management transparency, since their actions are constantly monitored by the board of directors and the three committees (Audit, Nomination, and Compensation) that work with the board of directors. Moreover, AEON has an equal

number of inside and outside directors (four each) sitting on the board of directors. The three members of the audit committee are all outside directors, thus relying on the outside talent to a greater extent than called for under the provisions of the Commercial Code.

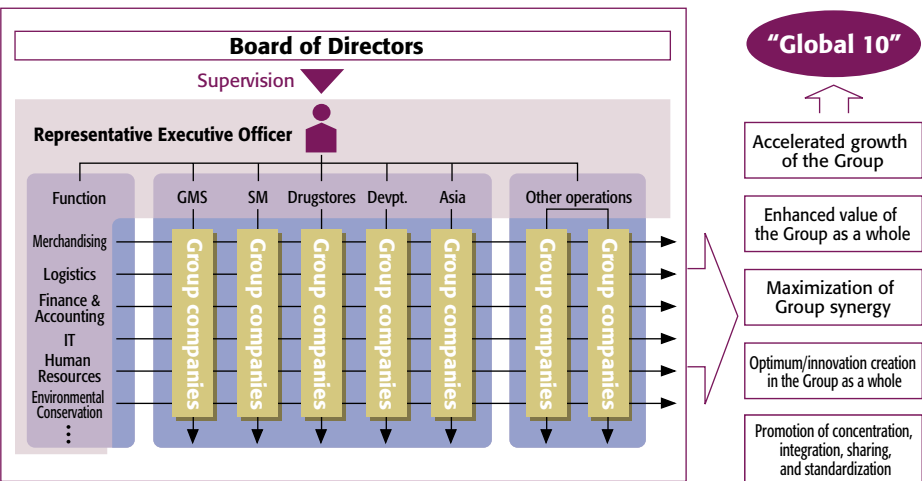
In addition, AEON will establish three “advisory councils” comprising outside advisers and experts, for the purpose of making better use of more of objective opinions.

We introduced a clear separation of functions that should lead to swifter management decisions. We also independently established a management system under which executives are more strictly held accountable. Additionally, we created a mechanism for more proactively gathering opinions and suggestions from outside sources. Thus, our corporate-governance reform is nothing less than AEON's expression of our determination to be a “company that is easy to understand for customers as well as shareholders.”

Seeking to maximize the synergistic effect – Group Management Reform

Another reform initiative with our sights set on the “Global 10” goal is group management reform aimed at drawing out the collective strength of the AEON group. This is designed to pursue best practices in an array of AEON's businesses, including our general merchandise store (GMS) and supermarket (SM) businesses, and also to generate a group synergy unique to AEON by making intragroup collaboration that transcends the boundaries of respective businesses easier. As the first step, we will share examples of successes and know-how kept inside group companies for horizontal utilization across the group. Then we will proceed to develop area strategies others cannot imitate by combining multiple types of business. Needless to say, we integrate information technology (IT), distribution, general affairs, and accounting wherever possible for broad-based streamlining to further promote our EDLP (everyday low prices). AEON as a group can take advantage of the diversity of group companies but also has the concomitant risk of degen-

erating into an inefficient corporate group with a single misstep. If and when AEON acquires the capacity to precisely manage the group's characteristics, the energy that should emanate from the grouping would be massive. AEON can find the customer satisfaction we are seeking only after we build a management strategy from the standpoint of realizing the best for the group while respecting the independence of group companies and synergistically develop economies of scale.



Current situation in the first year of reform and pending problems

Corporate governance needs to remain open for the group management reform to be successful. The two reforms will prove their worth only when they proceed as one. In FY2003, while we made progress in the building of group infrastructure in such areas as IT and physical distribution, we also began to

see some examples that can be recognized as the fruits of sharing within the group, such as the case where the Maxvalu SM chain is utilizing the convenience-store know-how of the Ministop stores in late-night operations.

! <http://www.aeon.info/aeoncorp/english/special>



The Talbots, Inc.

Management of Aeon from the Perspectives of Transparency and Corporate Ethics

Each and every Aeon employee shares the basic understanding that we should be honest with all people who come into contact with Aeon by acting ethically, not to mention compliance with laws and regulations. We the Aeon people will pursue and create a “more open Aeon” together with our customers.

Group Corporate Culture Shared at Home and Overseas

We will Create New Opportunities through Mutual Understanding of New Individuality



New partner MYCAL

●Synergistic effect of “Aeon’s Basic Principles”

On November 29, 2003, MYCAL Corp., which operates the VIVRE and SATY stores, joined the Aeon group. This brought the number of GMS (General Merchandise Store) and SM (Supermarket) outlets in the Aeon group to over 1,000 across Japan, enabling us to provide our customers with greater benefits of economies of scale by expanding and broadening the merchandise we handle and offering joint sales campaigns. At the same time, we now have a much broader

scope for carrying out various activities to implement Aeon’s Basic Principles.

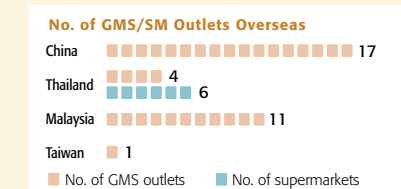
Moreover, given a fresh boost from the know-how and corporate culture accumulated by the MYCAL group companies, the Aeon group companies have also renewed our determination to pursue and practice the “customer first” approach.

The participation of MYCAL gives Aeon an unparalleled tailwind to pursue its ideal. With this as a boost, all group companies will redouble our efforts toward building an “Aeon customers can trust,” through open-minded and multifaceted cooperation and sometimes through friendly cooperation.



Bringing “customer first” overseas

New Aeon stores opened in Taiwan, Malaysia, and China in FY2003, bringing the total number of stores abroad to 39. We hired local people as employees of these overseas stores, contributing to the invigoration of the local economies and seeking to develop community-based business operations. Needless to say, it is our common global practice to seek to implement Aeon’s Basic Principles, in particular offering safety and assurance to our customers.



No. of employees	
(Guangdong JUSCO Teem Stores Co., Ltd.) JUSCO Regent Plaza Store	390
(Taiwan Aeon Stores Co., Ltd.) JUSCO Hsin-Chu Store	610
(Jaya JUSCO Stores Bhd.) JUSCO Permas Jaya SC*	379
(Jaya JUSCO Stores Bhd.) JUSCO Metro Prima SC*	487

*SC (shopping center)

“Strength lies in continuity. I want to continue down-to-earth, community-based store development.”

When MYCAL joined the Aeon group, I was first impressed by the corporate culture that emphasizes “repeated attempts.” At MYCAL, before we joined Aeon, we sort of followed a beeline once the goal was set. At Aeon, however, we change courses quite frequently by listening to various opinions and go about things very steadily. In the education of employees, sales managers, group managers, and expert staff (part-timers) all go through many rounds of training repeatedly, beginning with motivation. I myself already have had three sessions of collective education. One of the positive results is that as you have more meetings, and the exchange of opinions becomes livelier, with opinions increasingly representing the viewpoints of customers.

Needless to say, the speed with which improvements are made accelerated significantly. I thought I had been practicing the principle of “Customer First” before. But I was reoriented toward different aspects of that principle at Aeon, where everyone, from executives to ordinary employees, followed this. At present, 600 people work at this store, and as many as 12,000 customers visit our store on Sundays. This store is like a community. By thinking that way, our involvement with the community takes on an even greater significance. I hope to make this a community-based stable store, something more than a store that just sells merchandise, through low-key steps and by learning from mistakes.

Shigeru Hotta
Store manager, Ibaraki SATY
MYCAL Corp.



In-house and Outside Opinions Are Reflected in Management

We Consider and Practice What "Open Management" Should Be Like with Customers



110 customer deputy store managers active in the second year

●"Customer Deputy Store Manager" System

This is the system under which we invite customers to actually work at JUSCO stores for a period of one year as deputy store managers representing local communities, in order to promote community-based store development. Customer deputy store managers candidly make suggestions from the viewpoint of customers by checking the assortment of merchandise, the quality of merchandise and services, possible improvements on the sales floor, and the ways and manners they observe in waiting on customers. They also make the rounds through shops and talk to customers to solicit their opinions. They also draw out employees' opinions about management, thus contributing to developing a favorable workplace environment. In FY2003, the second year of this system, 11 stores introduced the system to bring to 43 the total number of stores having customer deputy store managers. Amid widespread support for the system among customers, we received applications from over 1,000 customers

across the country, with 110 of them selected to work* at our stores (89 customers in the first year).
*The term of employment for "customer deputy store managers" in the second year is from October 21, 2003, through October 20, 2004.

Examples of improvements based on "Customer Deputy Store Managers"

*Stores in parentheses are where the improvements have been introduced.

The packaged sale item *kandara nabe* (cod stew) in the fresh-fish section is widely known to customers as the local specialty "*dongara* soup." This item was promptly renamed *dongara* soup (cod stew) when brought to management's attention. (JUSCO Yamagata South Store)

Given limited storage space in many houses in the community, we clearly indicated the sizes of storage boxes, with pictures, for *gogatsu ningyo* (dolls for the Boys' Festival), that are space-consuming and usually stored for many years, for reference by customers at the time of purchase. (JUSCO Shinagawa Seaside Store)

The pack of minced pork used to contain 200 grams, while the TOPVALU pack of *gyoza* (steamed meat pie) coats was assumed to contain 250 grams. So we contacted the JUSCO merchandise department and asked them to change the minced pork pack standard to contain 250 grams. (JUSCO Nagoya Minato Store)

Toy plastic blocks in the on-premises Kids Square were dangerous, because they broke easily. The plastic blocks were removed and replaced with toys of spongy material. (JUSCO Hiezu Store)

Store experience-based suggestions for management

●Customer shareholders

We are hoping that customers who regularly visit AEON stores participate in management as shareholders to provide us with multifaceted perspectives that should help us with customer-oriented store development. In line with this, publicly-traded AEON group companies lowered the minimum trading unit of their equity shares from 1,000 shares to 100 shares. This helped broaden opportunities for our customers to become shareholders.



List of companies with the minimum trading unit of 100 shares

- AEON Co., Ltd.
- AEON Kyushu Co., Ltd.
- Maxvalu Hokkaido Co., Ltd.
- Maxvalu Tohoku Co., Ltd.
- Maxvalu Chubu Co., Ltd.
- Maxvalu Nishinippon Co., Ltd.
- Ministop Co., Ltd.
- Diamond City Co., Ltd.
- AEON Mall Co., Ltd.
- AEON Credit Service Co., Ltd.
- AEON Fantasy Co., Ltd.

Communication with more customers and employees

●Utilization of customer comments

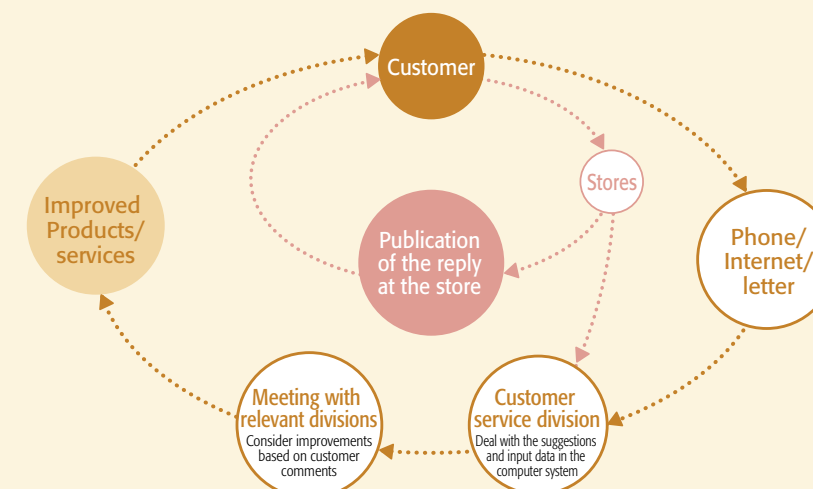
We get many requests, suggestions, and sometimes complaints, from customers. During FY2003 we received comments, through telephone calls and letters, via the Internet, and also directly at the stores.

These customer suggestions and our responses are stored in our database for

use through our intranet and on bulletin boards for employees. We believe the comment of one customer represents the views of many other customers, and one customer's suggestion can be reflected in what we do in the AEON group as a whole.

We also place suggestion boxes in prominent locations in shopping centers. Store managers and deputy managers personally write responses to comments put in these boxes and place them on on-premises public boards along with original cus-

tomers' comments. The number of customer comments and views translates into the number of improvements we can make and opportunities we can take advantage of. Customer comments are invaluable assets for us at AEON.



We make various suggestions from the viewpoint of both customers and AEON.

○ Improvements made so far include the placing of soap in washrooms for children, space for shopping carts in the parking lot, and bicycle racks. As we serve in this job longer, we tend to learn more about such practical amenities needed at stores. To be honest, this job requires much more attentiveness than initially expected. At our store, there are three "customer deputy store managers." Three of us joined hands to conduct a questionnaire survey of customers. Customers were all so cooperative. I was so deeply impressed that I feel we could do much more for customers and for the store. —Nishio

○ As a customer, I loved TOPVALU Kyokan Sengen (an eco-logical brand with products made from recycled resources). Also, I live nearby. So, I was quite eager to work at this store. In the job of "customer deputy store manager," it is pretty tough to find a good balance regarding where I stand. If we forget about the viewpoint of customers, there is no point in three of us being here. By working at AEON in this job, I personally came to think about participation in some environmental activities and social contribution. —Yamaguchi

Taeko Nishio (right)
Mihori Yamaguchi (left)
Customer deputy store managers
AEON JUSCO Shinagawa Seaside Store



Development of a Workplace Where Employees Can Work with A Sense of Security

We Are Striving to Develop a Pleasant Workplace and Enhance Motivation.



Improvement of the workplace environment

In order to create an employee-friendly workplace, it is important to establish solid standards for working hours and other items. For that purpose, AEON holds monthly meetings of safety and health committees at each store and business office in order to secure the safety and health of employees and help promote development of a pleasant workplace. Store managers, supervising managers, employee representatives and labor-union representatives participate in these meetings to discuss ways to maintain and improve the workplace environment.

In-house education system

AEON launched the in-house education system AEON Navi in FY2003 in order to provide all employees with equal oppor-

tunities for education. The AEON Navi system reflects the spirit of the company's foundation that "education is the most important part of social welfare" for growing individuals. The system ensures that everyone, from new recruits to managers and chiefs, can have equal opportunities for education. There is no discrimination in opportunities for education based on classifications of employees.

Welfare of employees

AEON is actively taking steps to secure an environment in which individual employees can work without stress, including improvement of the work climate and procedures, establishment of common rooms, and provision of separate smoking areas. In line with the idea that better welfare measures would go a long way toward revitalization of the workplace, the mutual-aid association AEON Good Life Club is undertaking a wide array of welfare

measures for employees. The club publishes *AEON Time* to support a pleasant lifestyle for employees, providing guidance for a variety of consultation and counseling services as well as ordinary welfare and benefit matters. Also, the AEON Health Insurance Society publishes the informational magazine *Healthy Family* four times a year, proactively supporting the health of employees by suggesting healthy lifestyles.



Community-based employee system

On February 21, 2004, AEON introduced the "community-based employee system" with the purpose of creating a corporate environment that allows employees capable of continuous development to keep working for a long period of time and creating personnel management based on the principle of abilities and results regardless of nationality, age, gender, or employee classification. Under the system, we eliminated the separation between regular employees and part-timers. We regard employees who work at stores in particular areas without transfers or change of residences as "community-based employees," determining their roles, assignments, and compensation according to their capabilities and eagerness to work. By entirely eliminating the differentiation in the roles and expectations,

opportunities for education, and opportunities for qualifications and promotions on the basis of the classification of employees, we have made it possible for those who joined as part-timers to assume posts of managers of medium-scale and small-scale stores by continuously taking on challenging tasks.

●Activities at Maxvalu Tohoku Co., Ltd.

Maxvalu Tohoku Co., Ltd. was the first among the AEON group companies to introduce the system of appointing part-time employees to managerial posts at stores, creating a fair personnel management system based on merit. As of April 2004, three part-time store managers and about 500 section chiefs are in active service. They are all committed to the development of stores that customers like to visit frequently by offering merchandise and services in line with community needs according to what we have heard from customers and others in the community.

●Promotion of Joint Ventures with Disabled Persons

In order to implement the idea of creating a workplace where disabled persons can have a normal working life, AEON Co., Ltd. and Abilities Carenet Co. established a joint venture, Abilities JUSCO Co. and launched the Scrum chain in April 1983. By operating the franchise chain of retail stores, the joint venture is designed to develop new workplaces for disabled persons where they can work alongside the physically unimpaired. As of February 2004 Scrum is operating four stores in Miyagi and Yamagata prefectures.

AEON Welfare Fund

The AEON Welfare Fund was established in September 1977 under labor-management cooperation for the purpose of helping improve the welfare of the severely mentally and/or physically handicapped at welfare institutions nationwide. With a total of 38 group companies participating at present, labor unions and companies contribute 100 yen per employee per month to the Fund, which in turn contributes the money to qualified institutions as facility benefits or volunteer benefits. In FY2003 the Welfare Fund contributed facility benefits to 15 institutions (1 million yen per institution) and volunteer benefits to 320 institutions (50,000 yen per institution plus volunteer activities).



Workers at CD-DVD & book store "Scrum"

“As community-based part-time store managers, we can give full play to housewife power.”

◎ My status is part-timer, but my job title is store manager. Since this was an entirely new system, it was pretty tough at first. Now, as my own management decisions bring results immediately, it is frightening. But, at the same time, I see it as sort of interesting. When a regular employee serves as store manager, that manager may find it difficult to pursue community-based management, as he/she is transferred to another store in a year or two. A part-time store manager is in a position to think about the local community from a long-term perspective, since there is no expectation of transfer to another store. This enables the part-time manager to offer services absolutely necessary in the community.

—Komoriya



Kayoko Komoriya

Manager, Shogunno Store Head of CSM Central District
Akita Sales Department, Sales Headquarters
Maxvalu Tohoku Co., Ltd.

◎ I wanted to work as a part-timer in a light-hearted mood. So, I declined the offer of a job as part-time store manager. I accepted it eventually but only after the company president assured me that the position would not be in name only and urged me to demonstrate my community-based power as a housewife. As I see it, the strength of a part-time store manager who is also a housewife and mother lies in the ability to obtain true voices of customers by exchanging opinions directly with them from a perspective similar to theirs, something a male store manager may not be able to do.

Mitsue Soma

Manager, Nakasen Store Head of CSM South District
Akita Sales Department, Sales Headquarters
Maxvalu Tohoku Co., Ltd.



Developing Shopping Centers That Are Good Neighbors in the Host Communities

We are striving to set up stores that can contribute to communities by reducing the environmental load as much as possible.

In FY2003 we established shopping centers in a total of 20 local communities.

The key points to which AEON is paying particular heed in opening a new outlet are explained below, citing the specific case of AEON Ohta Shopping Center, which opened its doors for business in Gunma Prefecture in December 2003.



The opening of a new store itself may impose a load on the environment.

➡ AEON is engaged in tree planting activities around newly opened stores together with customers in the communities.

In the case of AEON Ohta Shopping Center, we planted 20,000 trees of 54 species, including oak (*Quercus myrsinaefolia*) that grow naturally in the area, with the participation of 48 organizations (3,500 people), including kindergartens in the city. A regulating reservoir on the store premises also serves as a biotope for nurturing the ecosystem.



In anticipation of increased traffic, we took action to prevent traffic jams.

➡ AEON Ohta Shopping Center has customer parking for up to 3,500 vehicles.

In addition, the shopping center has peripheral roads running through the store premises to help prevent traffic jams on public roads. With the cooperation of the municipal government and other quarters concerned, a left-turn approach lane was created, and a bus stop was also established on the premises.



Use of the store premises as a community square is quite welcome!

➡ A large-scale shopping center can also be used as a community square for local residents.

AEON Ohta Shopping Center has such on-site facilities as a local administrative center, an NPO center where information on volunteer activities converges, and the Consumer Life Center, all of which are open on Sundays and national holidays for the convenience of consumers. A mailbox was installed recently in the (indoor) center of the shopping mall.



The key phrase is "Zero-Emission Shopping Center."

➡ AEON Ohta Shopping Center will make all-out efforts toward waste reduction and green procurement.

We introduced a system under which individual employees may not dispose of waste until after they themselves weigh the waste and put it on record, a mechanism to motivate employees to reduce and separate waste materials. Garbage that comes from on-premise restaurants is sent to local specialist firms for composting. We also place emphasis on the use of green equipment and materials. The first floor uses tiles recycled from compact discs.



For the invigoration of local economies

➡ AEON Ohta Shopping Center's store composition: one-third each for local shops, national brands, and newcomers.

This is the benchmark for AEON stores. At AEON Ohta Shopping Center, which comprises the JUSCO store and over 130 boutiques and specialty shops, about 30% of tenants are based in the northern Kanto region (Gunma, Ibaraki, and Tochigi prefectures), but about 60% of them where branching out into Gunma Prefecture for the first time. It is our sincere hope that the Shopping Center will be able to help vitalize the local economy.



We will help create stable employment in the community.

➡ The establishment of AEON Ohta Shopping Center seems just like the emergence of a new town, drawing some one million people each month.

The shopping center has about 2,400 people on its payrolls, including part-timers and temporary workers. Of those, some 1,800 people, or 75% of the total, were hired locally.



“For the community with local people, beginning with tiny steps”

In preparation for the opening of the shopping center, we had many monthly meetings to explain and consider our store plans with local ward headmen and municipal officials. We explained our construction plans, but we also listened to requests from our potential customers. Based on this, AEON Ohta Shopping Center was designed as an inner-city shopping mall with functions of a highly public nature. The balancing reservoir on the store premises was made into a biotope, an idea suggested at one of these meetings. Ducks have taken up residence on the pond, and some have already hatched ducklings. I enjoy watching them during my breaks. The Shopping Center Hall was a venue for taxpayers filing final tax returns for calendar 2003. Our store may be the first to have played that role in Japan. Not only did that please the taxpayers, but the Tax Office seems to have found it very beneficial, because it saved them the cost of

preparing another place for that purpose and hiring extra hands to help taxpayers. We are also getting very favorable customer comments on the day nursery and the room for breastfeeding and diaper changing set up on the ladies wear floor of JUSCO. The other day, one customer told me that a young man living in Tokyo who had been reluctant to come home to his hometown so frequently called his parents to tell them he might consider coming back just to see our new shopping center.

A shopping mall has the potential to alter the lifestyle of a local community. I hope AEON Ohta Shopping Center will prove worthy of such a role. At the same time, I am determined to continue trying new things, however small they might be, so that the Shopping Center can contribute to the local community by going beyond just being a place to shop.

Haruo Shimogishi
General Manager
AEON Ohta Shopping Center
AEON Mall Co., Ltd.





Using the agricultural product management system, a commercial farmer reports on the growing conditions of bok choy via a mobile phone. (Fukuoka Prefecture)

A Look at AEON and Society, How AEON Provides Quality Goods and Services

For these years people expect and demand safety and quality in the products they buy as never before. With regard to our TOPVALU private-brand products and all other goods and services we offer, AEON adopts the following criteria for trading: to be faithful and to please both customers and society in general.

Efforts on Private-Brand Products

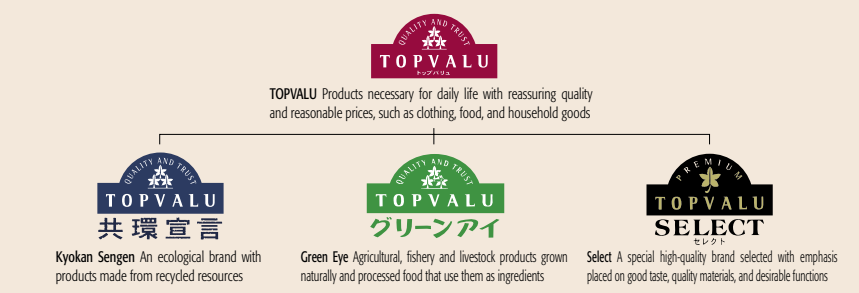
Our Private-Brand Products are created by the voice of customers needs and are developed by AEON's Commitment to Quality and Value.



AEON is committed to safety, assurance, and good faith.

.....
●TOPVALU, unique Private Brand by AEON
 TOPVALU, AEON's private brand (PB) products are developed based on customers' need such as safety in all the sectors of food, clothing, and home furnishing. Currently TOPVALU products comprise some 1,700 items under four sub-brands, which cover a full assortment of basic items, and also include three subsidiary brands. All the TOPVALU products are produced in compliance with AEON's "Five Commitments to Our Customers," with thorough and stringent control in order to satisfy our customers in terms of not only product quality and price, but also health safety and environment conservation.

1. Example: AEON's special efforts in livestock products
 In 2003 BSE and avian influenza caused serious concern in Japan and elsewhere. Amidst such fears, AEON's consistent and continuous efforts to maximize safety and assurance for all the livestock products we sell were highly appreciated by our customers and every quarter of society. TOPVALU Green Eye's Tasmania



- [Five TOPVALU Commitments]**
- 1 Reflecting the opinions of customers in products**
We carefully examine the opinions and functionality of products by inviting customers to be our monitors.
 - 2 Offering reassuring products with consideration for safety and the environment**
We reduce the use of food additives and use raw materials and packaging with less environmental impact.
 - 3 Presenting necessary information in an easy-to-understand format**
We clearly indicate information on nutrition and genetically modified ingredients.
 - 4 Providing products at reasonable prices**
We offer product prices that are more affordable than those of national brands.
 - 5 Guaranteeing customer satisfaction**
We will give a refund or exchange the product if the customer is not satisfied.

Beef is raised on a ranch run by Feed Lot Inc. (Australia) which is owned by AEON, under thorough hygienic management and stringent quality inspection. Beef cattle that are raised on natural grain feed free of meat-and-bone meal, transgenic feed, antibiotics, and growth hormone, adhering to the principles of "natural and high quality," and above all "assurance of

health safety," to provide the tasty and sanitary beef that Japanese consumers want. AEON's consistent diligence for more than two decades is very well known to a broad range of customers as proof of AEON's basic stance toward health safety and providing a sense of assurance when it comes to food.

“ I want to support next-generation agriculture by offering healthful and exceptionally delicious produce. ”

Farm products, of which I am in charge, are produced by individual farmers, rather than large-scale farming enterprises. But even with the personal care given by farmers to ensure safety, there are factors beyond the control of individual farmers. Therefore, AEON cannot be satisfied with only trace checking. To earn customers' continuing confidence in our products, we must go further. One step in that direction is our support for our vision of next-generation agriculture, a holistic approach with consideration for the local farm community, a vision shared by the people of those communities. With agriculture as the core of the rural economy, the community as a whole must properly support the assurance of safety of its products and earn a reputation for the community as one whose products can be trusted, a sort of brand identity for the community. This commitment to quality and safety on a community level is the main

point of next-generation agriculture.

Public awareness of TOPVALU has been rising substantially. Nevertheless, since Green Eye is our TOPVALU food line, we must maintain a reputation for fine taste and wholesome ingredients with the Green Eye brand. Also, because the sense of assurance provided by AEON is based on preventing trouble rather than reacting to it, one immediate task for us is to get people to appreciate that Green Eye products really are better. If our product quality is high in terms of fine taste and serious commitment to safety, and our prices are competitive because of a smaller advertising budget, that is a valuable contribution to society. We hope that people will remember to look past the intensive flashy advertising of our competitors and choose intelligently.

Hiroshi Takahashi
 Director,
 Farm Products Development,
 SSM Merchandise Division, AEON Co., Ltd.



Efforts on Private-Brand Products

With Respect for People's Wisdom and Wishes,
We Deliver the Blessings of Nature.



2. Example: AEON's special efforts on farm products

Organic farming produces crops that are more delicious and richer in nutrients, placing less load on the global environment, than does what has become known as "modern farming," which has been developed to only maximize profit. This is the first guiding principle for TOPVALU Green Eye.

As of April 2004 there are about 3,500 family farms in Japan that supply the bounties of nature to AEON. In order to maintain the maximum level of health safety with food products from so many small farms scattered around the country, AEON has introduced two programs for farm producers: One is AEON's Quality-Control Standards for Agricultural Production, which is

aimed at minimizing health hazards related to fresh fruits and vegetables. The other is the Agricultural-Produce Data-Management System, whose easy input procedures and low running cost allow easy participation, operation, and maintenance with the system for farmers. This system allows farmers to input into and transmit to the system information on the use of farm chemicals and fertilizers as well as growth reports via a personal computer, cellular phone, or facsimile. And AEON staff and customers are able to access information stored in the system at a service counter or at a customer's home. Furthermore, in order to assure the transparency and credibility of these mechanisms as a whole, AEON has

these programs audited by third party.

For the future, AEON hopes to provide information on health safety and assurance that will include not only product information but also such things as recipes.



3. Efforts in labeling and packaging

For the labeling of genetic modifications and allergens in materials for food products, as well, AEON carries out active voluntary inspections and disclosure of relevant information.

AEON has practiced full disclosure of information on genetically modified materials for food products since 1999, in advance of the enforcement in 2001 of the labeling requirements stipulated in an amendment of the JAS Law. Currently, all TOPVALU products subject to the requirements bear the highly visible mark for genetically modified foods on the packages, and details on ingredients are described in a distinctive space separate from the general statutory labeling.

For foodstuffs that may contain allergens, random inspections are carried out on all the products subject to the relevant information-disclosure requirements. For products to be launched later, as well, a system to make it mandatory for them to be subject to presale in-

spections has been established at AEON. Also, for labeling of allergens, information on not only the five types of foodstuffs, inclusive of wheat and buckwheat, that are subject to the labeling requirement, but also all the other 19 types of foodstuffs, including prawns/shrimp, soybeans and gelatin, for which labeling is recommended, is described in a dedicated labeling space on the package in a readily understandable manner.

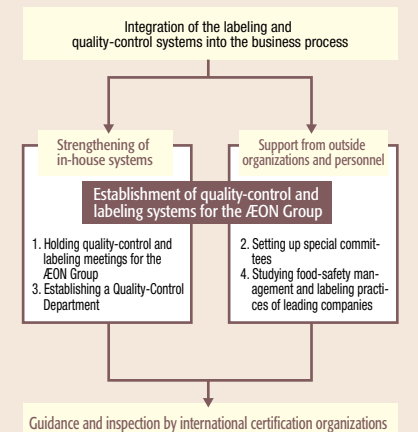
For packaging, we never use polyvinyl chloride, a source of dioxin, and starting with the current fiscal year, biodegradable poly bags* made from sweet potato- and corn-based raw materials have been introduced as AEON's new approach to reducing environmental load caused by product packaging. Also, with the heavy use of returnable containers that see repeated service as intermodal packaging from harvesting through display in the stores, AEON makes strenuous efforts to reduce generation of waste by curtailing packaging itself.

*At first glance, it looks like a transparent poly bag, while this biodegradable package can be disposed of in the same way as ordinary trash, and this new material is reduced to soil nutrients in landfills. In a class at Edogawa Senior High School, presented in the column below, this new material was picked as a topic.

●名称:納豆●原材料:納豆(丸大豆(中国)、納豆菌)、添付調味料【たれ】砂糖、たん白加水分解物(大豆、小麦を含む)、しょうゆ(本醸造)(小麦、大豆を含む)、発酵調味液、食塩、醸造酢、魚介エキス(昆布、かつお、煮干し)(大豆を含む)、水飴、調味料(アミノ酸等)、酒精、酸味料(乳酸)【からし】からし、食塩、醸造酢、酵母エキス、酒精、酸味料、香辛料、着色料(うこん)、ビタミンC、増粘多糖類●内容量:納豆80g(40g×2個)●賞味期限:枠外天面に記載●保存方法:冷蔵庫(10℃以下)で保存してください。
●販売者:イオン株式会社 J547 千葉県千葉市美浜区中瀬1-5-1

●原材料に「小麦、大豆」の成分が含まれています。 Information on allergens
●納豆(大豆):遺伝子組換えではありません。 Information on genetically modified ingredients

AEON Labeling and Quality-Control Systems



In March 2004 a class at Tokyo metropolitan government-run Edogawa Senior High School took up AEON's TOPVALU Green Eye as a theme of discussion. This column introduces some of impressions of the students who attended the class.

“ I believe it is time to pursue not only
safety of farm products but fine taste as well.”

As the successor of an agricultural operation continued from the Edo era over more than ten generations, I feel a special responsibility in running this business. With a farm family of four (my parents, my wife, and myself), we grow carrots in winter, watermelons in summer, and tomatoes in the fall. Previously, I did not know where our products ended up, but when I joined TOPVALU Green Eye through JA (the Japan Agricultural Cooperative) I became highly motivated, knowing that my products were being sold in AEON produce sections. It is a matter of course for producers of any commodity that goes into people's mouths to be conscious of the health safety of the food we supply. I believe the time is ripe for us to pursue good taste of farm products as

well as safety.

We often hear that children don't want to eat their vegetables, but I believe that most of them have never tasted the real thing: truly delicious, organically grown, farm-fresh vegetables. For this purpose, we have launched a pilot program of dietary education at local primary schools. When they learn about the importance of farm products, they stop throwing empty cans into cultivated fields. This and other changes in the childrens' consciousness and behavior are encouraging to us. Agriculture that provides delicious food will ensure the future of the farming business. With that kind of encouragement, I am happy to run our farm business as a supplier for AEON.



Hiroyasu Shinohara
a farmer in
Tomisato, Chiba Prefecture,
a new TOPVALU Green Eye supplier

“ High-school homemaking class discusses
TOPVALU Green Eye ”

- Before, I was only concerned with the recommended use-by dates printed on the packages when buying food products. From now on I will also look for the Eco-mark and the farm chemical-free labeling on the package. (Ms. Azusa Sugata)
- My awareness of farm products has been changed. For us to think of the environment means to think of farm products, and vice versa. (Mr. Hayato Eto)
- I have often seen TOPVALU products, and now I am more interested in them since I have been told about them in today's class. I learned that besides taste, health safety is essential in food products. (Mr. Makoto Iijima)
- Regarding food products I have felt that, it is essential for their vendors to be attentive above all to the interest of the consumers of those products, rather than only focusing on their corporate profit. In this regard, I feel a special respect for the AEON people who took the time to come here and talk about dietary products in our class. Frankly, the AEON people convinced me that they truly make special efforts. (Ms. Yuki Nagai)

- I couldn't believe that food products can be a health hazard by eating, as we must eat to live. It is inexcusable to produce such harmful food stuffs. (Mr. Tomonari Arai)
- I have well understood the adherence of Green Eye to, and AEON's efforts on, environmental conservation. Specifically, I have been impressed with the topic of the biodegradable poly bags made from sweet potatoes, which are reduced to nutrients in soil. It was indeed informative and challenging for us to think about agriculture, food, the environment, and our future. (Ms. Kanae Sakamoto)
- I often go shopping at the nearby AEON (JUSCO) store, while I didn't know at all that they are making such strenuous efforts that we learned about in the class to assure the health safety of food. (Mr. Hirotaka Matsunuma)
- I have been inspired to live in a rural area and grow vegetables myself. (Ms. Kaori Ito)

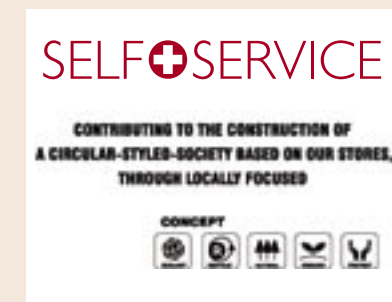
New Interface between the Sales Front and Social Contributions

Working to Link Practices of Product Selection and Use with Social Contributions.



We have launched a program of recovery and recycling of clothes

●SELF+SERVICE



SELF+SERVICE is the ecology-shop chain run by AEON, which offers the customer "a joyful sense of being a smart dresser, while helping to protect the environment." During the current fiscal year, ten additional SELF+SERVICE shops opened in JUSCO stores, bringing the total to 34. In FY2003 a new recycling system was launched in the SELF+SERVICE shops.

The recycling system is aimed at reducing clothing waste, which has been seen as a challenge for the apparel industry. When an item bearing the "Ecomate" mark*¹ sold at a SELF+SERVICE shop will no longer be used, it can be turned in at any SELF+SERVICE shop. With the recycling system (a tripartite collaboration among AEON, used-clothing recyclers and our customers who wish to become active in reducing clothing waste, which amounts to 1 million tons annually), we are trying to do as much as possible by creating a chain for resource recycling.

By working with Nakano Inc., the leading used-clothing recycler in Japan, we have been able to create a system with capacity to handle a substantial amount of clothing waste recovered

at the SELF+SERVICE shops. During the period from "Recycling Day" (October 20*² of last year), when the recycling system was launched, to the end of the fiscal year (February 20, 2004), some 3,000



articles of clothing were recovered. In order to increase the amount recovered, SELF+SERVICE plans to expand the volume of clothing waste included in the recycling system by including clothing and textile goods not bearing the Ecomate mark.

Notably, for polyester-based products among the recovered items, AEON is considering developing new products from the recycled raw materials by capitalizing on the proprietary chemical recycling technology*³ owned by Teijin Fiber Inc. Furthermore, in the spring of this year AEON is starting a new partnership with Fair Trade Company, Inc., which deals in Fair Trade commodities using organic cotton and natural dyes. But we want to go beyond selling clothing made from recycled materials and clothing made from new materials designed to be re-

cyclable, and actually be a forum in which customers can participate and thereby contribute to society. This kind of customer involvement is the objective of SELF+SERVICE.

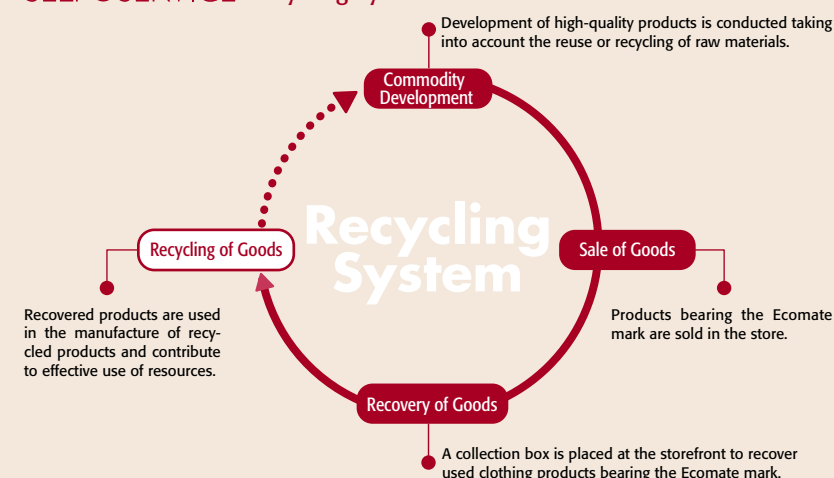


*¹The "Ecomate" mark is attached to a product certified by the Japan Apparel Industry Council as "a commodity adopting design conducive to recycling."

*²The numerical expression of October 20 (10/20) connotes "one cycle" and "two cycles."

*³With the use of the proprietary Teijin chemical recycling technology, various raw materials can be obtained from recovered textile products. Therefore, this technology contributes to reduction of oil consumption.

SELF+SERVICE Recycling System



Customers have provided business opportunities for us

●Fair Trade coffee

"There is a consumer movement named Fair Trade. How about developing AEON's storefront into a place where many more people can freely participate in international contribution activities by capitalizing on the Fair Trade campaign?" This suggestion was contributed to the AEON 21 Campaign (see page 26).

"Fair trade" means such activities as purchasing goods and raw materials on a continual basis from socially and economically disadvantaged areas at prices appropriate for the labor input, thus encouraging self-support of producers in these areas. In the U.S. and Europe,

many business enterprises are committed to fair-trade practices.

As a result of field studies of the support mechanism and local producing areas, through cooperation with UniCafe Co., Ltd., we have been able to put two types of Fair Trade coffee (powder) from



An Indonesian newspaper reported, "A company named AEON came from Japan for an inspection tour."



Members of Linton Organic Coffee Producers Group, Indonesia.



Indonesia in AEON stores since September 2003. Later, partly because the product was reported on by the mass media, we received from all over the country numerous inquiries about Fair Trade coffee. Currently, Fair Trade coffee is also available from the AEON online shop.



UniCafe Co., Ltd. uses raw materials accredited by "TransFair," an international NPO. Fair Trade coffee bears the accreditation mark of the NPO (see photo above.)



We received a letter written in Japanese from a local producer, saying: "I am hopeful to deepen our partnership."

"This is an activity that we absolutely wish to continue, regardless of how difficult it may be."

A suggestion from a customer to the AEON 21 Campaign triggered our commitment to Fair Trade coffee. We thought that we understood the concept of Fair Trade, but as we actually tackled fair-trade practice, we became aware of its profound dimensions. We are asked not only to help local producers through the purchase of coffee beans, but also to develop those coffee beans to a product that would provide value to customers. Also, we become responsible for communicating requests of Japanese customers to local producers and for explaining to our customers that their purchases

could help improve the lives of local producers. We were able to launch the Fair Trade coffee through collaboration with NGO staffs and coffee roasters, and now we believe that a long-term continuous commitment is the most important thing for this activity. We are proud of these very constructive activities that answer the customers' voices expecting AEON to respond to and at the same time contribute to bettering the lives of those local producers and their families. We hope to expand our fair-trade practice over other product lines. (Nakaya)

Masakazu Nakaya
Manager, TOPVALU Group,
Commodity Strategy &
TOPVALU Division, AEON Co., Ltd.



Fumito Miyasaka
Staff member in charge of SSM,
Merchandising Group,
TOPVALU Division, AEON Co., Ltd.

Establishment and Promotion of the AEON Supplier CoC (Code of Conduct)

AEON Accepts Accountability, All the Way Down to the Manufacturing Processes



Purpose for introducing the CoC



In recent years, sophisticated communication vehicles, notably the Internet, have evolved, and global civil society has matured quite a bit. Today, the behavior of a multinational corporation can have a decisive influence on the lives of working people, on communities, and on stakeholders. All goods sold by AEON to customers are required to be safe and of high quality. In the years ahead AEON will have to be accountable for those products, all the way down to how they are produced.

In this regard, we believe we must assume social accountability. We must be able to explain to our customers, at any time, not only that a particular product is reasonably priced and of good quality, but also that the factory

turning out the product runs its manufacturing operations in compliance with the relevant state and local laws and regulations governing workers' human rights, the workplace environment, labor standards, and the environmental requirements. In other words, AEON assumes responsibility not only for quality control but also for the whole manufacturing process. To begin with, we have requested our contracted manufacturers of AEON's private brand TOPVALU products to comply with the AEON Supplier CoC.

The AEON Supplier CoC by no means asks that they meet some special requirements. Rather, it basically requests our suppliers to observe the relevant state and local laws and regulations.

The AEON Supplier CoC aims to assure workers producing AEON products that their human rights will be respected, that they will be assured of appropriate wages, safe and hygienic working environments, and environmentally friendly factories. The CoC further aims to help maintain high quality of AEON goods, circumvent unforeseeable risks to both AEON and our business partners, and thus afford AEON smooth global sourcing of our merchandise.

Some developments

In May 2003 AEON held explanatory meetings inviting some 400 contracted manufacturers of TOPVALU products, and we obtained their signed declaration assuring their observance of the AEON Supplier CoC, with confirmation from their manufacturing subcontractors. In July briefing sessions were held in Shenzhen, Shanghai, and Qingdao (China), and Bangkok (Thailand), inviting representatives of manufacturing contractors of TOPVALU products, and they were requested to understand the objectives of the AEON Supplier CoC and to observe its rules. Starting last September, we have been sending via the Internet advance questionnaires on the CoC to our contracted overseas factories and obtaining their answers. Our evaluations based on those answers are presented to our business partners and contracted factories. With these efforts, we have helped individual factories determine where they fell short in compliance. And, now we have launched auditing activities by both AEON itself and by accredited auditors.

In the months ahead, we are also planning auditing activities for our contracted manufacturers in Japan.

Plants to Which AEON Has Commissioned Manufacturing
(about 250 plants in 24 countries throughout the world)



Requirements of the AEON Supplier CoC (Code of Conduct)

Suppliers are requested to comply with statutory standards of social responsibility enacted in the countries where they run manufacturing and sourcing operations.

Observe Laws and Regulations Comply with Laws and Regulations of Relevant Countries

1. Child labor Illegal child labor is prohibited.
2. Forced labor Forced, prison, or restricted labor is prohibited.
3. Occupational safety, hygiene, and health A safe and healthy workplace must be provided.
4. Freedom of association and the right of collective bargaining Employees' rights must be respected.
5. Discrimination Employers must not discriminate against employees on the basis of religious belief or birth attributes, such as race.
6. Discipline Employers must not impose harsh discipline on their employees.
7. Working hours Laws and regulations on working hours must be observed.
8. Wages and benefit packages Laws and regulations on wages and benefit packages must be observed.
9. Management responsibility Suppliers are asked to sign a declaration promising to observe the AEON Supplier CoC.
10. The environment Suppliers are asked to engage in prevention and control of environmental contamination and destruction.
11. Business dealings Suppliers are asked to observe the laws and regulations governing business dealings.
12. Certification, auditing and monitoring Suppliers are asked to receive certification, auditing, and monitoring under the AEON Supplier CoC.
13. Prohibition of gift giving Gift giving between AEON employees and our suppliers is prohibited.

Auditing and monitoring systems

Efforts and improvements at the supplier's site that have been carried out to comply with respective requirements stipulated in the CoC must be properly confirmed by some verification mechanism.

The AEON Supplier CoC not only presents requirements for suppliers but also asks both AEON and our suppliers to carry out auditing and monitoring programs in order to help contracted manu-

facturers of AEON products observe the AEON Supplier CoC by identifying problems to be rectified and providing appropriate advice and instructions.

Objectives

AEON and our business partners make unified efforts to help the contracted manufacturers of "TOPVALU" products observe their workers' human rights and to improve the work environments in their factories, working conditions, and their environmental-conservation practices to

a degree such that both AEON and our suppliers will fulfill their social responsibilities in these areas. And, through these efforts, AEON provides "health safety, assurance, and integrity" for our customers with regard to purchasing and using AEON products.



Shipping work of green asparagus sold by AEON



Workers at Swift Co., Ltd.

“We received a written message from Swift Co., Ltd., Thailand regarding the AEON Supplier CoC.”

The mission set out by AEON to audit their suppliers and vendors on "CoC" greatly impressed all of us at Swift Co., Ltd. The audit is very thorough and professional.

The corporate policy of AEON, the mission, and the auditing have created direction and awareness, not only on human rights and working environment, but also on fair treatment to all as well as other ethical and environmental safe-guarding practices of the business entities that supply goods and services to AEON.

The policy will directly and indirectly create a gentler and better world that we are live in. As one of the leaders in the corporate world, AEON has a great impact through its call for ethical business practices.



Paichayon Ua-Thaveekul
Chairman (right)
Paphavee Susavyvat
Managing Director (left)

ÆON Activities Developed Solely from Customers' Viewpoints

Suggestions Delivered by Customers Constitute Valuable Driving Energy for ÆON.



Customers envision an ideal ÆON

ÆON 21 Campaign

As "Customer First" is the main pillar of our management concept, ÆON wishes to think and act together with our customers at all times to create "a future of limitless promise." To achieve this objective, we launched the "ÆON 21 Campaign" to invite customers and ÆON employees to make suggestions. The campaign was initiated in 2001 when JUSCO was renamed ÆON. The third round of the campaign began in 2003.

The campaign theme for the third

round was: "I would be very happy if I had such and such stores, services, and goods available. I would be very happy if I had such and such an ÆON." Suggestions from customers totaled 23,644, and there were 120,685 suggestions from ÆON employees. Specifically, more than double the number of customers' suggestions were received than in the second round of the campaign, and we fully realized again customers' keen interest in ÆON activities.

Their ideas so far offered have been successively implemented as innovative ÆON businesses, which include Food Artisan, and the "Appointment of a customer as deputy store manager" scheme (see page 12). It is our important mission above

all for ÆON to help enrich customers' daily lives. ÆON will continue seriously heeding customers' opinions and promoting efforts to make ÆON something customers would see as ideal.

●Food Artisan

Tying in with local food producers who maintain traditional taste, ÆON puts country dishes and local delicacies in our showcases, thus helping these producers maintain the excellent local dietary cultures. Some customers suggested this in the first round of the ÆON 21 Campaign, and the activities of Food Artisan are true to the spirit of that request. As of January 6, 2004, a total of 172 items have cleared ÆON's stringent screening. Choice products under Food Artisan, including miso soybean paste, soy sauce, fermented soybeans, and alimentary yam paste, delight many customers.

Furthermore, the Food Artisan activities are highly appreciated by the Coordinating Committee for Local Food Certification Standards sponsored by the General Dietary Bureau of the Ministry of Agriculture, Forestry and Fisheries. As a result, the leader of the Food Artisan Secretariat has been appointed as a member of the Coordinating Committee and assumes an active role. Of course,



we intend to further expand the Food Artisan activities to contribute to further development of local economies.

●Try-On-at-Home Service

In May 2003 our "Try-On-at-Home Service" was introduced at seven JUSCO stores on a trial basis. This allows aged and/or physically disabled customers to



try on clothes in the comfort and privacy of their own homes. This service is also an implementation of customers' suggestions presented to the ÆON 21 Campaign. For the future, ÆON plans to strengthen publicity of this service, going

through local social-welfare organizations and volunteer groups to create an environment conducive to inviting many more customers to take advantage of this unique service.



●Day nurseries

In response to many mothers' requests saying, "On occasion, I want to enjoy shopping at my leisure, liberated from care for children," some ÆON stores have set up day nurseries. As of March 2003, 29 ÆON stores have such nurseries in operation.

CS All-Stars

ÆON's "CS All-Stars" are elected based on nomination by ÆON employees and praise from customers. CS All-Star is a title given to ÆON employees who best practiced "Customer First," and in FY2003 a total of 1,948 employees were recognized by this title.



Enhancement of Net (online) Shopping

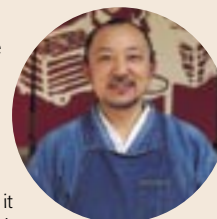
The Web site aeonshop.com, which enjoys among the highest levels of traffic among mail-order Web sites, has been redesigned for easier use. New content is placed in a section providing detailed information on the goods advertised in TV commercials. And there is an interactive question & answer function to further improve user friendliness of the Web site.



I Am Hopeful to Communicate Japanese Dietary Culture to People of All Ages

Even in Shimonita, which is called the genuine-yam-paste-producing area, in the manufacture of yam paste mechanization has become predominant, and we are now the only producer of handmade yam paste as far as I know. Yam-paste manufacturing, which represents Japan's unique dietary culture, is in a critical situation, indeed. "Mother's recipes" please us, because dishes cooked with loving care provide taste unique to your family. Even if you have absolute confidence in the ingredients you have selected, it is very difficult for you to communicate this difference attributable to the personal touch in cooking to other people. In this regard, if a major supermarket chain picks up our product through its Food Artisan activities and likes it, it is a much more persuasive endorsement for consumers than if I go around saying, "My handmade yam paste is delicious." In fact, since we have

been supplying our products to ÆON, the numbers of inquiries about our yam paste have increased sharply. In the handmade-yam-paste class sponsored by our craft center, I have met some 1,500 participants spanning a broad range of age groups over the past three years. I believe it is my mission to pass on the history and culture of yam paste to these people. Consumers' judgments of the appropriateness of pricing certainly varies when they know the true value of yam paste. It pleases me most when customers come again to our craft center, saying: "I want to eat yam paste again."



Mr. Shinya Sasaki
Representative, Craft Center for
Handmade Yam Paste,
Gunma Yamafugu Original House

It seems one of our important services is to sometimes raise an objection against a customer's choice

Receiving a customer by putting ourselves in the customer's position is one of the basics for us. At least we have the Customer Reception manual, but it lays down only the basic principle of "Customer First," and in actual service for customers, the sense of the individual salesperson is regarded as important.

In my case, I feel that the basic practice is to find out what product is best suited for the customer and recommend it. Therefore, if a customer selects a product saying, "This seems a little too big, but I guess I'll take it anyway," I may protest, because in

the case of running shoes in particular, a wrong size may damage his/her feet.

Such honest service impressed a customer whom I had gotten to know at our Hadano store, in Kanagawa Prefecture, who took the trouble to visit me at an ÆON Narita store in Chiba, where I had transferred. He said he had dropped by, since he happened to be in the neighborhood, but before coming he checked by telephone to see if I was there.

I had never felt so great about the way I do my job!

Mr. Makoto Jitsunari
District Manager in charge of
Kumagaya and Ota,
Marketing Division, Mega Sports Co., Ltd.



Promoting Adoption of Universal Design

Toward a Convenient and Comfortable AEON for All Customers

As AEON hopes that each of our stores can also be a better public space, we actively adopt the concept of universal design that “everyone can use with convenience and comfort.” To this end, it is essential for us to pursue much fundamental “convenience and comfort,” which include barrier-free store structure, our basic attitude toward services, and the skill levels of AEON employees. We will accomplish these tasks by thinking and learning together with our customers.

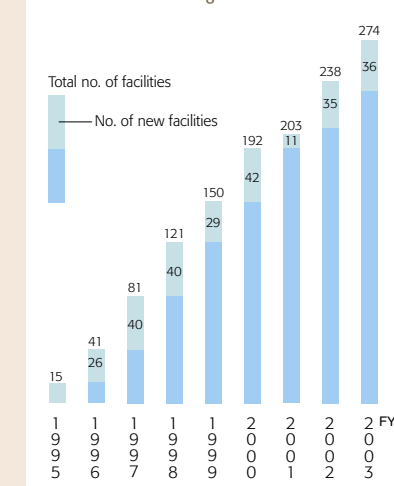
1. What can be done in stores, store facilities



In FY2003 we acquired certification under the Heart Building Law* at 36 AEON stores. Also, AEON's own AEON Heart Building Design Standards were formulated to help develop store architecture in a sophisticated and attentive manner.

*For the purpose of promoting construction of buildings that will be friendly for the elderly and the physically disabled, the Law also stipulates building standards. The Law was enacted in 1994.

Trend of Heart Building Law Certified Facilities



The photos on this page were taken at Diamond City Hana in Kyoto.



Wheelchairs and shopping carts attachable to wheelchairs are provided.



The width of passageways and the height of service counters are decided upon in consideration of customers in wheelchairs.



The priority elevator is another idea that came from a customer's suggestion, saying, “In the congested hours, shoppers in wheelchairs find it difficult to use the elevators.”



A courtesy telephone is provided in the entrance lobby for the elderly and/or physically disabled to call for special assistance if they need it.



Steps on floors are reduced to a minimum, and most of the carpets are soft.



Parking spaces and pedestrian passageways for exclusive use by users of wheelchairs are indicated with clear and large signs.

2. What can be understood and recognized

●Action on the Law Concerning Assistance Dogs for the Disabled

In October 2003 the Law Concerning Assistance Dogs for the Disabled went into force. This law makes it mandatory for every facility used by the general public to accept guide dogs and other assistance dogs for the disabled. At AEON, since September 2002, before that law went into effect, we have initiated development of an environment to accommodate assistance dogs at every AEON store. In FY2003 we conducted at 37 AEON stores the “Guide Dog Fostering Support Fund-Raising Campaign” (started in 1989) and “Let's Know More About Assistance Dogs (Guide Dogs) for the Disabled Campaign”



(sponsored by the National Federation of Associations of Guide Dog Fostering Facilities) in support of activities to accommodate customers' guide dogs.

The poster at right is for employee education.
Courtesy: Japan Assistance Dogs Academy (an NPO)



Enlightenment poster from the Ministry of Health, Labor and Welfare



3. What everyone can do

●Support by AEON employees

At AEON Ohta Shopping Center (see page 16), opened in December 2003, all staffers who serve at the information counters attended sign-language classes. At other AEON stores, many employees have learned about such things as the handling of wheelchairs and proper techniques for assisting visually impaired customers, to improve their skills in support of the elderly, the disabled, and assistance dogs.

“Parking spaces for the physically disabled must be reserved for that purpose.”

Our shopping center provides, at a site near the store entrance, parking spaces for 20 cars for exclusive use by the physically disabled. Sometimes these parking spaces are occupied by cars of ordinary visitors, and therefore are not available for their designated purpose. This is because ordinary customers are yet to understand how much space is required for customers in wheelchairs to get in and out of their vehicles, or the extent of their difficulties in doing so. While being aware of the parking spaces reserved for the disabled, these careless customers park without particular concern, saying: “No problem for just a few hours.”

Accordingly, we have decided to launch this year a campaign, titled “I will not park in spaces reserved for

the disabled.” This campaign run by our shopping center is aimed at supporting the activities of Mr. Yukiya Watanabe from Oga City to raise awareness of reserved parking for the disabled. Through this campaign, we aim to create a forum where customers in wheelchairs personally contact ordinary customers and emphasize the importance of the reserved parking spaces.

Specifically, our shopping center will provide places for campaign events and support Mr. Watanabe's activities in various ways. I am hopeful that when mutual understanding between the disabled and ordinary customers makes progress, effective use of our parking spaces for the disabled will be achieved.

Mr. Yuzo Fujiwara
General Manager,
AEON Akita Shopping Center,
AEON Mall Co., Ltd.





Link between AEON and the Environment that Connects AEON Stores to Communities and the Earth

There are AEON stores all over Japan, and they are important business bases for us.

At the same time, every AEON store serves as a major forum for us and the local people on what AEON can do and how people can also get involved to help us do good things for the community and for the environment.

Development of Communities through Tree-Planting Activities

In FY2003 We Planted a Total of 310,000 Saplings in 60 Locations.
Let's Plant Many More Trees.



.....
AEON nurtures dreams for the future and
our feelings for the local community
.....

●AEON Hometown Forests Program

AEON has been continuing tree planting activities for years, in which we plant, together with our customers, a large number of saplings, mostly at the sites of AEON shopping centers. This program is aimed at making our new shopping cen-

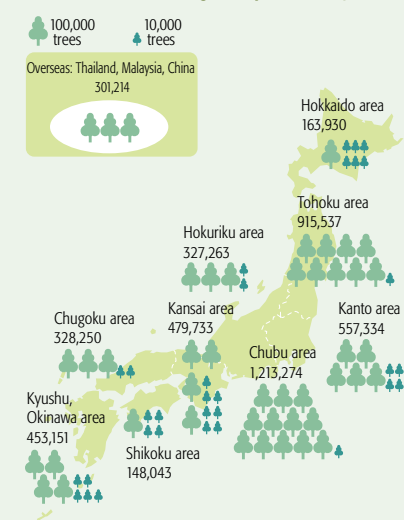
ters rich in greenery, to provide attractive and pleasant public space around our stores for the local community. Regarding selection of tree species and other aspects of tree planting, we have asked for the guidance of Professor Emeritus Akira Miyawaki, Yokohama National University, and in accordance with his instructions, we have adopted a policy of planting several dozen tree species indigenous to the locality all together to let them vie with one another in growing.

The tree-planting program is being carried out at AEON stores not only in Japan but also overseas. Our first tree-planting project started in 1991 at our Malacca store of Jaya JUSCO Stores, Malaysia and our distribution centers. To date, we have planted some 4,890,000 trees at 411 sites. These days we are often asked by tree-planting volunteers during construction of new AEON stores, "When does your tree-planting event

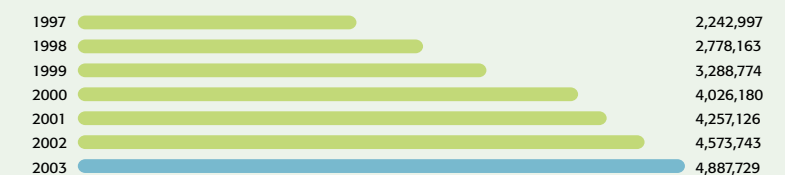
start?" Also, around Green Week in late April every year, we hold our Tree Growing Festival at AEON stores nationwide together with local volunteers, which helps assure the healthy growth of planted saplings, as the volunteers help us prune and weed. In FY2003 events of the Festival were held at 125 locations nationwide, and everywhere many volunteers enjoyed doing some gardening for the benefit of the community.

Besides these events, AEON places strong emphasis on environmental-conservation activities in various forms and in diverse local areas, through tree-planting and reforestation efforts. (See page 40 of this report and the pages of the AEON Web site mentioned below.) For the future, we are planning to contribute to tree-planting and environmental-conservation activities based on a broad outlook, not limited to AEON stores and facilities.

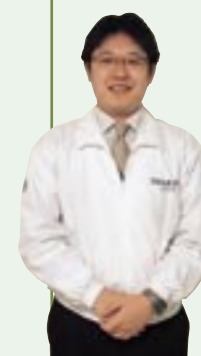
AEON Hometown Forests Program Map (as of February 20, 2004)



Cumulative Total of Trees Planted



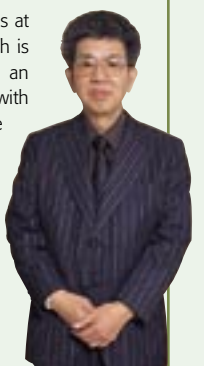
“ We will share and nurture the pleasure of having planted trees with community people ”



Mr. Tomosachi Matsumoto
Shopping Center Marketing Department,
Diamond City Co., Ltd.

◎ Frankly speaking, since I was in charge of sales promotion, at first I simply saw AEON Hometown Forests Program as one of the events to pull in more customers in connection with the environment. However, joining the event and actually seeing the expressions on participants' faces, I felt that it would be a happy experience indeed to see the planted trees growing day by day. Parents looked happy as they saw the delight their children were taking in the event, and in such an atmosphere I myself felt good. And, I could envision how our store a decade later would be as firmly settled in the local community as those trees would be and how I could tell my children about this experience. I await the chance to do so.

◎ I enjoy working in my garden growing vegetables at home, while the AEON tree-planting event, which is conducted together with customers, provides an atmosphere of store development together with local community people that is even more pleasant for me. In the event, I assumed the job of preparing saplings and handing them to customers, who seemed to be studying the corner where they would plant the trees. On the occasion of our store opening, customers had already planted their mementos, and it was indeed a day to always remember.



Mr. Yoshiaki Suzuki
Store Manager, Magic Machine
Diamond City Hana Gojo Store,
Reform Studio, Co., Ltd.

Activities to Get Customers Involved with AEON

AEON Day on the 11th of Every Month Provides an Occasion for Us. We Seek Such Activities Every Day.



Getting further involved in the community together with customers

●AEON Day

On the occasion of renaming our company AEON in August 2001, we proclaimed the 11th of every month henceforth as AEON Day. Under the themes of "Ecology" and "Returning Favors to Local Communities," AEON carries out, as a corporate constituent of the community, various activities together with customers to contribute to society. Events of AEON Day include the "AEON Happy Yellow Receipt Campaign," under which goods valued at an amount equivalent to 1% of all customers' purchases (according to their yellow receipts deposited in a box) on the 11th of the month are donated to volunteer organizations in the local community, and "AEON Clean Road," in which volunteer AEON employees do sweeping in areas neighboring the store premises. And, with AEON Day having been held a number of times, it has become firmly established in the local community. AEON Day is also positioned as a day for every AEON employee to think afresh about the spirit of "Customer First" and remember to act accordingly.

●AEON Happy Yellow Receipt Campaign

The "AEON Happy Yellow Receipt Campaign," held on AEON Day (the 11th of every month), is an activity to support, together with our customers, volunteer organizations that engage in activities contributing to society and are deeply rooted in their local communities. The campaign has been expanded to AEON stores throughout Japan.

Specifically, the campaign encourages customers to deposit the yellow receipts issued for their purchases on AEON Day in a special



box for the campaign, which is placed within the store premises, and then goods equivalent in value to 1% of the total amount of the collected yellow receipts are donated to local volunteer organizations. By choosing goods that serve the objectives of volunteer activities, the campaign is intended to give something back to the local community.

The sum total of the posted yellow receipts in FY2003 amounted to 5.52 billion yen, and 55.21 million yen, or 1% of the total sum, worth of goods was donated to 8,005 organizations.*

During the period between the inception of the campaign in 2001 and February 2004, the "AEON Happy Yellow Receipt Campaign" was implemented at AEON Co., Ltd. and 13 other AEON Group companies, and was able to donate goods equivalent to 113.42 million yen to 16,887 organizations (cumulative total).

For the future, too, AEON will strengthen ties with customers in local communities through the "AEON Happy Yellow Receipt

Campaign" and at the same time try to enhance AEON employees' awareness of this and other volunteer activities.

*Cumulative number of organizations for the first and second half of the fiscal year

●New ties with the community

The "AEON Happy Yellow Receipt Campaign" has been appreciated by members of the recipient organizations, and at the same time has further strengthened AEON's ties with our customers and the recipient organizations. The campaign has served as a catalyst for developing new ties between AEON and volunteer organizations in the communities, including participation of the recipient organizations in our tree-planting activities and their holding of bazaars in the AEON store parking areas to fund their charitable work. Placing importance on these relationships, AEON will continue these activities in cooperation with the local communities.



Ms. Komatsu, Manager for JUSCO Gamagori Store (left) presents a pack of paper tissues and trash bags worth 7,200 yen to Mr. Obata, Vice Principal of Shiotsu Primary School.

●AEON Cleanup Activities

Under the "Clean & Green Activities" (volunteer cleanup activities by AEON employees), AEON has been continuing cleanup activities for public facilities in parks and at rivers and the surrounding areas of AEON stores since April 1991.

Since January 11, 2002, in parallel with the "Clean & Green Activities," "AEON Clean Road Activities" have been conducted in cooperation with the "Volunteer Support Program" run by the Ministry of Land, Infrastructure and Transport. In the Clean Road Activities, volunteer AEON employees engage in garbage collection on sidewalks and pedestrian overpasses/underpasses and



cleanup of zones planted with trees adjacent to national roads near AEON stores.

Some AEON stores and establishments participate in cleanup activities of the "Adopt a Road Program" sponsored by municipalities. Through these cleanup activities, AEON appeals again inside and outside the company our basic corporate philosophy of "AEON wants to assist in the development of the local community and the enhancement of living culture in partnership with people of the local community." For the future, as well, in keeping with our values as a corporation, emphasizing "Everything we do, we do for our Customers" we will further expand our activities as a good corporate citizen.

●The AEON Clean Road Activities Are Conducted at 151 Locations



“ We capitalize on diverse support from businesses in child-care programs ”



A scene of the "Training Camp for Fifth- and Sixth-Grade Primary-School Students" held in August 2003, at Otaki Canyon Juvenile Tour Village. Campers try their hands at unfamiliar cooking tasks in an annual Cooking Competition. Participants enjoyed the 4 days and 3 nights of camping, also participating in sports and trying the "Test of Courage."

Our center engages in charitable activities for children, which include offering them opportunities for experiences in real life and to understand the world around them, helping children develop the physical and intellectual abilities they will need, and participating in the Mie Child Line.* Further, we have been running child-raising support programs, by taking into consideration the current social situation. We are very grateful to corporate well-wishers for their assistance, and copy paper donated by the "AEON Happy Yellow Receipt Campaign" is used for our public-relations activities.

*This is a dedicated telephone help-line service that accepts calls from anyone 18 years of age or younger. Telephone counselors are young people in the age span between senior high school students and the age of 25, who listen to anything from troubles to requests for advice.

Ms. Keiko Kamaya
Administrative Director,
Matsuzaka Children NPO Center
(a Chartered Nonprofit Organization)

AEON Work-Study Programs for Customers

Laughing A Good Deal, Being Deeply Impressed and Learning — These Experiences Foster Children's Abilities



For the children

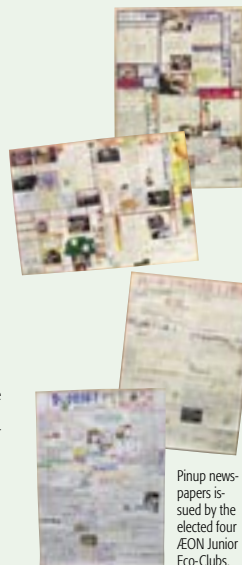
●AEON Junior Eco-Clubs

With the aim of providing our children, who will lead the next generation, with opportunities for learning about the environment, the Ministry of the Environment has put forward the "Junior Eco-Clubs" since 1995 to support activities providing pupils with opportunities to learn about the environment and practice environmental protection in the local community. In agreement with the Ministry's initiative, we have set up AEON "Junior Eco-Clubs." And the AEON Group as a whole has been actively promoting the activities of the Junior Eco-Clubs. In FY2003 a total of 138 Clubs, with 3,314 pupils and 354 supporters, conducted diverse activities using AEON stores nationwide as their bases.



Activities of the Junior Eco-Clubs nationwide for each year are summarized in their "pinup newspapers," and one single Club is elected from each prefecture as its representative. In FY2003 four AEON Junior Eco-Clubs were elected prefectural representatives and invited to the "Junior Eco-Clubs National Festival in Sendai" sponsored by the Ministry of the Environment. They were Shimoda Store "Shimochan Club," AEON Higashine Junior Eco-Club, AEON Yasuoka Junior Eco-Club, and AEON Park Place Ohita Store Junior Eco-Club.

Mr. Ejima, Mayor of Shimonoseki, encourages slightly nervous members of AEON Yasuoka Junior Eco-Club.



Pinup newspapers issued by the elected four AEON Junior Eco-Clubs.



Studying Living Organisms in Rice Paddies
AEON JUSCO Tsuchizakaminato Store

On August 6 this activity was carried out in Sennan Village, Akita Prefecture. Though it was a hot day (exceeding 30 degrees Celsius), the 46 young researchers looked for frogs, fish, etc.



Tree Planting Activity at Mt. Udo
AEON JUSCO Shimizu Store

In the "Forest of AEON Junior Eco-Club," which was planted last spring, replanting work was carried out to replace dead saplings. Participants thoroughly enjoyed a bit of nature.



Gathering to Observe Nature in Akita
MaxValu Tohoku Co., Ltd.

For the purpose of letting pupils know more about nature's wonders in Akita Prefecture, this gathering was held in October in the midst of the fall season. They enjoyed viewing autumn leaves and gathering acorns.



Work-Study of Rice Planting and Harvesting
Five stores of AEON Kanto Company: JUSCO Chiba New Town Store, JUSCO AEON Narita Store, JUSCO Narita Store, JUSCO Kamatori Store, and JUSCO Takanekeido Store

The work-study was cosponsored by AEON "Junior Eco-Clubs" and the "Art of Agriculture Foundation with Flowers and Greens." A total of 32 pupils tried their hands at harvesting black rice, a natural ancient rice species.



Visit to Shinohro Power Station
AEON, JUSCO Tottori Store

Pupils visited the hydroelectric power plant and learned about the processes for generating electricity by utilizing the flow of water. They also witnessed an experiment with a carbon battery.



Bird Watching
Ryukyu JUSCO Co., Ltd. JUSCO Naha Store

On November 23, a bird-watching event was held in cooperation with the Environment Conservation Section, Naha City, and a total of 23 pupils and support staff participated. With binoculars in hand, they watched birds at the Marsh for Aquatic Birds Center.



Pupils' Study of Ecology
MaxValu Hokkaido Co., Ltd.

During the spawning season for salmon, "salmon watching" was held at the Kotonihassamu river. Many pupils enjoyed their personal contacts with nature.



Cleanup Activities at Local Rivers
AEON Kyushu Co., Ltd., JUSCO Karatsu Store

Cleanup activities were held with the catchphrase "Let's Clean up Tamashima River to Make It a River Where Salmon Can Live." The activities went so far as to include carefully picking up trash from the bottom of the river.

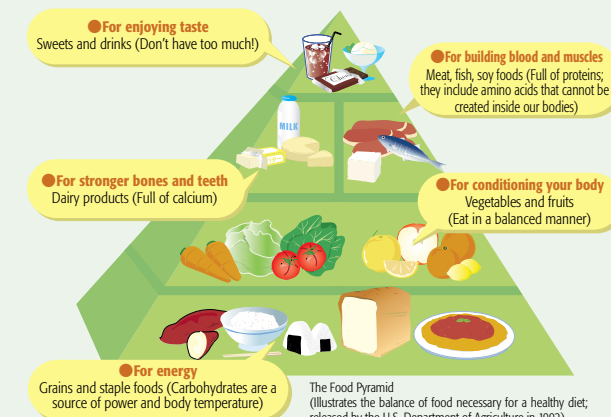
●"Five a Day" Campaign

In order to help consumers eat healthy diets, AEON has been promoting the "Five a Day" Campaign. This campaign for improving the diet recommends that consumers eat five servings of vegetables a day (70 grams per serving) and 200 grams of fruits. As a part of the campaign, AEON promotes activities of dietary education, which include dietary classes for primary-school pupils, a parent-and-child "Harvesting Work-Study Tour," and the "Let's Do Five a Day" event, which provides cooking demonstrations with healthy menus by dietitians at the storefront.

The dietary classes convey the impor-

tance of a well-balanced diet to pupils through interactive learning, and as of March 2004, the classes were held at 19 locations nationwide. More than 1,000 pupils attended the classes. In the "Harvesting Work-Study Tour," participants toured areas where fruits and vegetables destined for AEON's produce sections are grown. They also experienced personal contact with the farmers through their participation in harvesting work. Nearly a thousand parent-and-children teams go on this work-study tour annually.

The cooking demonstrations of the "Let's Do Five a Day" event present healthy menus focusing on vegetables.



In the "Harvesting Work-Study Tour," parents and children together take up the challenge of harvesting cabbages and Japanese radishes.



A scene at an AEON storefront on the occasion of the "Let's Do Five a Day" event.



In the dietary classes, a safe method for making salad (without the use of a knife) was demonstrated, and participants found the locally harvested seasonal vegetables delicious.

“I want to see the children, who will lead the next generation, enjoy being in touch with nature.”

We want the staff of our affiliate stores to be aware of the advantages of rice grown with reduced usage of agricultural chemicals. To this end, Ministop Co., Ltd. has been holding the "Visiting Tour to See Rice Cultivation with Reduced Use of Agricultural Chemicals" annually, and now we are going into the 5th year of the tour.



*For details please see "Ministop Environmental and Social Report 2004" (p.20)

In FY2002, as well, with the help of our contracted rice farmers, we were able to hold five visiting tours. A visiting tour is highly regarded by participants, as they can better appreciate the toil and trouble of rice

farmers through farm work such as rice planting and harvesting. The rice growers welcome these visitors, saying, "Hearing from the sales staff who sell our rice makes us feel good about what we do." So the visiting tours, which deepen exchange between rice producers and rice marketers, contribute to improving the quality of rice.

Furthermore, in principle, participants in the tour take their children with them, because another purpose of the tour is to expose children to the wonders of nature. Starting this year, customers may also apply to join the tours. Accordingly, we are hopeful to communicate the importance of learning from nature to many more children.

Mr. Ryuji Takemoto
Director, Merchandise Department for Rice, Noodles, and Bread, Commodity Division, Ministop Co., Ltd.



Environmental Conservation Activities Started at AEON Stores

Together with Customers,
We Want to Do What We Can.



Saving precious resources

●Bring Your Own Shopping Bag Campaign

(Initiative to reduce the number of plastic shopping bags used)

Plastic bags supplied at the cash register are made from petroleum and quickly become waste in need of disposal. Since 1991 AEON has been implementing the "Bring Your Own Shopping Bag" campaign as an AEON resource-saving activity with customer participation. This campaign serves not only to reduce the amount of refuse generated, but also to save petroleum resources and reduce emissions from municipal incineration plants.

Initiatives for cutting down on plastic shopping bags

- 1 Asking customers to bring their own shopping bags to reduce the total volume of shopping bags used
- 2 Selling My Basket and My Bag as a part of the campaign
- 3 Handing out only the required number of shopping bags to reduce the volume of grocery bags used
- 4 Developing shopping bags that are 10-20% lighter in weight

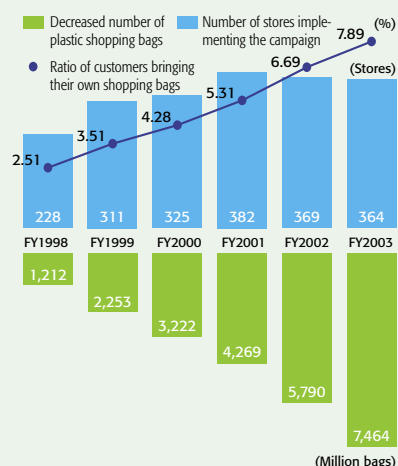
Resource-saving effect (in the case of AEON Co., Ltd.)

Saved approximately **12,897 barrels** (2,579,516 liters) of petroleum



According to calculations by the Association of Plastics Manufacturers in Europe (APME) the amount of energy consumed to manufacture 1,000 plastic shopping bags (petroleum equivalent) is 32 kg.
Decreased number of bags in 2003 (74,638,784) x 0.032 kg = 2,388,441 kg.
1 kg petroleum = 1.08 liters (taken from "Energy: A Warning from the Future" by the Research Institute of Economy, Trade and Industry); thus consumption of petroleum was cut in FY2003 by 2,388,441 kg x 1.08 liters = 2,579,516 liters
2,579,516 liters / 200 liters = 12,897 barrels

Ratio of customers bringing their own shopping bags, and decreased number of plastic shopping bags (in the case of AEON Co., Ltd.)



《 My Bag and My Basket 》

As part of the effort to reduce usage of plastic bags, we offer "My Bag" and "My Basket" as products for sale. Customers favor My Bag and My Basket as a packaging system that enables them to bring back the purchased items rather than use store-supplied plastic bags. My Bag got a design makeover in May 2003. Also, cumulative usage of My Basket, which was developed based on suggestions from our customers, amounted to 539,353 units.*

*Reckoning period: May 1, 2001 to February 20, 2004



●In-Store Recycling

Since before the enactment of the Containers and Packaging Recycling Law in April 2000, AEON has set up at the storefront collection boxes for aluminum cans, styrofoam food trays, beverage cartons (for milk, etc.), and PET bottles (in certain areas), and has been promoting recycling activities together with our customers. By recycling recovered resources into "TOPVALU Kyokan Sengen" products for sale, AEON calls on many more customers to



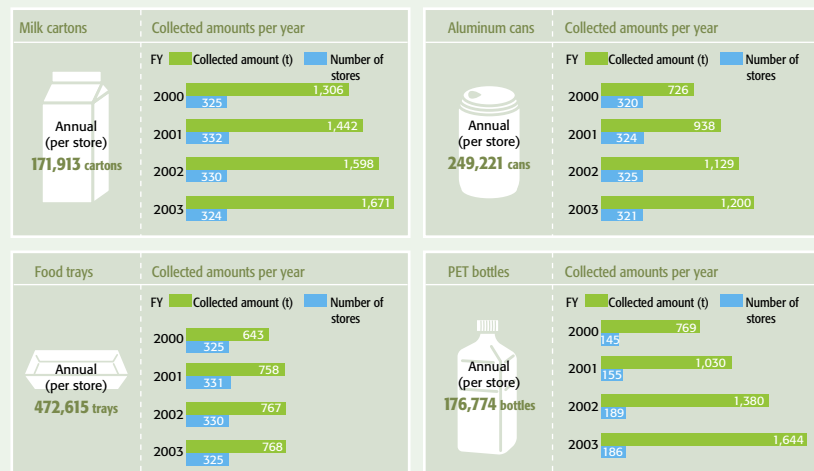
join in the recycling of packaging. As the amounts recovered increase, however, the recovered batches of packages have been increasingly contaminated by packages that have not been rinsed out and packages made of the wrong materials.

Therefore, in FY2003, explanatory stickers were attached to recovery boxes to help customers easily sort recyclable packages. For the future, too, AEON will continue these recycling activities together with our customers.

Products utilizing recycled materials <examples> (Effective use of materials collected in-store)



Collected amounts per container (in the case of AEON Co., Ltd.)



Numbers were derived based on the following weights: milk carton (1,000 ml) = 30 g; aluminum can (350 ml) = 15 g; food tray = 5 g; and PET bottle (500 ml) = 50 g.



Activities for a more environmentally friendly cycle of usage of farm products

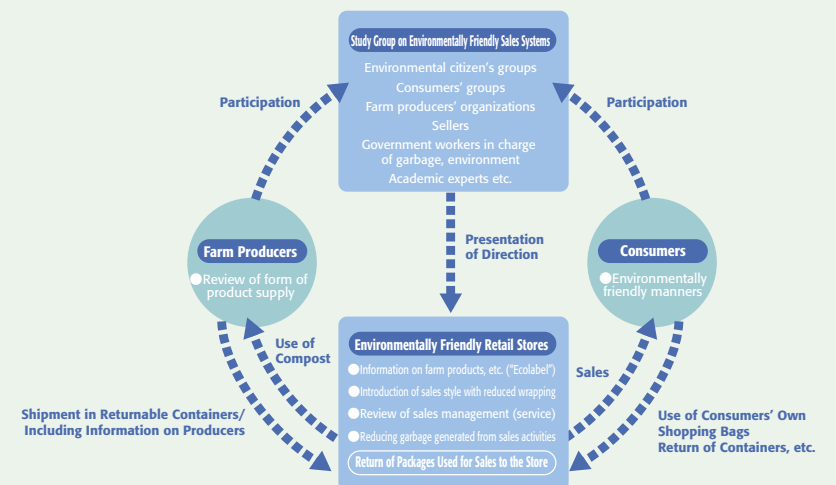
●Experiment of "Local Production, Local Consumption" in Kyoto

When the main players in all the processes from production to distribution, sale, consumption, and waste disposal become able to communicate and organically connect with one another, the cycle of usage of farm products can have a dramatically reduced load on the environment. AEON has participated in the "Workshop for Environmentally Friendly Sales Systems" established on the initiative of Professor Kazuhiro Ueda, (Environmental Economics), Graduate School, Kyoto University, joined by interested parties among consumers, NPOs, distributors, local government, and farmers. The pilot program started in 2001 aimed at promoting a usage cycle of farm products more friendly to the environment, in which participants were asked to make utmost efforts in implementing the program, started with points in the area of production, distribution and consumption with the best promise of results. AEON actively participates in this program by providing the infrastructure for the distribution and sale portions of the experiment.

Specifically, the infrastructure for the experiment is our JUSCO Higashiyama Nijo store, in a neighborhood that houses many students from Kyoto University. Obtaining the cooperation of the local women's society, in early summer every year, we hold a workshop on preparing and enjoying locally produced Kyoyasai vegetables, which includes a tasting fest. In June and July, the peak months

of the harvest season for Kyoyasai vegetables, more than a score of Kyoyasai vegetable species, such as Kyo-nasu (eggplant) and Kamo-nasu, make it to the produce section of our JUSCO store. In the workshop, producers of these fresh farm products communicate to customers not only messages of their nice taste and how to cook them, but also their special advantages, such as, "As they are locally produced, they are very fresh," "As they are crops in season, they are good for the health," and "The producing area is very close to the location of consumption, so the environmental load for their transportation and storage is rather low." The experiment of "Local Production, Local Consumption" initiated at our JUSCO Higashiyama Nijo store, which features the concept "locally produced

foodstuffs prepared in the local style and consumed locally," has expanded to four JUSCO stores in Kyoto and attracts attention as a new proposal for a cycle of usage of farm products friendly to the environment.



“Rulemaking for an environmentally friendly usage cycle of farm products through concerted efforts of consumers, NPOs, distributors, local government, and farmers”

To achieve environmentally friendly sales requires more than changes on the part of distributors and retailers alone. Producers must use environmentally friendly growing techniques and attach information about their environmental friendliness to the products they ship. Based on this information, consumers will favor such products, as they will appreciate the benefits to both the environment and their own health. What kind of information should be provided and how? In this regard, it is essential for consumers, farmers, environmental groups, local government, distributors, retailers, universities, and many other actors to share information and recognition with one another. In our Workshop on Environmentally Friendly Sales Systems, these players gathered to examine

specific environmentally friendly approaches and menus. Then, obtaining the collaboration of JUSCO Higashiyama Nijo store, promising approaches were put into practice on a test basis. Based on findings from this experiment we revised the menu, and have continued experimentation and gradual improvement in this way over the past three years.

The players in production, distribution, consumption and local government assembled together for consultation, and carried out pilot programs in retail stores and farm operations. And I believe these endeavors could suggest guidelines for developing a recycling-oriented society.



Mr. Kazuhiro Ueda
Representative, Workshop on Environmentally Friendly Sales Systems, Professor in Environmental Economics, Graduate School, Kyoto University

Environmental Conservation Activities Started at AEON Stores

We Keep Our Eyes Open for Contributions We can Make, Even in Routine Daily Business



Reductions in CO₂ emissions and garbage

Activities in our business to prevent global warming

Activities to hold global warming in check are going on beyond national borders and localities. The progression of global warming is faster than expected, and to manage the situation, more aggressive control efforts are sought. Reducing CO₂ emissions and slowing the tide of global warming are positioned as a common challenge for the entire AEON Group. Therefore, in FY2003 AEON carried out diverse activities to reduce CO₂ emissions. Our efforts in implementing the "Idling Stop Campaign" in everyday operations, reducing power consumption by diligently turning off unneeded lights, etc.,

and reducing the use of the store-supplied plastic bags by encouraging use of "My Bag," as well as other daily efforts are sure to reduce CO₂ emissions caused by our business activities.

In FY2003 reductions in crude oil consumption contributed substantially to stemming CO₂ emissions from AEON business activities. However, in the future, extension of business hours and increases in floor space of AEON stores will tend to increase CO₂ emissions. Therefore, it is necessary for us to adopt control measures that make use of low-emission energy sources and to increase tree planting to absorb more emitted CO₂.

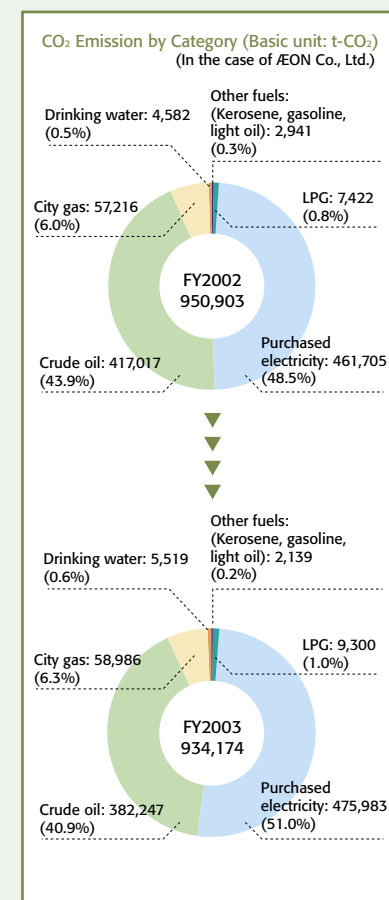
In this regard, AEON has been promoting energy-saving efforts by introducing a "cogeneration system," which generates energy from exhaust heat from gas turbines,

and by adopting a comprehensive energy-saving system.

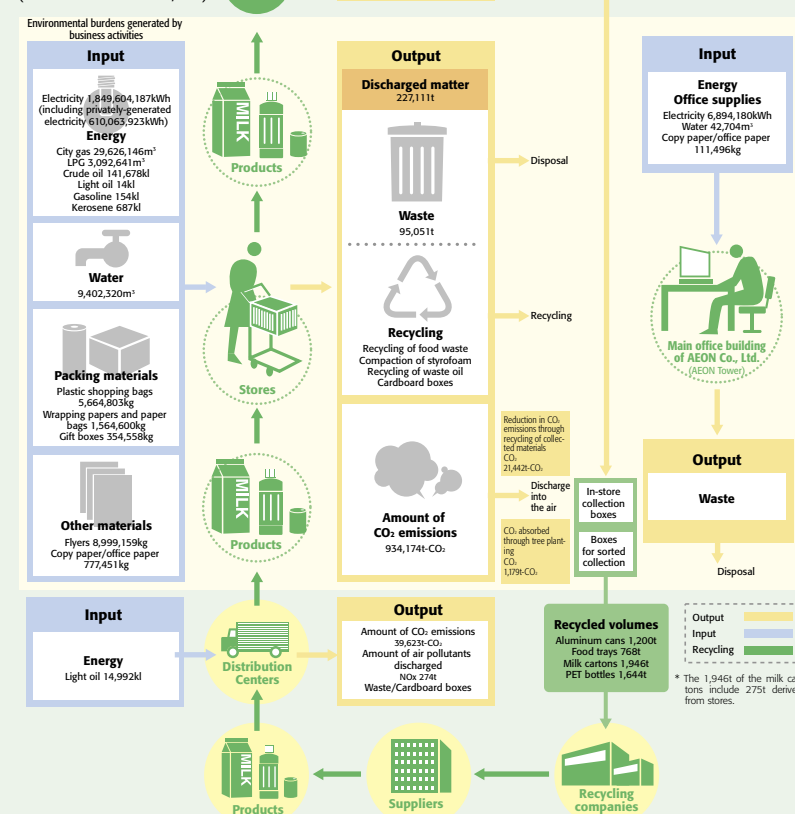
Tree Planting Operation in Australia

In order to acquire CO₂ emission credits, AEON has engaged in joint tree planting operations since FY2003 near Adelaide, Australia. This operation involves the planting of eucalyptus trees, a species native to Australia, in meadowlands at a rate of 1,000 hectares a year. In 10 years this will create a total of 10,000 hectares of new woodlands.

Through this tree planting operation, beyond acquisition of CO₂ emission credits, AEON has been markedly contributing to the conservation of forest resources, prevention of salt damage, and recovery of the local economy.



Environmental Impacts Generated by Business Activities (In the case of AEON Co., Ltd.)



Waste reduction

In order to effectively use limited resources and create an ideal recycling-oriented society, it is vital to reduce and reuse waste. AEON addresses the challenge based on the 3R: "Reduce" (create less waste), "Reuse" (use existing products as many times as possible) and "Recycle" (utilize waste as resources).

Specifically, in an effort to reduce the amount of food waste discharged from our

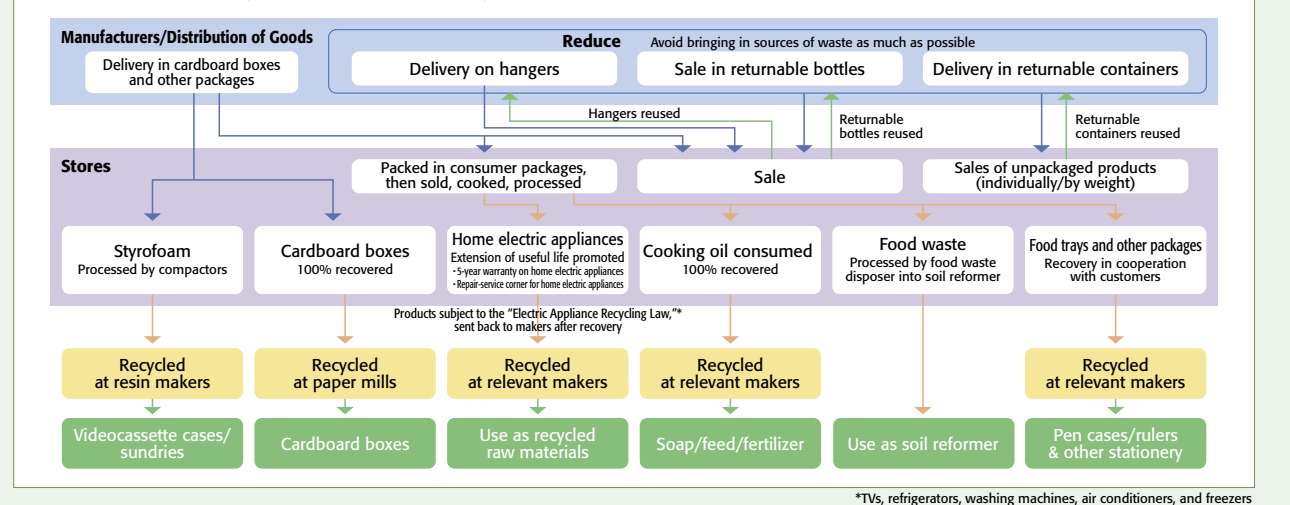
stores, AEON has introduced food waste disposer composters. As of February 20, 2004, a total of 77 food waste disposer have been installed, which serve to reduce food waste by 16 tons a day on average.

Also, for transporting fruits and vegetables, we have been using a total of 13.01 million returnable containers, which have reduced the use of cardboard boxes (which soon become waste) by 16,649 tons. For clothing items, we have em-

ployed reusable hangers for delivery of a total of 14.15 million items and also have reduced cardboard boxes by 1,179 tons.

In addition, we have developed biodegradable bags made from corn and sweet potatoes, and have recycled all the recovered cooking oil to produce soaps and fertilizers. Therefore, we at AEON promote our environmental-conservation activities in our routine daily business.

Flow of Waste Reduction (in the case of AEON Co., Ltd.)



"To me, the challenge is to strike a balance between the pursuit of taste and reduction of waste. Much more effort is needed."

For a restaurant, reduction in cooking hours is an important point. That leads to reduction in garbage produced. In our case, to prepare and cook vegetables in the restaurant kitchen takes time, and it generates 15 tons of garbage annually. But, with the use of cut vegetables prepared by the central kitchen, generated garbage is now reduced by some 450 kilograms. With the use of portion packs, waste of sauces has been reduced remarkably. For cutlets and other fried foods, oil filters are being installed in fryers on a trial basis to reduce the amount of cooking oil consumed. Cardboard boxes for foodstuffs have been replaced with returnable containers, for a reduction of some 400,000 boxes annually.

Restaurant staff have become increasingly aware of the importance of waste reduction. Young part-time workers are impressed with this, saying, "I have learned here something I never learned at home," while housewife part-timers have their own secret techniques, which we sometimes accept gratefully.

As we merged with Jack Co., Ltd. in FY2003, we have been faced with the new challenge of reducing materials used for takeout. We are looking at what they do in other sections of the supermarket, hoping to find good ideas that may lead to further reductions in generated waste.

Mr. Yoshimichi Sekiya
General Manager, CS Department,
Gourmet D'Or Co., Ltd.



Activities to Contribute to Society as a Good Corporate Citizen

With Customers, Toward “a Future of Limitless Promise”



AEON 1% Club

The AEON 1% Club, which operates on funds contributed by AEON group's blue-chip companies with 1% of their pretax profit, carries out diverse range of activities under the themes of “Environmental Conservation,” “International Cultural and people to people Exchange,” and “Revitalization of regional cultures and local communities.” Donations in fiscal 2003 were



The “Cambodia School Construction” project : A total of 149 school premises, far exceeding the original plan, have been constructed under the project. Some 80,000 children have been given a chance to go to school.



AEON Environment Foundation

The AEON Environment Foundation was founded in 1991 to carry out and support conservation projects both in developing countries and Japan, on a permanent basis. In FY2003, with the theme of “To protecting nature's ecosystem,” the Foundation publicly invited applicants for grants. As a result of strictly fair selection, of 180 applicants, 103 were awarded grants, totaling 100 million yen. Cumulative grants since the establishment of the foundation to date amount to 1,177,970,000 yen.

So far, the Foundation has carried out



Shiretoko Peninsula—Forest Rebirth & Tree Planting Activity : In October 2003 more than 100 volunteers participated in planting some 1,000 broadleaf trees.

! <http://www.aeon.info/1p/>
<http://www.aeon.info/ef/en/>

778 million yen and total donations to date equal 6.31 billion yen.

FY2003 was the final year of our three-year fundraising project of “Cambodia School Construction,” started in 2001. Our fund-raising activities conducted at the various AEON Group stores in the year were a remarkable success. In our “Ecological Musical” for the current fiscal year, the third work, titled *Tengu no kakurezato* (Hidden village of the Long-Nosed Goblin) was staged. The performance played at



Ecological Musical : Kids in fish costumes dance and belt out songs, with such heart and soul as to evoke cheers and applause from the audience.



Reforestation Of Habitat for the Japanese Crested Ibis in Sado : The development of forests that will provide habitats for ibises was carried out. Release of ibises into the wild there in a few years is planned.

the “Great Wall of China and Forest Revitalization Project,” a three-year program initiated in 1998, and tree planting in Angkor Wat, Cambodia. In FY2003, the Foundation actively promoted three tree planting projects in Japan. The first, continued from the previous year, was the “Shiretoko Peninsula Forest Rebirth & Tree Planting Activity.” This five-year project will continue through 2006. Also, aiming at release of *Nipponia nippon* (ibises) into the wild, the “Reforestation Of Habitat for the Japanese Crested Ibis in Sado” project was promoted. And in Kagamihara in Gifu Prefecture, at the site of

60 venues nationwide to a total audience of 67,292 and successfully conveyed the importance of environment conservation. In August, the Club launched the “AEON Eco Tour in Germany” to produce opportunities for children, future leading generation to think about ecological issues. In all, 48 primary school pupils and junior high school students participated in the tour visiting an eco-farm and wind-power stations, acquired valuable experience in Germany, an environmentally advanced nation.



“AEON Eco Tour in Germany” : The housemaster of an eco-farm explains the environmentally friendly facilities. Students are reminded in a vivid way of the importance of protecting the environment.

massive destruction by a forest fire in 2002, the “Gifu Forest Rebirth and Tree Planting Activity on Land Denuded by Forest Fires” was conducted. In those forestation activities, some 1,000 volunteers participated in planting some 8,800 saplings.



Gifu—Forest Rebirth and Tree Planting Activity on Land Denuded by Forest Fires : Hoping for early regrowth of forests, the local government and community people conducted this tree planting activity.



The Cultural Foundation of Okada

The Cultural Foundation of Okada, established to promote cultural activities in Mie Prefecture, will celebrate its 25th anniversary in 2004.

In FY2003 the Foundation donated an oil paintings of Claude Monet, a representative French impressionist, to Mie Prefectural Art Museum. These canvases were in the spotlight as the main exhibits for the Museum's 20th anniversary exhibition. So far, the Foundation has donated more than 400 works of art, including Chagalls and other Western paintings, Japanese paintings, and sculptures to the museum. Also, the Foundation places strong emphasis on recognizing and nurturing artists.



Mr. Takuya Okada, Board Chairman of the Foundation, presented Claude Monet's oil “The Dock of Argenteuil Seen from the Pont Rautier” to Mr. Noro, Governor of Mie Prefecture.



AEON's Fund-Raising activities

For support activities for the victims of earthquakes and other disasters, as well as environmental conservation, AEON has conducted companywide fundraising activities. Major fundraising activities in FY2003 included the followings: (1) Fund-raising for Cambodia School-Building Project: In the final year of the three-year project, the sum of more than 100 million yen was donated to the project. (2) Fund-raising for Prevention of Global Warming Campaign: The donation activities to protect coral reefs, which absorb CO₂ dissolved in seawater. (3) Fund-raising for “Reforestation of

Habitat for the Japanese Crested Ibis Campaign”: The donation supports activities to develop forests that will provide habitats for ibises. Wrapping paper designed by Mr. Jimmy Ohnishi, who was in sympathy with the campaign, was used as a promotional tool for the fundraising activity. (4) Fund-raising for Emergency Assistance to the Victims of the Earthquake in Iran: The funds were donated to victims of a severe earthquake in southeast Iran. (5) Donations for Victims of the Tokachi-Oki Earthquake in 2003.



A scene of fund-raising activities at the MYCAL store.

◆Major Fund-Raising Activities in FY2003

Fund (No. of companies engaged)/Period	Funds Collected from Customers and Employees	Donation from AEON	Total Amount	Recipient Organization
Fund-raising for Cambodia School-Building Project (59 companies) Apr. 21 – June 22, 2004	55,789,478 yen	56 million yen (Donated from AEON 1% Club)	111,789,478 yen	Japan Committee for UNICEF
Fund-raising for Prevention of Global Warming Campaign (35 companies) June 26 – Sept. 7, 2003	10,286,742 yen	11 million yen (Donated from AEON 1% Club)	21,286,742 yen	World Wide Fund for Nature Japan
Donations for Victims of the Tokachi-Oki Earthquake in 2003 (2 companies) Oct. 11-12, 2003	6,352,000 yen	—	6,352,000 yen	Japanese Red Cross Society Hokkaido Branch
Fund-raising for “Reforestation of Habitat for the Japanese Crested Ibis Campaign” (19 companies) Nov. 28, 2003 – Jan. 12, 2004	9,079,597 yen	10 million yen (Donated from AEON Environment Foundation)	19,077,666 yen	Niigata Prefecture Committee to Promote Fund-Raising for Ibis Protection
Fund-raising for Emergency Assistance to the Victims of the Bam Earthquake in Iran (52 companies) Dec. 30, 2003 – Jan. 12, 2004	57,079,597 yen	55 million yen (Donated from AEON 1% Club)	112,079,597 yen	Japan Platform
Total	138,585,483 yen	1,322 million yen	270,585,483 yen	

◆Fund-Raising Activities Continued in FY2003

Fund (No. of companies engaged)/Period	Funds Collected in FY2003	Cumulative Amount of Funds	Recipient Organization
Red-feather Community Chest Campaign Oct. 1 – 31, 2003	5,416,250 yen	115,853,014 yen (FY1983 – 2003)	Central Community Chest of Japan
Guide Dog Fund-raising (17 companies) Sept. 21 – Nov. 20, 2003	18,516,419 yen	148,241,485 yen (FY1989 – 2003)	National Association of Guide Dog Institutes
Fund-raising for the National Bone Marrow Bank Jan. 21 – Feb. 20, 2004	4,201,993 yen	16,436,366 yen (FY2000 – 2003)	Japan Marrow Donor Registry Promotion Conference

“ We have planted some 2,000 trees in hopes of restoring forest land that will provide a habitat for the *Nipponia nippon* (ibis). ”



Ms. Mika Akama
Niigata Branch Office,
AEON Credit Service Co., Ltd.

In last October “Reforestation Of Habitat for the Japanese Crested Ibis in Sado” activity was carried out. 188 volunteers in total joined in the tree planting. Red pine, saplings of oak and mountain cherry species were planted.

☉Hiking for 70 minutes on up a mountain trail to reach the tree-planting site was rather hard for me, so it felt great in the activity. Besides the assigned plot, I was able to plant some 15 saplings elsewhere, which was a joyous experience for me. The *Nipponia nippon* (ibis) is a very important bird for both the local community and Japan. I hope that ibises will be able to thrive in this forest.



Mr. Kazuya Ikezaki
Tachikawa Sales Office,
AEON Credit Service Co., Ltd.

☉Participating in this tree planting activity, I saw denuded land ravaged by mudslides and had a sense of mission to do something to revitalize the land. Saplings planted are like my children, and will I truly delight in seeing them a decade or two later.

ÆON Environmental Management Promotion System

ÆON Environmental Principles

Based on the ÆON Principles of “pursuing peace with our customers as the starting point, respecting human life and contributing to the communities,” we will promote activities for social contribution and environment conservation in order to fulfill our social responsibilities as a corporate citizen.

Realizing that these activities have their roots in local communities, we will seek partnership with local residents and work together with them to build a recycling-oriented society.

We are striving to promote group-wide environmental management.

At ÆON, environmental conservation activities are considered an important management agenda, and we have created an environmental management promotion system that combines business activities with environmental activities. The number of companies certified to ISO 14001—the international standard for environmental management systems—has reached 17 as of February 20, 2004. We have been making efforts to reduce the environmental load by setting up an environmental management system led by the company president in each company, establishing an Environmental Committee in the group as an organ for deliberating environmental problems, and assigning tasks to individual companies according to their industries and operations. In addition, we have adopted a system under which the items adopted by the Environmental Committee of ÆON Co., Ltd. are shared by the entire group. While sharing the goals, principles and systems, we are promoting own environmental conservation activities based on a respect for the autonomy of each firm.

The following companies are certified to ISO (14001, 9000 series)

As of Feb. 20, 2004

Company name	Standard	Company name	Standard
ÆON Co., Ltd.	ISO14001	ÆON Mall Co., Ltd.	ISO14001
Qingdao ÆON Dongtai Co., Ltd.	ISO9001	ÆON Kyushu Co., Ltd.	ISO14001
Maxvalu Tohoku Co., Ltd.	ISO14001	ÆON Credit Service Co., Ltd.	ISO14001, ISO9001
Quality Control Center Co., Ltd.	ISO9002	Ryukyu JUSCO Co., Ltd.	ISO14001
Certo Co., Ltd.	ISO14001	ÆON Techno Service Co., Ltd.	ISO9002, ISO14001
Food Supply JUSCO Co., Ltd.	ISO14001	Maxvalu Hokkaido Co., Ltd.	ISO14001
Maxvalu Nishinohon Co., Ltd.	ISO14001	Maxvalu Kyushu Co., Ltd.	ISO14001
Diamond City Co., Ltd.	ISO14001	Ministop Co., Ltd.	ISO14001
Maxvalu Chubu Co., Ltd.	ISO14001, ISO9001	Laura Ashley Japan Co., Ltd.	ISO14001
AIC Inc.	ISO14001		(In order of certification)

ÆON Co., Ltd. Environmental Policy

Based on the foundation of putting “customers first,” we strive as a retailer to offer products and services, and to build stores, that provide “reassurance” and “trust.” By doing so, we are contributing to the construction of recycling-oriented, where prosperous lives can be properly balanced with the conservation of the global environment. Also, as a member of communities, we are supporting the healthy growth of our children, who will lead the future, through environmental education and practice.

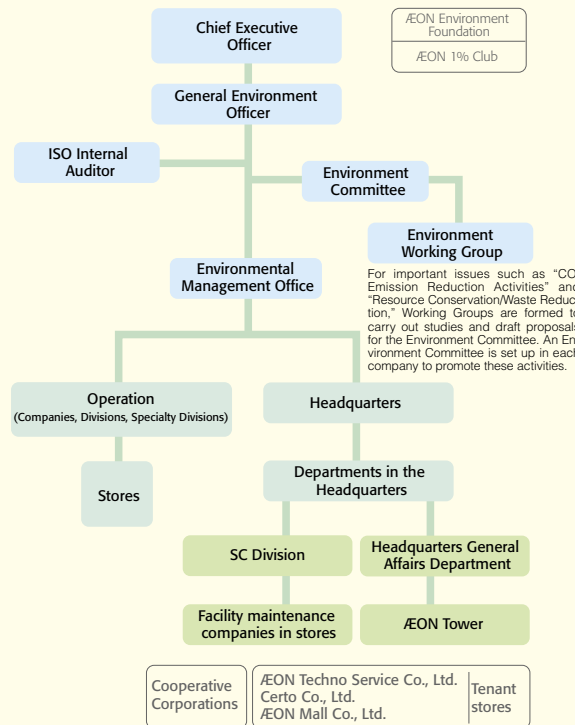
- Through an environmental management system, we are striving to prevent pollution from our business activities, and to improve our environmental efficiency by creating a work structure that creates the greatest value with the smallest environmental load. We will periodically review these activities and improve them on a continuing basis.
 - We will make efforts to offer products and services, and build stores, in an environmentally friendly way.
 - We will promote energy and resource saving.
 - By carrying out a “reduce, reuse, and recycle” campaign, we will strive to reduce waste products. We will dispose of the waste that is produced in an appropriate way.
 - To prevent global warming, we will reduce CO₂ emissions.
 - We will promote green purchasing, endeavoring to use and purchases things with a small environmental load.
 - We will carry out tree-planting activities with our customers in communities.
- We pledge to comply strictly with laws related to environmental conservation, and to carefully follow request items that we have accepted.
- We will strive to inform all employees of this policy, and to convince each employee to play his or her proper role.
- We will widely publicize this policy.

And based on it, by vigorously carrying out environmental communication activities with all people, we will develop partnerships to promote environmental conservation activities.

イオン株式会社
ÆON Co., Ltd.
August 21, 2003

岡田 基
Motoya Okada,
President
Yutaka Furutani,
Senior Executive Vice President
(in charge of overall environmental activities)

Environmental Management Organization (In the case of ÆON Co., Ltd.)



As of Feb. 20, 2004

Report of Environmental Accounting Results

Features of the FY2003 Environmental Accounting

- The figures are from a total of six companies: ÆON Co., Ltd., Ryukyu JUSCO Co., Ltd., Maxvalu Hokkaido Co., Ltd., Maxvalu Tohoku Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinohon Co., Ltd.
- The figure for these individual companies are available on the ÆON Web site.
- The items were categorized according to the environmental targets of ISO 14001, in order to have them function as an integral part of the environmental management system.
- With regard to monetary effects, only the real economic effects were calculated. Deemed effects, such as risk aversion, were not excluded.

Future Directions

The report for this year only covers the results of six companies, but in the future we will increase the number of group companies included.

FY2003 Environmental Accounting Calculation Standards

Accounting period: one-year period from February 21, 2003 to February 20, 2004
Companies: ÆON Co., Ltd., Ryukyu JUSCO Co., Ltd., Maxvalu Hokkaido Co., Ltd., Maxvalu Tohoku Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinohon Co., Ltd.
Unit: million yen

Calculation Standards for the Environmental Conservation Costs

- (1) Compound Costs**
Calculation of compound costs, including costs not related to environmental purposes, are carried out in the following priority order: (1) add up the differences; (2) add up the proportional divisions (use commonsense to divide the compound cost among the expense items); (3) add by the rule of thumb (use in personnel expenses item); and (4) add up the total and provide a special note.
- (2) Personnel expenses**
The personnel expenses of departments and sections directly engaged in environmental conservation activities (Environmental and Social Contribution Department and those in charge of ISO promotion) are added up (added at a 50% rate when the person in charge has other job duties).
- (3) Investment**
The amounts of investment for equipment and facilities related to the reduction of environmental burden during the accounting period (acquisition price in the case of leasing) are added.
- (4) Depreciation expenses**
Depreciation expenses for FY2003 were not added due to difficulties in calculating the figures from past asset registers and the fact that the method for calculating the cumulative total of depreciation has not yet been established.
- (5) Development cost for environmentally conscious products and SELF+SERVICE**
The development cost included the personnel expenses for staff in charge of the development of environmentally conscious products (the proportions are added up according to the ratio of the staff's engagement in such work), expenses for monitoring surveys of the products, and expenses for the product's packaging design. The development cost of SELF+SERVICE includes the personnel expenses for the headquarters' staff and fees for design consultants.

Standards for Posting Economic Effects

- (1) Reduction effect of energy saving measures**
The (estimated) reduction effect in annual electricity consumption of investments made in equipment that reduce environmental load was added.
- (2) Reduction effect of water conservation measures**
The (estimated) reduction effect in annual water consumption of investment made in water-saving equipment was added.
- (3) Reduction effect from the use of fewer and thinner shopping bags**
Total (no. of stamp cards collected x 20 x no. of bags per shopping x unit price of a plastic shopping bag) (Rate of customers who bring their own shopping bags = no. of stamp cards collected x 20 / no. of customer checking out at food registers)
- (4) Reduction effect from the use of fewer cardboard boxes due to the use of returnable containers and reusable containers and reusable hangers for deliveries**
The cost reduction is calculated by the amount of decrease in the weight (kg) of cardboard boxes that are replaced by returnable containers and reusable hangers in deliveries. (Cost for treating municipal waste is 14.4 yen/kg.)
- (5) Income from in-store recycling activities**
Income from the sales of valuable materials (milk cartons and aluminum cans) derived from in-store recycling activities was added.

Environmental Accounting for FY2003

Feb. 21, 2003 to Feb. 20, 2004

Objectives and Targets for FY2003		Description of Initiatives		Environmental Conservation Costs		Economic Effect in 2003	See page:
				Investment in 2003	Expenses in 2003		
Provision of environmentally-friendly products	Development and sales of environmentally-friendly products	Expand the development and sales of environmentally-friendly TOPVALU Kyokan Sengen brand products		0	0	0	P19
	Development and sales of TOPVALU Green Eye products	Expand the development and sales of TOPVALU Green Eye products; increase contracted production sites		0	45	0	P19~P21
	Development of SELF+SERVICE stores	Develop and expand the SELF+SERVICE stores		0	126	0	P22
	Subtotal			0	171	0	
Initiatives for energy and resource conservation	Reduction in electricity consumption	Install energy-saving equipment		233	0	42	—
	Reduction in water consumption	Install water-saving facilities and rainwater utilization systems		87	0	20	—
	Reduction in the consumption of copy paper and office paper	Utilize e-mail and promote two-sided copying		0	0	0	—
	Increase in the number of customers who bring their own shopping bags	Step up the promotion of the Bring Your Own Shopping Bag campaign and the My Basket, My Bag campaign		0	270	211	P36
	Reduction in the use of plastic shopping bags	Reduce waste by reducing the thickness of plastic shopping bags		0	0	0	P36
	Increase in the efficiency of the distribution system	Increase the efficiency of delivery routes, reduce the number of deliveries, and increase loading efficiency		0	2	7	—
	Subtotal			321	272	280	
Initiatives for waste reduction and reutilization	Promotion of waste separation	Promote recycling by installing food waste compost		35	0	4	P38~P39
		Promote recycling by installing styrofoam compactors		4	0	18	—
		Costs for recycling fluorescent bulbs		0	12	0	—
	Reduction in the use of cardboard boxes at stores	Subtotal		39	12	22	—
		Reduce the use of cardboard boxes by utilizing returnable containers		90	0	260	P38~P39
		Reduce the use of cardboard boxes by delivering garments on reusable hangers		0	0	0	P38~P39
		Subtotal		90	0	260	—
	Promotion of in-store recycling activities	Promote in-store recycling activities		8	569	68	P36
	Subtotal			137	580	350	
Green purchasing	Formulation and implementation of green purchasing standards	Formulation and implementation of green purchasing standards		0	2	0	—
Tree-planting activities	Continued implementation of ÆON Hometown Forest Program	Implement the ÆON Hometown Forests Program in cooperation with the local community		7	229	0	P31
Compliance with legal regulations	Measure soot and smoke, and test water quality; implement measures to comply with the Container and Packaging Recycling Law	Measure soot and smoke, and test water quality; implement measures to comply with the Container and Packaging Recycling Law		0	761	0	—
		Treat municipal waste from business operation properly		0	4,686	0	P38~39
		Treat industrial waste properly using the manifest system		9	1,226	0	—
	Subtotal			9	6,673	0	
Voluntary measures for pollution prevention		Take voluntary initiatives to prevent the pollution of air, water and soil, and to prevent ground subsidence, foul odors, and light pollution		593	427	0	—
Community-based environmental communication activities	Carry out activities to protect nature and to improve and maintain the scenery	Carry out activities to protect nature and to improve and maintain the scenery		0	44	0	P32~33
		Carry out environmental activities with the local community		0	56	0	P34~35
		Disclose environmental information		0	663	0	—
	Give donations to environmental protection organizations and support their activities	Give donations to environmental protection organizations and support their activities		0	121	0	P32
	Subtotal			0	885	0	
Maintenance and management costs for environmental conservation activities	Provide employees with environmental education	Provide employees with environmental education		0	8	0	—
		Maintain and administer the environmental management system		0	26	0	—
		Cover personnel expenses for administering environmental conservation activities		0	141	0	—
	Subtotal			0	175	0	
Cost for rehabilitating environmental damages		Enact measures to tackle soil pollution and the destruction of nature.		0	7	0	—
Total Cost				1,067	9,422	630	

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Report of AEON's ISO 14001 Targets and Performance

Targets and Performance of AEON Co., Ltd.

○=Achieved △=Did not achieve but will continue to make efforts

Environmental Policies	Environmental Objectives (to be achieved by the end of FY2005)	FY2003			
		Targets	Performance in 2003	Rate of attainment	Score
1. Efforts to provide environmentally friendly products	Sales of environmentally conscious products for 3.0% of overall sales	(1) 1. Sales of environmentally friendly products to 2.0% of overall sales TOPVALU Green Eye 26,387 million yen TOPVALU Kyokan Sengen 2,265 million yen SELF + SERVICE 1,442 million yen	1.56% 21,922 million yen 2,539 million yen 1,318 million yen	83.1% 112.1% 91.4%	△
		2. Establishment of new standards of environmental consciousness	Could not formulate standards for environmental consciousness	—	
		(2) Launch of experimentation toward reducing the amount of plastic packages and containers used in TOPVALU products	Formulated standards (draft) for "materials," "easiness to separate," "volume," and "refill," but have not launched experiment yet	—	
2. Initiatives for energy and resource conservation and waste reduction	5% reduction in electricity consumption compared to FY2002 (basic unit)	(1) 2% reduction in electricity consumption compared to FY2002, with cumulative total basic unit target of 43Wh/m ² h	34.8Wh/m ² h	80.9%	○
	2% weight reduction in plastic/paper packaging materials compared to FY2002	(2) 0.5% weight reduction in plastic/paper packaging materials compared to FY2002	Not achieved	—	△
	Achievement of 30% in the rate of customers bringing their own shopping bags	(3) Achievement of 14.5% in the rate of customers bringing their own shopping bags Number of collection of stamped cards at all stores 126% to last year 1.21 million → 1.52 million	First half of FY 7.18% Second half of FY 8.71% Whole FY 7.89%	54.4%	△
	20% reduction in the amount of sales losses from discarding products compared to FY2002	(4) 5% reduction in amount of sales losses from discarding products compared to FY2002 Target amount 12.05 billion yen (sum for 4 companies)	13.94 billion yen	115.6%	△
	Achievement of 30% in the recycling rate for food waste	(5) Achievement of 25% in the recycling rate for food waste	26%	104.0%	○
	Introduction of measurement and separation of waste at model stores of regional companies, Maxvalu, and Megamart (6 stores) to prepare for introduction in all stores	(6) Selection of 3 pilot stores in the Kanto area and establishment of a system model, including man-hours	Could not carry out the experiment at pilot stores	—	△
3. Initiatives for reutilization, recycling, and green purchasing toward building a recycling-oriented society	Introduction of returnable containers for fishery products and curbing of waste styrofoam	(1) Use of returnable containers for 30 fishery products items, use of cardboard boxes for 50 items (total of 80 items)	80 items (cardboard boxes only) *Could not realize returnable containers for fishery products	100.0%	○
	Implementation of paper recycling at all offices (headquarters, regional companies, and stores)	(2) 1. Identification of actual amounts of office paper recycling at all stores and offices 2. Ensuring implementation at every single office	1. Identified at 127 stores 2. Could not implement recycling at approx. 250 stores	—	△
	Increase of items subject to green procurement	(3) Use of 10% or more specific materials acquired through green procurement (7 items) where such materials can be used in constructing new stores	Thinned wood 61% Recycled polyethylene film 55% Recycled asphalt mixture 76%, etc.	—	○
	Establishment of ecological stores standards	(4) Further adoption of environmental consideration at stores (e.g., rooftop greenery, reutilization of rainwater)	(Implemented at the following JUSCO stores) Utilization of rainwater: Tsudanuma, Akishima Rooftop greenery: Shinonome, Akishima, Tsudanuma Solar street lamps: Akishima, Iruma	—	○
	Further expansion of green purchasing	(5) Clarification of the AEON Green Purchasing standards, and only listing items that comply with the standards on the office supply order list	Applied the standard not only to office supplies but also to packaging materials and forms. However, could not achieve 100% replacement of office supplies. Established a toner cartridge recycling system	—	△
	20% reduction in the amount of paper waste compared to FY2002	(6) Promotion of "less paper" efforts within the headquarters based on the initiatives of the Working Style Reform Meeting	Lent out equipment for paperless meetings Operation of electronic archives	—	△
4. Cutting CO ₂ emissions to prevent global warming	5% reduction of CO ₂ emissions compared to FY2002 (basic unit)	(1) Formulation of an anti-global-warming vision	Found out volume of emissions from the 22 group companies	—	△
	100% replacement of delivery vehicles to those clearing the diesel regulations	(2) 1. 100% introduction of regulation-clearing vehicle to the Kanto area (Tokyo, Kanagawa, Chiba, and Saitama) 2. Introduction of a cumulative total of 15 natural gas vehicles	1. Completed replacement 2. Introduced total of 15 vehicles	—	○
5. Promotion of tree planting activities with the cooperation of local communities	Continued implementation of AEON Home-town Forests Program	(1) Planting of 330,000 trees at 30 locations	Planted 203,000 trees	61.5%	△
6. Promising compliance with the law and abiding by requests that the company has decided to take on	Establishment of system to prevent soil pollution	(1) Formulation of a policy, decision and implementation of measures, and establishment of a verification process	Selected person in charge from each group company Listed and conducted surveys at 171 company-owned sites Implemented survey on land record using registries	—	○

All other companies in the AEON Group have also established "Environmental Policies,"

"Environmental Objectives," and "Environmental Targets" and are carrying out actions based on these.

*Targets and performance are on a comparable store basis.

Environmental Objectives (to be achieved by the end of FY2005)	FY2004	
	Targets	
Sales of environmentally conscious products for 3.0% of overall sales	(1) 1. Raise sales of environmentally friendly products to 1.6% of overall sales TOPVALU Green Eye: 24,190 million yen TOPVALU Kyokan Sengen: 2,510 million yen SELF + SERVICE: 1,760 million yen	
	2. Formulation of new standards for environmental consciousness	
Reduction in the amount of plastic packages and containers used for TOPVALU products	(2) Formulation of standards for environmental consciousness regarding packages and containers, as part of review of standards for environmentally friendly products: i.e., launch of commercialization	
5% reduction in electricity consumption compared to FY2002 (basic unit)	(1) 3.5% reduction in electricity consumption compared to FY2002 (basic unit)	
2% weight reduction in plastic/paper packaging materials compared to FY2002	(2) 1% weight reduction compared to FY2002 (Aim to reduce inventories and cost reduction by unifying logo marks for packaging materials)	
Achievement of 30% in the rate of customers bringing their own shopping bags	(3) Achievement of 14.5% in the rate of customers bringing their own shopping bags 1. Reform of employees' consciousness 2. Confirming that basic instructions are thoroughly known 3. Expansion of sales of "My Bag," etc.	
20% reduction in the amount of sales losses from discarding products compared to FY 2002	(4) Amount of sales losses from discarding products to be lowered below 2% of overall sales in the food sector	
Achievement of 30% in the recycling rate for food waste	(5) Achievement of 27% in the recycling rate for food waste; Review of the priority order in the recycling of food waste 1. Commissioned to registered recycling companies 2. Commissioned to non-registered recycling companies 3. Composting by own company using disposers	
Introduction of measurement and separation of waste at model stores of regional companies, Maxvalu, and Megamart (6 stores) to prepare for introduction in all stores	(6) Implementation of measurement and separation of waste at JUSCO Yamato-Tsuma Store as a model	
Introduction of returnable containers for fishery products and curbing of waste styrofoam	(1) Introduction of returnable containers for 30 fishery products items (Scheduled to be implemented in the Kanto and Western Japan regions from the second half of the FY)	
Implementation of paper recycling at all offices (headquarters, regional companies, and stores)	(2) 1. 127 stores implementing recycling: i.e., 105% compared to FY2003 2. Stores not implementing recycling: Finding the actual amount recycled at all offices	
Increase of items subject to green procurement	(3) Use of 10% or more of specific materials acquired through green procurement (7 items) where these materials can be used in constructing new stores	
Establishment of ecological stores standards	(4) Establishment of standards for ecological stores: "This is AEON's ecological store" 1. Construction materials with low environmental loads 2. Natural energy 3. Indoor environment, etc.	
Further expansion of green purchasing	(5) 1. Use of environmentally friendly ink to print more than 1,500 types of promotional materials and more than 250 types of forms and pamphlets used at stores 2. Introduction of recycling system for fluorescent bulbs at all stores	
20% reduction in the amount of paper waste compared to FY2002	(6) Further promotion of reduction in use of paper 1. Expansion of the campaign to stores 2. Introduction of "search tool" linked to the electronic archive 3. Active use of Intranets for each business system	
5% reduction of CO ₂ emissions compared to FY2002 (basic unit)	(1) Formulation of an anti-global-warming vision Begin fact-finding at 40 Group companies in FY2005 Setting of Group's reduction target	
100% replacement of delivery vehicles to those clearing the diesel regulations	(2) 1 Building of delivery vehicle management system to control compliance with the Nox-PM Law 2 Introduction of a total of 20 natural gas vehicles	
Continued implementation of AEON Home-town Forests Program	(1) Plant 375,000 trees at 72 locations by Group (2) Increase Junior Eco-Club membership to 3,800	
Establishment of system to prevent soil pollution	(1) Continuation of the survey Of the remaining 161 properties, list those requiring survey of land registry records, and continue the survey	



Naoki Hayashi

Managing Director in charge of environmental management
Executive Vice President
Personnel Management, General Affairs & Environmental Affairs

A Summary of Activities in FY2003

It has already been six years since AEON embarked on building the environmental management system (EMS) based on ISO 14001. The number of AEON group companies that obtained the certification of either the ISO 14001 or ISO 9000 series during this period rose to 19 as of February 20, 2004. We have seen steady progress in the administration and establishment of ISO standards, despite varying degrees of progress among companies and business offices. For example, the frequency of oil-leakage accidents, which had led to severe consequences in the past, declined substantially in FY2003 as a result of accident-prevention efforts, including the strengthening of day-to-day maintenance and overhaul of equipment, and thorough education and training of employees involved. This can be recognized as a success story of the linkage between ISO-compliant operation and risk management.

Meanwhile, EMS entered a period of major change in FY2003 as we launched our "corporate governance reform" (the transition to a company with committees, the adoption of the committee system) and "group management reform" (AEON Co., Ltd. has turned into a holding company). Because of the AEON group's expansion with the addition of MYCAL Corp. and many other companies, the impact on the environment of AEON's business activities is also expanding on both positive and negative fronts. For example, we have become able to deliver the TOPVALU Green Eye environmentally-conscious products to a broader range of customers, but what has been achieved is still far from being at a satisfactory level. Also, AEON is faced with the major task of finding effective ways to control the total emission of carbon dioxide (CO₂) as a group.

As an individual company, AEON Co., Ltd. in FY2003 redoubled efforts to link our main line of business operations as a retailer to reduction of the load on the environment to an even greater extent than before, but many of the original goals were unachieved.

We have yet to obtain achievements that are commensurate with the extent of the impact of our activities on the environment.

In order to meet the expectations society places on the AEON group, we need to integrate and consolidate environmental efforts being undertaken by individual group companies to bring out a powerful synergistic effect, while we also must seek to improve and expand activities individual group companies are undertaking under their particular circumstances and in their specific industrial segments. We regard ISO certification as a management tool to achieve what we need to do, and we aim to bring the number of ISO-certified group companies up to 40. At the same time, we will strive to build up the AEON environmental management system that integrates existing management systems in order to fulfill not only our environmental responsibilities but also our broader social responsibilities.

Third-Party Evaluation of the AEON Environmental and Social Report 2004



Prof. Akio Morishima
Chair of the Board of Directors
Institute for Global Environmental Strategies

Each year, I am asked to make a third-party evaluation of the AEON Environmental and Social Report. In order to evaluate the 2004 report, I visited two stores in the Tokyo metropolitan area to examine how the AEON Code of Conduct is being put into practice on-site. One of the stores I visited was JUSCO Shinagawa Seaside Store, located next to the shopping mall in Tennozu, Shinagawa Ward. A large-scale outlet that opened just over a year ago, the store seems to have been built with a high degree of consideration given to resource saving, such as a system to use rainwater for cleaning. The most impressive scene I saw was an array of safety- and environmentally-conscious products of the "TOPVALU" brands occupying the center of the sales floor, including "TOPVALU Green Eye" food products, which are organically grown and farm fresh, and "TOPVALU Kyokan Sengen" recyclable household articles. When I asked a few questions about these products, a shop attendant (who seemed to be a part-time employee) explained the merchandise with full confidence. This indicates to me that the TOPVALU brands have taken firm root at AEON, not only as a matter of management policy but also at the level of the staff on the sales floor. Shinagawa Seaside Store sets aside a fairly large display space for the "SELF+SERVICE" fashion shop, which offers ecological products, such as clothing made from recycled fiber, and natural oil soap, and also collects old clothing for recycling. I was told that many consumers favor these products out of a sense of fashion, not particularly for their characteristics as recycled products. I can accept that. I believe AEON's emphasis on environmentally friendly products will prove instrumental in changing society through consumer awareness.

Another store I visited was JUSCO Ontakesan-ekimae Store in Ota Ward. Though the store, in contrast to the Shinagawa Seaside Store, is a small outlet established 18 years ago, the TOPVALU products still occupied the most visible center of the store floor, delivering a clear message that the store places emphasis on the safety of products customers purchase and environmental conservation. Given that consumers are now very keen about the safety of food they eat, this store, as does the Shinagawa Seaside Store, has a system in place for a quick exchange of information about the use of agricultural chemicals via the Internet or cell phones with producers of TOPVALU Green Eye agricultural products. Information about the safety of products indicated on packages is more detailed than before. All told, the AEON Code of Conduct appears to have increasingly taken hold at individual stores each year.



Mr. Toshihiko Goto
Chief Executive
GRI Forum Japan

The content of the AEON Environmental and Social Report 2004, as its second sustainability report, has improved significantly, demonstrating the AEON group's stance of proactively getting involved in the building of a sustainable society. One approach to the preparation of a sustainability report is to cover the three aspects of the environment, economy, and society, the so-called three bottom lines. The idea is not to simply describe things in these three fields in the report. It is necessary for the report to relate to the building of a sustainable society by the combination of the three areas and to explain the path for a company's sustainable growth. In the retail industry, it seems that there is a high degree of integration between the environment and society and between society and management. AEON has been engaged in activities and proactive efforts to make the most of the voices of customers, and they are explained in an easy-to-understand manner in this report.

What impressed me most in this year's report was the promotion of the AEON Supplier CoC (Code of Conduct). One of the biggest issues in the global business community at present is supply-chain management. In the case of green purchasing, whose sole concern is the environment, management of primary suppliers may not be so hard. But it is not an easy proposition to trace back to the riverhead the flow of any product. To my knowledge, AEON is the first Japanese retailer to embark on this effort in the international marketplace, even looking at humanitarian and ethical aspects. One root cause of increasing international terrorism is poverty in many developing countries. In my view, we would move closer to global peace if all businesses made efforts similar to those of AEON.

I have a few suggestions to make for further improvements. First, the table of contents: For a report that is this rich in content, the table of contents should be made a little bigger and easier to understand so that the reader will be encouraged to go through the whole report. Next, nowadays, the "commitment by the president (chief executive officer)" has come to command very keen attention. In that sense, I thought the president's prefatory message in the report should have been played up much more. Further, I noticed the ubiquitous use of AEON terms in the report. They are hard to understand for those outside the AEON group. I would suggest that the use of these terms be reduced or used with explanatory notes. Finally, it might be a good idea for an annual report to contain more information on AEON's economic contributions and returns to employees as well as to local communities.

Selected Financial Data

Operating revenue (consolidated)	Settlement Term		(million yen)
	Feb. 2000	2,522,210	
	Feb. 2001	2,738,638	
	Feb. 2002	2,934,592	
	Feb. 2003	3,086,504	
	Feb. 2004	3,546,215	

Operating profit (consolidated)	Settlement Term		(million yen)
	Feb. 2000	71,212	
	Feb. 2001	92,060	
	Feb. 2002	119,222	
	Feb. 2003	132,172	
	Feb. 2004	132,212	

Ordinary profit (consolidated)	Settlement Term		(million yen)
	Feb. 2000	64,689	
	Feb. 2001	87,415	
	Feb. 2002	114,759	
	Feb. 2003	127,431	
	Feb. 2004	131,354	

No. of stores	Feb. 2004	Feb. 2003
● GMS	665	460
● Supermarkets	579	452
● Drugstores *1	1,561	1,443
● Home centers *2	-	57
● Convenience stores *3	2,633	2,361
● Department stores	3	3
● Specialty stores	2,666	2,585
● SC development operations	-	-
● Financial services	58	62
● Services	665	582
● Food services	579	332
● Food processing, distribution, and other operations	-	-
● E-commerce businesses	-	-

*1 No. of drugstores include non-consolidated companies that are members of AEON Welcia Stores.

*2 57 home centers in 2003.02 are included in GMS in 2004.02.

*3 No. of convenience stores include franchised stores.

The cover : These family scenes are a bit nostalgic. The affection shown by the grandparents and parents tell us that it is important for anyone to smile, and to shine. It is our responsibility to pass on the bountiful human environment that has been continuously passed down to us, beyond eras and beyond generations. We hope this report provides the opportunity to think about what each of us should do, and what each of us can do. This idea is incorporated into the cover design.



Chairman
AEON Co., Ltd.

常盤敏時

Toshiji Tokiwa

At AEON, we have been putting "correct conduct" into practice on a daily basis to realize our unchanged corporate philosophy: "pursuing peace centered on customers, respecting for humanity and contributing to local communities." This report details what we have done in the past year in line with this philosophy.

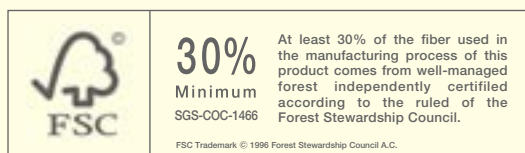
Based on the motto of "Customers First" we hope to remain an enterprise formed as an aggregation who provides best services in the local communities we serve. To do this, our priority is to maintain the stance of listening sincerely and seriously to the "voices of customers."

We have received a multitude of "voices of customers" in FY2003. Needless to say, we must acknowledge that we have received numerous complaints as well. I believe that our continuous efforts to seriously address each of these complaints, making necessary improvements and feeding back the results of our efforts, are the only methods for ensuring the "transparency of management."

Last year, AEON reorganized to a Company with Committees and embarked on corporate governance reform. As part of this reform, we introduced three original advisory councils in which people outside AEON makes suggestions freely. (the establishment of the The Customers Advisory Council, "The Social Responsibility Advisory Council," and "The Management Advisory Council"). In particular, "The Social Responsibility Advisory Council" allow us to establish a mechanism to listen to opinions and suggestions made by outsiders from a different perspective regarding environmental conservation, social contribution activities and branding activities.

We desire to forge AEON into a company that is easy to understand, with a high degree of management transparency. First, we must become a company which is more open and is easy to understand for our customers. At the same time, we aim to become a company whose whole picture is visible to all employees at group companies and where all employees constantly ask themselves how they have changed by following the AEON Code of Conduct.

This report covers AEON's environmental conservation and social contribution activities in FY2003. For FY2004 and afterward, we determined to devote ourselves to continuous reforms without hesitation in order to keep AEON most sensitive to the "voices of customers."



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Editorial Board for **ÆON** Environmental and Social Report

Please use the contact information below for any enquiries and comments on this report or our environmental and social activities.

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