

For People, For Society. For a Future of Limitless Promise.

## Sustainability Report 2005

AEON Environmental and Social Report 2005

singing 🎵 AEON



# As a retailer. As AEON.

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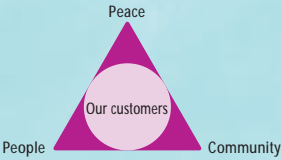
### ■ Glossary for AEON Sustainability Report



## 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.

## The AEON Code of Conduct Commitment

1. AEON people are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.
2. AEON people value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
3. AEON people actively seek out ways to exceed customer expectations.
4. AEON people continually challenge themselves to find new ways to accomplish the AEON ideals.
5. AEON people support local community growth, acting as good corporate citizens in serving society.

## Editorial Policy

This annual environmental report will be the 10th since our first was issued in 1996, and will be the third to be published under the new title, "AEON Environmental and Social Report (Sustainability Report)," rather than "AEON Environmental Report." We believe that AEON's sustainability signifies "for us to maintain our basic stance of safety, assurance and good faith and continue to pursue community contributions, corporate ethics and consideration for the environment through our daily business and with our customers." We will continue to make a variety of efforts to ensure that the contents of our reports are as solid as possible.

In this report, we will:

1. Report, in a concrete and succinct way, on what AEON has been working on along with our customers and what AEON will aim for;
2. Report on pioneering and representative efforts made by AEON group companies, and activities which are carried out by all AEON companies; and
3. Include Web site addresses related to the content of the report on relevant pages.

For technical terms used in the distribution industry, etc., please refer to the explanations in "Glossary for AEON Sustainability Report" at the end of the report.

\* In this report, AEON refers to a group of 156 companies engaged in 13 fields of operation, whereas "AEON Co., Ltd." refers to the AEON company engaged in general merchandise store (GMS) operations.

## Sustainability Report



Economic



Environment



Social

The icons above are used to show the category (economic, environment 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.

## Companies Covered by the Report

156 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

FY 2004 (February 21, 2004 – February 20, 2005)

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

# Sustainability Topics

What we have learned from the Niigata Chuetsu earthquake.



At the makeshift store built on the parking lot of JUSCO Ojiya Store, 43 days after the earthquake.

We reaffirmed a retailer's mission that we can help people through the stable supply of daily necessities.

As a social mission of Aeon

## Resumption of store operation was the biggest support we could give

The retail business in which Aeon is engaged is founded more than anything else on the peaceful stability of the local communities we serve. From this point view, Aeon regularly cooperates with local community people for disaster prevention, striving toward improved preparedness for emergency situations. Aeon can provide a range of support by making good use of its characteristics, including the handling of large quantities of goods related to daily clothing, food, and shelter, as well as the spacious store sites and large facilities that could serve as community space when necessary. Under these circumstances, Aeon believes the biggest contribution it can make to the local community is the reopening of store operations as soon as possible in the event of an emergency.

## Responses to and problems arising from the Niigata Chuetsu earthquake

On October 23, 2004, the Chuetsu region in Niigata Prefecture was hit by an earthquake with a magnitude of 7 on the Japanese seismic scale. Aeon Co., Ltd. immediately set up a headquarters for dealing with the earthquake's consequences, launching groupwide responses in accordance with rules for antquake measures, including the dispatching of advance teams to the affected areas and making arrangements for relief supplies. In the Chuetsu region, JUSCO Muikamachi Store and other stores provided bread and beverages to affected areas upon emergency requests from local governments.

Aeon also transported balloon shelters, kept at JUSCO Fukuroi Store in Shizuoka Prefecture, to the parking lot of JUSCO Ojiya Store and set them up there in cooperation with Peace Winds Japan (PWJ), a nonprofit organization (NPO). Together with those provided by PWJ, we set up four sets of inflatable shelters in the parking lot

and were able to accommodate nearly 500 people displaced by that major quake.

These were the first ballon shelters ever used in Japan. We found them very useful in the early stage of disaster but also were confronted with their limitations and problems that need to be addressed going forward. They are not adequate for medium- and long-term evacuation. The task of setting them up is relatively easy, but it still essentially requires regular training. Furthermore, they could touch off a new wave of confusion unless they are managed systematically together with the distribution of supplies and other operations. What we learned in particular was about the need for closer cooperation with the public sector, including municipal governments, police and fire departments, and NPOs.

## In support of the "routine life" of customers

As of February 2005, aside from JUSCO Fukuroi Store, one set of balloon shelters each are in storage at Aeon Hamamatsu-Shitoro Shopping

Center and Maxvalu Tokai Co. We plan to expand the deployment of such shelters going forward. Apart from inflatable shelters, Aeon is addressing local disaster prevention through various means, including conducting monthly emergency drills jointly with group companies, distributing the Earthquake Disaster Handbook to all employees, and building an emergency com-

munication network, using satellite cell phones. JUSCO Ojiya Store reopened for business in a makeshift store built on the premises 43 days after the earthquake. Other stores damaged by the earthquake got back into shape to varying degrees, and as of March 2005 all these stores are back to prequake conditions to serve customers as far as the supply of goods is concerned.

By learning from our experiences following the Niigata Chuetsu earthquake, Aeon will work harder to revamp disaster countermeasures so that we can be of greater help to people in local communities and help as many customers as possible regain peaceful and comfortable lives as soon as possible.

Topics for  
FY2004

The Aeon  
Famiy

What Aeon Fosters  
together with  
Customers and Communities

For Safety,  
Assurance and  
Good Faith

Aeon and  
the Environment  
2004-2005

Aeon People:  
Our Assets



The balloon shelter set up at JUSCO Ojiya Store. It secures shelter some 22 x 12 meters wide and 3 meters high (equivalent to an 80-bed barracks) in a little less than an hour without requiring much manpower.



An interior view. The balloon shelter can be used as a supply station for relief goods or as a medical center.

"We would like to express our heartfelt sympathy for people who have suffered from the latest earthquake. We would also like to offer sympathy to all people who suffer from repeated natural disasters at home and abroad, including the major earthquake off Sumatra and the quake that occurred in seas west of Fukuoka Prefecture. We sincerely hope that their lives will return to normal as soon as possible.



## Turning familiar stores into "bases of security"

Maxvalu Chubu Co., Ltd. and Ministop Co., Ltd.

\*Number of participating stores as of February 20, 2005.

Maxvalu Chubu Co., Ltd., in cooperation with Mie Prefectural Police Headquarters, launched the "Store for Emergency Call 110" initiative in January 2004. This initiative calls for immediate reports to police when crimes are committed or feared to be committed near Maxvalu stores in Mie prefecture (56 stores\*) or when crime victims go to these stores for temporary protection. A sign that reads "Store for Emergency Call" has been posted at each store front, and Maxvalu stores plan to make further efforts to make the initiative more widely known, including employees' education. Maxvalu stores welcome more frequent visits by policemen to promote crime prevention.

Ministop Co., Ltd. similarly initiated the "Convenience

Emergency Call 110" campaign at all Ministop stores (9 stores\*) within Toyohashi City in April 2004 in conjunction with Toyohashi Police Station in Aichi Prefecture. The campaign is in line with efforts by the Japan Franchise Association, of which Ministop is a member, to build "local safety stations" (activities to help build safe and secure life bases in communities). Ministop stores can be used as safe havens, and they also actively participate in increased vigilance and anticrime activities in local communities. Making the most of the operational mode with employees assigned even late at night, Ministop stores will strive to promote the building of communities where customers and neighboring residents can live with a sense of security.



# Sustainability Topics

We received the Green Purchasing Award.



# Sustainability Topics

The cumulative total of trees planted has topped 5 million.



Names of people who planted trees in the AEON Hometown Forests Program are engraved on plates.



JUSCO Malacca Store (Malaysia), the first AEON shopping center to implement the AEON Hometown Forests Program



JUSCO Shin Hisai Store (Mie Prefecture) was the first to implement the program in Japan. The tree-planting event took place in April 1992.

Environmental-preservation activities have their origins in our desire for safety and security. Appreciation of our environmentally friendly products encourages us in our efforts in this area.

**Chiye Uehara** General Manager, Green Eye Development Department  
Food Merchandise Headquarters AEON Co., Ltd.

## An achievement of the "together with customers" approach

AEON Co., Ltd. received the Ministry of Economy and Industry Grand Prix Award among the Green Purchasing Awards\* 2004 for distinguished initiatives in green purchasing and promoting green purchasing, mainly in recognition of our efforts to raise awareness of green purchasing. It was presented among our customers through distinct selection of merchandise and easy-to-understand displaying of TOPVALU private-brand products and the environmentally friendly brand SELF+SERVICE.

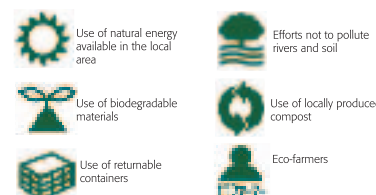
For AEON as a retailer, these efforts can produce results only with the understanding and participation of our customers. The impact of green purchasing will grow exponentially when it spreads widely among customers. Going forward, AEON, "together with customers," will continue with green-purchasing activities for the synergistic simultaneous pursuit of affluent life and preservation of the global environment.

\*The Green Purchasing Network (GPN), an NPO established with the aim of promoting green purchasing with the participation of companies, governments, and consumers, presents the award every year. In 2004, the seventh year of the Green Purchasing Award, the first international conference was held in Sendai, with participation of some 1,000 people from a total of 37 countries and regions.

## Initiatives of TOPVALU\*

The TOPVALU brand has two subbrands: TOPVALU Green Eye, which emphasizes safety and environmental considerations, and TOPVALU Kyokan Sengen, which has been developed as recyclable, clean, and natural products. TOPVALU Green Eye promotes proactive information disclosure from the production stage, distribution in returnable containers, and packaging with bio-mass materials, while TOPVALU Kyokan Sengen pursues an environmentally conscious total approach from production to recycling, including the use of recycled aluminum cans and drink cartons. These environmentally friendly efforts are indicated by distinct marks on the packaging of products so customers can understand them at a glance. \*Please see page 28 as well.

## Distinct marks used for TOPVALU Green Eye



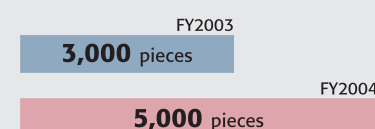
## Initiatives of SELF+SERVICE

SELF+SERVICE, a chain of ecology shops designed for the simultaneous pursuit of environmental consciousness and fashion, launched a clothing-recycling initiative in October 2003 for the recycling of Ecomate\* products sold in the shops. Already, some 8,000 Ecomate items have been collected at 35 shops across Japan. The SELF+SERVICE brand also actively promotes the commercialization of environmentally friendly raw materials, including new materials produced with technology to chemically treat fibers from old clothes and recycled cotton produced through efficient use of mill ends that are conventionally discarded as production waste.

\*The mark used for apparel recognized by the Japan Apparel Industry Council as "products designed with environmental consciousness."



## Clothing recycling in shops



AEON, together with our customers, will keep planting trees to nurture dreams for the future and express our feelings for local communities.

## Making a fresh start

The cumulative total of trees planted in the AEON Hometown Forests Program and other tree-planting activities we have been conducting with our customers at home and abroad topped five million in April 2004 (some 5.31 million trees at 468 sites as of February 2005). Taking this feat as an opportunity to get back to the basics of tree planting, AEON intends to contribute further to environmental conservation in local communities.

## AEON Hometown Forests Program

The AEON Hometown Forests Program envisions verdant shopping centers that fit in with the local environment and also aims to help spread the greening spirit across Japan and overseas. The program took off at JUSCO Malacca Store of Jaya JUSCO Stores\* in 1991. It is designed to plant saplings of trees that grow naturally in local areas at the sites of new shopping centers and distribution centers and to nurture them together with local customers. Under the guidance of Professor Emeritus Akira Miyawaki, Yokohama National University, on the selection of species of trees to be planted, we followed a policy of planting several dozen tree species indigenous to local areas

and having them vie with one another for growth. In FY2004, tree-planting events took place at 57 sites, with more than 40,000 people participating, planting a total of 423,392 saplings.

## Participation in the Forest Foster Parent Promotion Project

AEON is also proactively engaged in tree-plant activities other than the AEON Hometown Forests Program. In 2004 we participated in the Forest Foster Parent Promotion Project, an afforestation endeavor where the Nagano Prefectural Government acts as an intermediary between forest owners and corporations interested in forest-conservation activities.

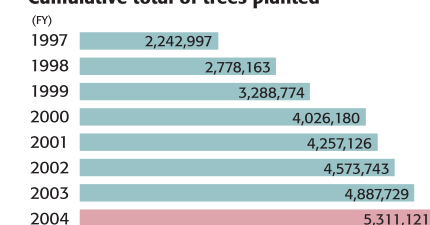
In October 2004 the AEON Environment Foundation and Ueda City of Nagano Prefecture concluded a Forest Foster Parent contract. To commemorate the event, the Ueda City Hometown Forest tree-planting ceremony was held, with some 400 citizens participating, planting 4,000 saplings of some 30 species.

## Customers joining AEON tree-planting activities overseas

AEON is involved in tree-planting activities overseas as well. In July 2004 we carried out the Forest Rebirth Project at the Great Wall of China, a World Heritage site, with some 300 volunteers participating from Japan and China, planting some 4,300 trees. In September AEON held a tree-planting event in a nature park outside Kuala Lumpur, the capital of Malaysia, to mark the 20th anniversary of the establishment of Jaya JUSCO Stores\*. Some 30,000 trees were planted by 2,850 Japanese and Malaysian volunteers.

\*Jaya JUSCO Stores was renamed AEON Co. (M) Bhd. on September 15, 2004.

## Cumulative total of trees planted



## Sustainability Topics

AEON drew up a basic  
policy for CO<sub>2</sub> reduction.



AEON will work toward achieving  
the objectives of the Kyoto Protocol.



The Kyoto Protocol was adopted at the 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Kyoto in December 1997 and went into effect February 16, 2005.

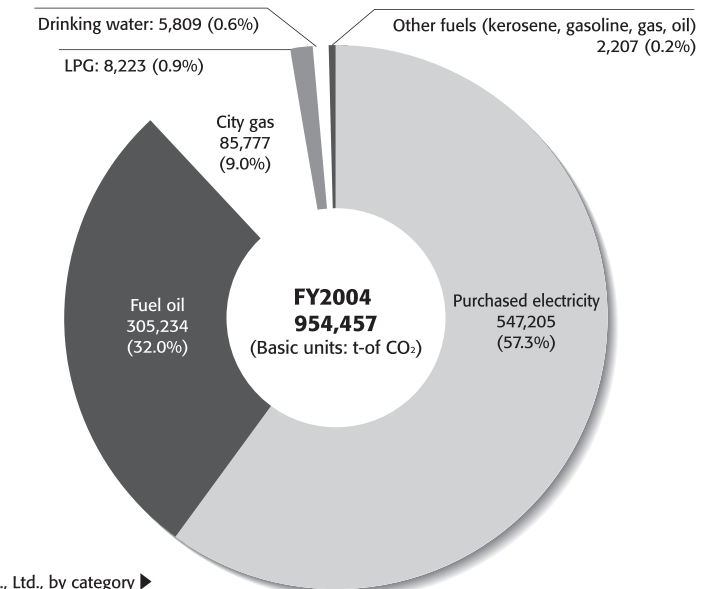
As many as 141 countries,\* including Japan, have ratified the Kyoto Protocol toward reduction in emissions of CO<sub>2</sub> and other greenhouse gases.

Taking the significance of the Protocol seriously,  
AEON as a whole will contribute to  
its objectives through our main line of business.

\*As of February 16, 2005

On top of activities we undertake with  
our customers and efforts at each store,  
we will seek to reduce CO<sub>2</sub> emissions with green products.

Global warming is being caused by excessive emissions of greenhouse gases by human activities, some 90% of which is CO<sub>2</sub>. In order to reduce CO<sub>2</sub> emissions, it is essential to step up energy and natural resource conservation and reduce waste. Up to now, AEON has been making these efforts mainly at its stores, but we adopted a new basic policy with a new approach focusing on green products. This policy serves as the basis for our redoubled efforts to reduce CO<sub>2</sub> emissions.



Sources of CO<sub>2</sub> emissions by AEON Co., Ltd., by category ▶

### AEON Co., Ltd. Basic Policy for Prevention of Global Warming (CO<sub>2</sub> Reduction, etc.)

AEON respects the spirit of the Kyoto Protocol  
and will contribute to achieving its objectives.

AEON will strive to reduce CO<sub>2</sub> emissions,  
primarily through efforts made at our stores,  
and supplement deficiency with utilization of the Kyoto Mechanism.\*

\*See page 11.

#### Products

- We seek to maximize eco-efficiency in product development, including manufacturing and delivery processes.
- We proactively use new materials with low environmental burdens in containers and packaging.

#### Stores

- We push ahead with development and deployment of "ecological stores.\*"
- We promote dechlorofluorocarbonization in air-conditioning and refrigeration systems.

\*See pages 17-19.

#### Together with customers

- We call on our customers anew to participate in green purchasing and reduce the use of shopping bags.
- We promote paper uses with attention paid to materials in order to contribute to the protection of forest resources.



Products, stores, together with customers.  
We will seek to control and reduce CO<sub>2</sub>  
emissions through three approaches.

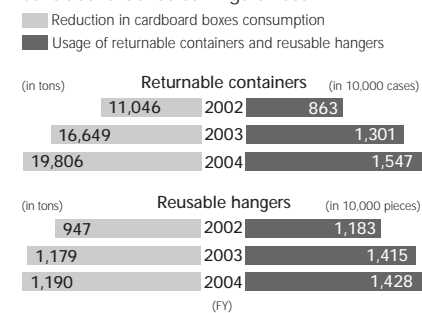
## Products

### Make, carry, and lay out

In 2004, Aeon began to prepare a system to convert natural resources and energy required for product development to minimize emissions of CO<sub>2</sub>. At present, Aeon Co., Ltd. and seven other companies are involved in the project. Going forward, we will share the results of this endeavor with other Aeon group companies and commissioned manufacturers of private-brand products so that they can use this system for more precise tracking of emissions, more effective measures to reduce them, and better information disclosure.

In stores, we have been reducing cardboard boxes consumption through the wider usage of tools and equipment that can be used repeatedly in transportation of products as well as in their display, such as returnable containers for fruits and vegetables and reusable hangers for clothing. In the process of transportation, in addition to efforts to make the distribution system more efficient, we set out to consider a modal shift in long-distance transportation from trucking to railways, as well as to ships that place less burden on the environment.

#### Cardboard boxes savings effect



### Reduce consumption of fossil fuels with use of new materials

Containers and packaging of products add to the volume of household trash. Beginning in 2004 Aeon has been using biodegradable plastic bags\* for containers and packaging of some products. We will use them more widely going forward and make further efforts to re-

duce consumption of fossil fuels, such as by switching to biomass, a renewable resource.



\*They look like regular plastic bags. But since they are actually produced from starch, such as that from corn, they can be disposed of like kitchen garbage.



### Checking materials for credit cards, mailing envelopes

Aeon Credit Service Co., Ltd.

Old credit cards made of polyvinyl chloride generate not only CO<sub>2</sub> but also dioxin when incinerated as trash. With that in mind, Aeon Credit Service Co., Ltd. now issues only credit cards made of PET-G instead of

polyvinyl chloride. Aeon Credit Service is also making other environmentally conscious efforts, such as the use of glassine, reusable with paper, for windows of billing envelopes, which total some 50 million a year.



## Stores

### "Green" is the watchword in procurement of materials and supplies as well

Aeon is implementing the green procurement of construction materials and the green purchasing of business supplies at its stores across Japan. Stores have been implementing our "total energy-saving system\*" since 1996, seeking to maximize energy-saving effects by optimizing store operating conditions with regard to air conditioning and lighting, refrigerators, freezers, and other equipment. Aeon Co.,

Ltd. has separate green purchasing criteria of its own for each product category and has employed a system for efficiently ordering and using products that satisfy our criteria in this regard.

\*As of February 2005, the number of stores using the energy-saving system is 102.

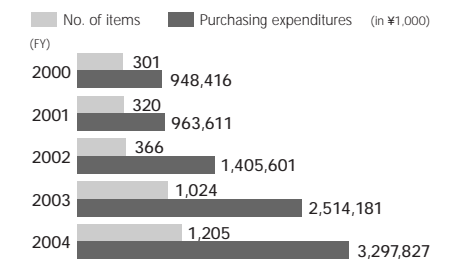
### Dechlorofluorocarbonization is a standard specification

A global agreement was worked out in 1992 to totally cease production of chlorofluorocarbons, chemicals that deplete the Earth's ozone layer. But there are air conditioners, refrigerators, and freezers produced before the restric-

tion was introduced that still use chlorofluorocarbons. Aeon will step up dechlorofluorocarbonization efforts with equipment to be newly purchased as well as with equipment in operation by carefully checking specifications.

#### Changes in green purchasing expenditure

\*In the case of Aeon Co., Ltd.



## Together with customers

### Taking advantage of a retailer's characteristics

Aeon has been focusing on environmental protection activities that can be promoted together with our customers by taking advantage of our characteristics as a retailer that allow us to make "contacts with customers on a daily basis." Good examples of these activities are our campaigns to ask customers to bring their own shopping bags and promote storefront recycling and collection.\* The former is designed to reduce production of shopping bags and

thereby reduce consumption of fossil resources used as materials, thereby reducing the amount of CO<sub>2</sub> emitted in their manufacture, by asking customers to use plastic bags provided in stores less frequently. The latter, by using Aeon stores as collection depots for aluminum cans and cartons, is intended to promote the recycling of resources and also reduce as much as possible the volume of domestic garbage that generates CO<sub>2</sub> when incinerated.

Aeon will also push ahead with proactive efforts to increase opportunities for customers to participate in green purchasing practices, as described on page 6 and to replace packaging paper and paper used for business purposes with recycled paper certified by the FSC (Forest Stewardship Council).

\*See page 41.

### Use of the Kyoto Mechanism on agenda to supplement deficiency in efforts through main business operations

The Kyoto Protocol provides for the Kyoto Mechanism, a market-based approach to supplement countries' efforts toward more effective reductions of CO<sub>2</sub> emissions. In order to prepare for possible failure to attain CO<sub>2</sub> emission reduction targets through our main business operations, Aeon is taking steps for utilization of the Kyoto Mechanism. Specifically, Aeon in 2003 invested in Adelaide

Blue Gum Pty. Ltd. (ABL), which is undertaking an afforestation project in Adelaide, Australia, jointly with other companies,\* to participate in a cyclical program of managed tree planting, tree growing and tree trimming.

\*The seven partner firms are Mitsubishi Paper Mills Ltd., Hokuetsu Paper Mills, Ltd., Tokyo Gas Co., Nippon Yusen K.K., Chubu Electric Power Co., Mitsubishi Corp., and Aeon Co., Ltd.

## The New Structure Has Begun to Work. We Need to Accelerate It for the Benefit of Customers.

Chairman,  
AEON Co., Ltd.

常盤敏時

Toshiji Tokiwa

### Second year as the Company with Committees

Two years have passed since the transition of AEON Co., Ltd. to a company with committees. We believe the progress under the new structure has been smoother than initially expected thanks to in-company understanding coupled with the enthusiasm of outside directors.

AEON has established the Customers' Advisory Council and the Social Responsibility Advisory Council. The councils were to come up with one conclusion each year, but were not ready to do so in the initial year. In fiscal 2004, however, the councils met twice to discuss ways to concretize values important to AEON. We should be able to announce them shortly.

### Progress in the "audit supportive of sales force"

The "audit" is the area where we have seen most progress over the past couple of years. Driven by the guidance and enthusiasm of the outside directors who served on the Audit Committee, in the past year we reviewed and revamped the system, personnel and content of the audit. Some young employees were also assigned for this job. We believe this has a tremendous educational effect on them in that they have an opportunity to gain insight into the total picture of store management while young. The frequency of the audit also has been shortened from once in seven years to once in two and a half years. Furthermore, we made it compulsory for store superintendents and others to conduct an "in-house audit" once a month. With store superintendents and managers involved in the audit as part of their jobs, this in-house audit should prove helpful in securing better risk management, and by extension, better store management.

Conducting an audit at a retailer is not designed to find endless fault with what the sales force has done, but rather to "pave the road" to support sales activities by, for example, improving contract documents to prepare for the next opportunity.

### Further speed-up in management necessary

I would like to see executive officers speed up their management decisions further. At present, not all executive officers have fully taken advantage of delegated authority over matters assigned to them. For instance, I have the impression that our "services to customers" on the store floor are less than satisfactory. Outside directors who visited our stores described the store atmosphere as "too busy." In fact, customers' claims about our services have been on the rise. Since services provided to customers are of overriding importance in retail business, we need to regard this as a problem for our entire organization and take steps to improve the situation as soon as possible.

For a retailer, it is of great importance to have adequate control over its organization and size. For AEON, which is still in the process of growth, 2005 will prove to be an important year in reconciling our actions with our "Customers First" principle.

## Managing a Company with Committees

## We Will Continue Innovation on the Strength of Diversity and Energy.

President,  
AEON Co., Ltd.

岡田元也

Motoya Okada

### Group synergy that leads to growth

We at AEON will pursue a strategy of growth by taking the free competitive environment created by globalization of economic activities as a market and major business opportunity. In that spirit, in 2003 we set about simultaneous reform of both group management and corporate governance. We will pursue the achievement of group synergy with the former, while seeking speedy decision-making and transparency for the group as a whole.

I believe AEON's strength lies in "good business practices," our motto since the group's inception, and the "open corporate culture that values diversity and tolerance toward something different." The diversity and openness allow us to flexibly respond to drastic changes in the era of free market-based economies. Further, when those who are different from one another share the values of "safety, reassurance and honesty" for the convergence of vectors, the energy to be released will be far greater than that coming out of a single organization.

### Aiming for "Global 10" by contributing to the economy, the environment and society

I set forth the "Global 10" vision, aiming to lift AEON into the group of the world's top 10 retailers by 2010. This is the declaration of our corporate policy to unceasingly pursue innovation to become one of the top 10 companies not only by the index of "economy" but also by the triple bottom-line indexes that also include "environmental friendliness" and "social contribution," as expressed in the philosophy of the Global Reporting Initiative (GRI). In the area of environmental preservation, in May of this year we will open the first "ecological store," which embodies the "ideal" 21st century retail outlet. For social contribution, in fiscal 2004 we acquired the internationally known "SA8000" standard certification for corporate ethics and labor environment, becoming the first to do so in the Japanese retail industry. This move puts in place more firmly our system for management of the manufacturing process of our environment-conscious "TOPVALU" private-brand products, to achieve accountability. We also announced our intention to participate in the United Nations Global Compact.

### Each individual for "a future of limitless promise"

In 2004 we witnessed a variety of events and incidents. One of the unforgettable incidents was the Niigata Chuetsu earthquake. To the quake sufferers I extend my sincere hopes for a full restoration of normal life as soon as possible. AEON stores in the region were damaged in the quake, but employees made independent decisions and took appropriate actions to deal with the difficult situation, despite the cutoff of communications. Indeed, each employee rose to the occasion with a strong sense of self-reliance, and I am very proud of this as one of the strengths of the AEON group.

We will push ahead with innovation without hesitation to achieve the goal "Toward a future of limitless promise," as declared in AEON's Corporate Commitment, by faithfully adhering to the principle of "Customers First" and by amassing our power to take a further step forward.

I would like to ask for the kindest understanding of as many of you as possible. Your comments and suggestions would be most welcome and appreciated.

## Executing the management policy

## Outline of the Aeon Group

Aeon is a customer-focused corporate group consisting of 156 companies in all.

Aiming for a "Global 10" slot  
with 13 business operations

## Major group companies

Aeon is a retail corporate group consisting of a total of 156 companies in Japan and overseas, with Aeon Co., Ltd., an operating holding company, at the core. We are striving to establish a solid group management system under the banner of "Global 10," our strategic long-term goal of becoming one of the world's top 10 retailers both in name and reality by 2010. In

terms of operating performance, general-merchandise-store and shopping-mall operations faced an uphill battle in 2004. Going forward, we will seek to improve our operating performance for the group as a whole by generating profits through innovation of the supply chain and focusing more on community-based store management.

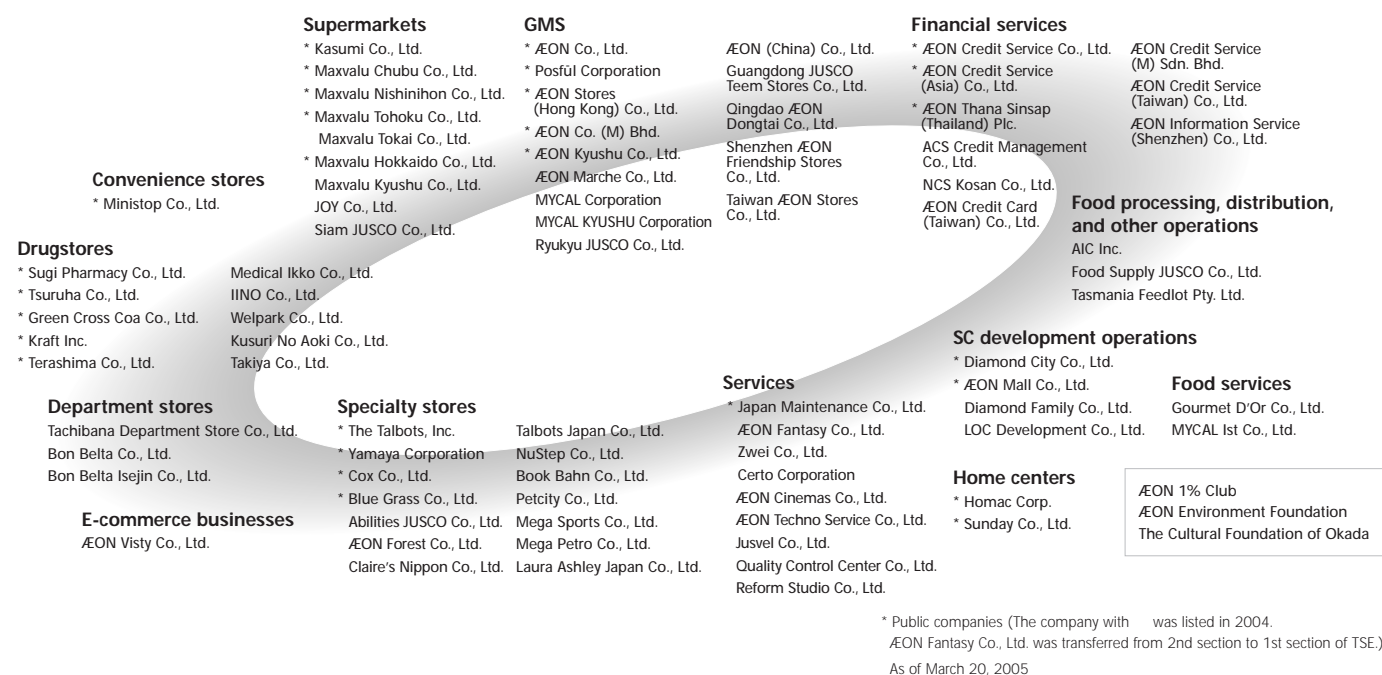
For achieving Aeon-style management

## Two reforms

In May 2003 Aeon carried out corporate-governance reform in order to shift Aeon Co., Ltd. to the "Company with Committees." The

shift is designed to achieve corporate management with a high degree of transparency by clearly separating management oversight and business execution and making clear who should be held accountable for the execution and results of management policy. Simultaneously, Aeon set in motion "group management reform," under which Aeon Co., Ltd. was transformed into an operating holding company to act as the group headquarters to undertake

group management from the viewpoint of total optimization. In 2004, as part of this reform, the number of executive officers was increased by eight, and Aeon established its original advisory councils. The structural environment is now fully in place for Aeon to give full play to its uniquely open and speedy way of management and to generate group synergies.



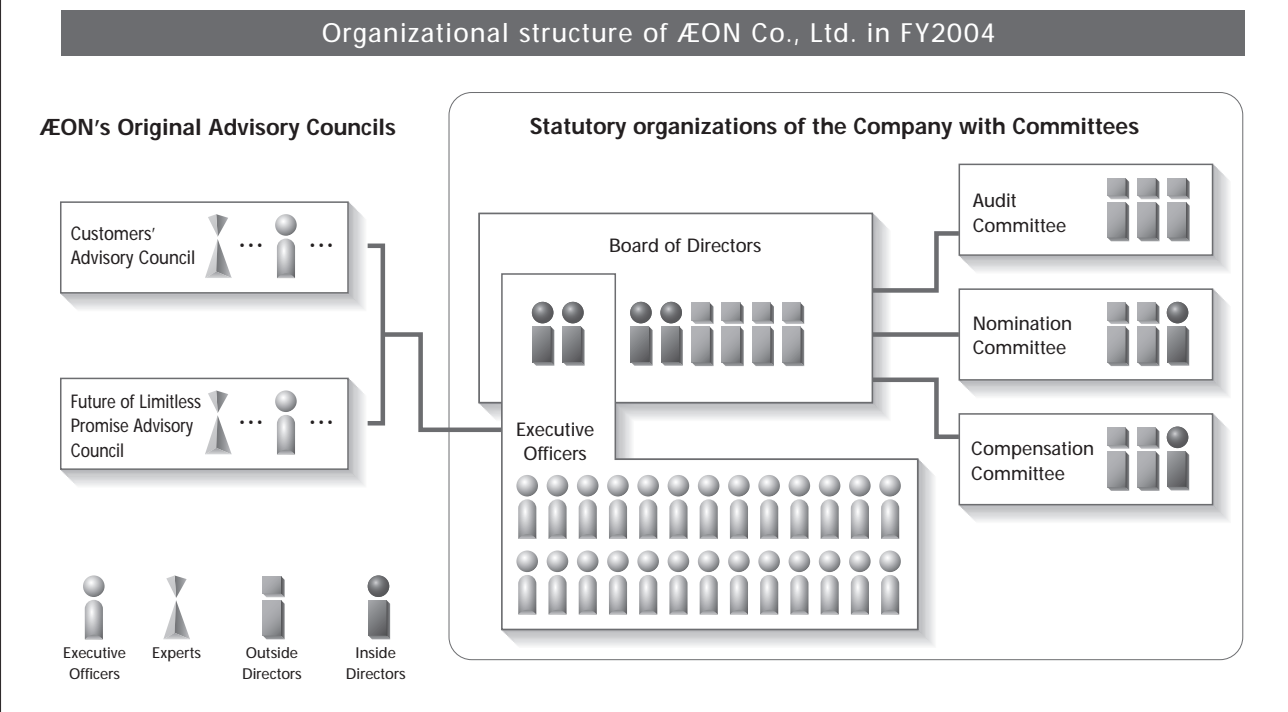
No. of stores	February 2005	February 2004	February 2003
General-merchandise stores (GMS)	679	665	460
Supermarkets <sup>1</sup>	598	579	452
Drugstores <sup>2</sup>	1,494	1,561	1,443
Home centers	44	—	57
Convenience stores <sup>3</sup>	2,681	2,633	2,361
Department stores	3	3	3
Specialty stores	2,760	2,666	2,585
SC-development operations	—	—	—
Financial services	57	58	62
Services	739	669	582
Food services	572	577	332
Food processing, distribution, and other operations	—	—	—
E-commerce businesses	—	—	—

<sup>1</sup> The number of drugstores includes companies participating in Aeon Welcia Stores that are not consolidated with Aeon.

<sup>2</sup> A total of 57 home centers in the February 2003 period are included in the number of GMSs from the February 2004 period.

<sup>3</sup> The number of convenience stores includes franchised stores.

	settlement (year and month)	(millions of yen)
Operating revenue (consolidated)	2001.02	2,738,638
	2002.02	2,934,592
	2003.02	3,086,504
	2004.02	3,546,215
	2005.02	4,195,843
Operating profit (consolidated)	2001.02	92,060
	2002.02	119,222
	2003.02	132,172
	2004.02	132,212
	2005.02	146,777
Recurring profit (consolidated)	2001.02	87,415
	2002.02	114,759
	2003.02	127,431
	2004.02	131,354
	2005.02	156,099



Guidelines shared by group firms

## Aeon Code of Conduct

In order to push forward with group management, we need to have a common platform shared by the group companies. In April 2003 Aeon adopted the Aeon Code of Conduct\* to expressly state our way of thinking and code of behavior in order to implement Aeon's basic concept for each of the five pillars: customers, lo-

cal communities, business partners, shareholders, and Aeon people. In 2004 the group companies began activities in earnest to have this code penetrate and take firm root in our operations. Guided by the Aeon Code of Conduct, we will develop a clear direction of management for the group as a whole. As each and every employee understands and follows the Aeon Code of Conduct, we will work to improve business conditions at stores that support and determine the way management and Aeon as a corporate group should be. We believe that customers' enduring sense of trust in Aeon and the driving power for Aeon's self-reform can only be gener-

ated through these endeavors. The full text of Aeon Code of Conduct can be seen on our Web site.

\* See page 45.



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

# Reflecting Customer Comments in Management Policy

AEON pursues open management, trying to create truly great stores with some help from customer comments

Collection of comments that may change AEON

AEON 21

The corporate name change in 2001 coincided with the launch of the "AEON 21 Campaign" to solicit ideas about corporate management from customers and employees. The campaign was renamed "AEON 21" in 2004, the fourth year of the campaign. The fourth campaign's theme was "Oh, they took note of my opinion," which drew a total of 22,015 comments from customers and 68,789 from employees. The cumulative number of ideas contributed in the previous three campaigns exceeded 550,000, some of which materialized as "Food Artisan" and the "Customer Deputy Store Manager" system.

In 2004 we opened the AEON ComComPark on the AEON Web site, using the Internet bulletin-board system to set up a forum in which AEON and our customers could exchange opinions more readily and openly than before.

Participation in management as shareholders

Customer shareholders

We would like our customers who visit our stores on a regular basis to better understand AEON's management policy and various other efforts and see them participate in management as shareholders. To encourage this, an increasing number of the group companies are lowering the minimum unit of stock trading to 100 shares.

Thanks to the campaigns to increase the number of "customer shareholders" the AEON group has been conducting since June 2002 and also due to the public offering of new shares carried out in August 2004, the number of customer shareholders of AEON Co., Ltd. in particular rose sharply to 76,580, nearly 10 times as many as the 7,681 at the end of the February 2002 period.

Representing customers

Customer deputy store managers

Under AEON's unique "Customer Deputy Store Manager" system, customer deputy store managers participate in store management as representatives of local customers. The system was initiated in 2002 based on a suggestion contributed in the first "AEON 21 campaign." In 2004, the third year of the system, a total of 48 stores had customer deputy store managers, up five from 2003, bringing to 120 the total number of customer deputy store managers serving in that particular year. Their term of office is a one-year period from November 1 each year, during which they file requests and propose improvements to respective stores from the standpoint of customers. Since the system's inception, the cumulative number of improvements attributable to a total of 201 customer deputy store managers comes to some 4,100.

## List of companies with the minimum trading unit of 100 shares

● AEON Co., Ltd.	● Maxvalu Nishinohon Co., Ltd.	● Sugi Pharmacy Co., Ltd.	● Terashima Co., Ltd.	● Yamaya Corporation	● Japan Maintenance Co., Ltd.
● Posfū Corporation	● Maxvalu Tohoku Co., Ltd.	● Tsuruha Co., Ltd.	● Homac Corp.	● Diamond City Co., Ltd.	● AEON Fantasy Co., Ltd.
● AEON Kyushu Co., Ltd.	● Maxvalu Tokai Co., Ltd.	● Green Cross Coa Co., Ltd.	● Sunday Co., Ltd.	● AEON Mall Co., Ltd.	● Zwei Co., Ltd.
● Maxvalu Chubu Co., Ltd.	● Maxvalu Hokkaido Co., Ltd.	● Kraft Inc.	● Ministop Co., Ltd.	● AEON Credit Service Co., Ltd.	● Certo Corporation

We are trying to make various improvements, basically as customers and occasionally as employees.  
Chie Ichimura (left) and Kyoko Oshiba (right) Customer deputy store managers AEON JUSCO Tsudanuma Store



I would like to make the most of my present personal situation, i.e., in the midst of child rearing, in performing this job. For example, when you buy a battery-operated toy, you might forget to buy batteries if they are sold separately. I enlisted the cooperation of salespeople and attached POP (point-of-purchase ad) specifying the type and number of batteries necessary for respective products. I was very impressed by the prompt store response. — Ichimura

Our job is to help improve store operations from the viewpoint of customers or from the viewpoint of employees. This process is a very rewarding experience to me. Drawing a lesson from an incident that occurred in February 2005, AEON stores conducted a thorough review of security measures in place at kitchen-knife and similar counters. At our store, we took several improvement and precautionary steps, such as securing scissors placed near coffee mills and rice-milling counters with wires. — Oshiba

# Economy, Environment, Society and Shopping Centers

Developing shopping centers that interact with people and communities by making good use of intellectual capital



AEON Yachiyo Midorigaoka Shopping Center (Chiba Prefecture)



The opening of a new shopping center has a significant effect on the economy and environment of neighboring areas. It requires broad acreage and large amounts of building materials on the one hand; on the other, it generates a new flow of people and goods and creates as many as 1,000 jobs. The shopping center sometimes provides a place for children to learn about society. In establishing a new shopping center, AEON takes these matters, as well as findings of marketing research, into full consideration. Then AEON strives to minimize negative effects and maximize positive effects on the economy, environment and society, by willingly employing environmentally friendly technologies and materials.

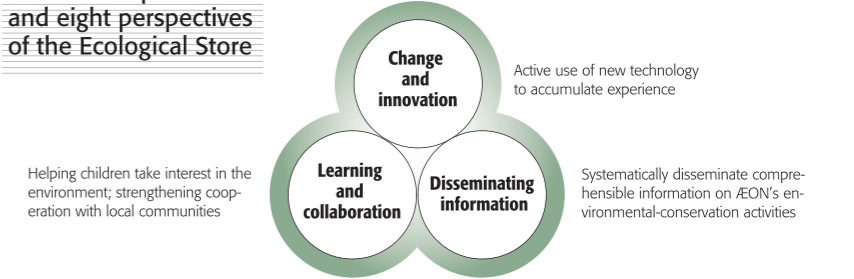
AEON is drawing up an Ecological Store vision as an environmental guideline for designing and evaluating shopping centers. This is intended to embody three concepts related to the environment from eight perspectives, including both hardware aspects (e.g., buildings) and software (e.g., initiatives at the store level). Moreover, AEON utilizes the Comprehensive Assessment System for Building Environmental Efficiency\* (CASBEE) as one of its criteria for assessing building environmental efficiency.

Shopping centers to be newly built or rebuilt will be designed in line with the Ecological

Store vision. AEON will create shopping centers that embody its view of its relationship with communities and society.

\*CASBEE is a tool for comprehensively assessing the environmental efficiency of buildings on the basis of new concepts including BEE (building environmental efficiency). It was developed through a cooperative academic, industrial and governmental project supported by the Ministry of Land, Infrastructure and Transport.

## Three concepts and eight perspectives of the Ecological Store



### From hardware perspectives:

- 1. Energy saving/generation**  
We will actively use natural energy, including wind, solar and water energy, as appropriate for the local community.
- 2. Environmental efficiency**  
We will build a store using materials having lighter environmental loads.
- 3. Natural environment**  
We will make efforts to let in natural light, sound and water.
- 4. Landscape and biodiversity**  
We will provide a space that can be a home not only to humans but to many kinds of living beings.

### From software perspectives:

- 5. Safety, security and environmental friendliness**  
We will provide environmentally friendly commodities.
- 6. Recycling within the region**  
We will take the initiative to promote recycling wastes within the region together with local residents as well as the local government and NPOs.
- 7. Disclosure**  
We will provide, in an easily understandable manner, information about what stores and AEON as a whole do for the environment.
- 8. Community for the 21st century**  
We will strive to create stores that do not need to supply plastic shopping bags, and that waste no resources.

# Economy, Environment, Society and Shopping Centers

## Creating a model shopping center for the future.



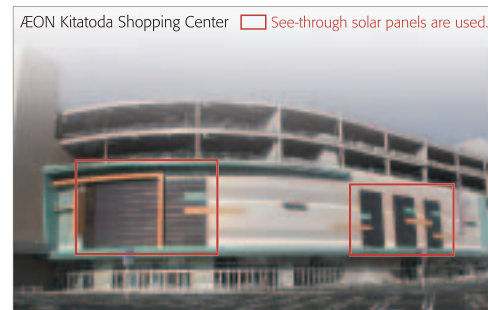
In opening a new store, AEON will pursue the Ecological Store vision mentioned on the previous page. Here we will describe the concrete advantages, from the eight perspectives – primarily of AEON Chikusa Shopping Center, the first Ecological Store, to be opened in Nagoya in May 2005, as well our in-store recycling activities and distribution of environmentally friendly products.

### Energy saving/generation

The shopping center has various energy-saving systems, including a comprehensive energy-saving system that accurately controls energy consumption of the various parts of the shopping center; a water-saving system; and an outdoor air cooling apparatus that utilizes the difference in daytime and nighttime temperatures. The shopping center will make the ratio of clean energy to total energy consumption as high as possible, by the installation of photovoltaic and wind-power generators.



AEON Chikusa Shopping Center has a small-scale wind power generation installation that may be educational for children. There are three windmills in front of the store building.



AEON Kitatoda Shopping Center also has 360 square meters of solar panels\* on the southern wall surface. Their yearly power generation is about 7,863 kWh, which contributes to an annual 2.9 ton reduction in CO<sub>2</sub> emissions.

\*This system was developed together with the New Energy and Industrial Technology Development Organization.

### Disclosure

Large screen and touch-panel-type terminals are installed at an environmental information department within the shopping center. These facilities are designed to inform visitors of AEON's efforts to conserve the environment and to display energy-saving data. With these, we hope to help children learn about the environment.

### Landscape and biodiversity

AEON has been carrying out the Hometown Forests Program, which aims to plant, together with our customers, trees native to the area around the shopping center.

At the site of AEON Chikusa Shopping Center, instead of putting up sign poles, we have planted tall camphor trees indigenous to the area as an emblem of the local community.

The overall appearance of the center, including its green-painted walls and wooden louvers, gives a soft impression.

### Environmental efficiency

We actively promote green procurement: Thinned wood, non-veneer formworks, non-vinyl electric wires and so on are used as building materials.



Rendering of AEON Chikusa Shopping Center

### Community for the 21st Century

We will more actively promote environmental conservation activities, including the "My Bag and My Basket" campaign, which leads to reducing the number of plastic shopping bags used, and in-store recycling.



AEON will offer on-site facilities, such as an open space and a hall, for local residents. In the case of AEON Chikusa Shopping Center, a multipurpose open park of about 2,100 square meters is situated in the center of the redevelopment area (shown in the illustration on the left at the rear of the building).

The hall of AEON Ohta Shopping Center, which opened in Gunma Prefecture in 2003, was used as a venue for taxpayers filing final tax returns. This is the first case in Japan in which a private facility has played that role.

With a view to mitigating local traffic congestion, our shopping centers all have large parking lots.

Even though it is located in a residential district, AEON Chikusa Shopping Center has parking spaces for 909 cars.

The smooth approach to the shopping center will help prevent traffic jams.

The shopping center has a holding area for vehicles waiting to enter the premises. The area links a 100-meter road called Wakamiya Ohdori, on which the store building faces, and a parking lot. There is also an approach lane into which vehicles can pass safely even when the traffic light is red.

### AEON Chikusa Shopping Center

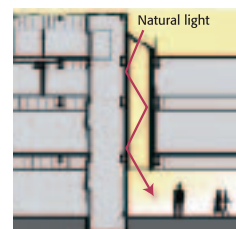
This will be the first Ecological Store AEON has put forth. It will be opened in May 2005 as a commercial facility in "Chikusa Earth Square", the approximately 90,000-square-meter redevelopment project that is under way in the city of Nagoya.

- Lot area: 30,828 m<sup>2</sup>
- Commercial floor area: 13,689 m<sup>2</sup>
- Number of stores: 80

### Natural environment

A natural lighting scheme and a rainwater utilization system are installed. Promenades are paved with materials that absorb and retain water. Such pavements can control the heat island phenomenon thanks to the heat released when absorbed rainwater evaporates.

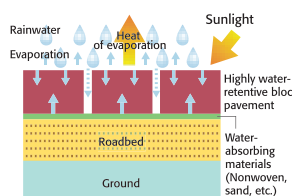
Light well  
This contributes to reducing electricity consumption by allowing natural light in through a skylight and creates a bright and open atmosphere.



Full use of recycled materials for facilities and interior decoration

Fibrous flooring materials can help reduce cleaning costs, compared to tiling. Moreover, they can be all recycled when they are replaced by new ones. These materials absorb shock, so even younger children and senior citizens can walk in safety and security.

Pavement absorbing and holding water  
This controls the heat island phenomenon through the effect of sprinkled water.



## Toward a lifestyle center where people, stores and commodities work synergistically

Shiro Okamura Mall Manager, AEON Chikusa Shopping Center, AEON Co., Ltd.



The Ecological Store is a goal to be pursued by the shopping center as a whole. If a customer asks a question about environmental friendliness, I hope all employees, as well as specialty store workers, security guards and cleaning staffs, can answer it. Our store is located in an urban area, so I would like to make it a lifestyle center by using the advantages of the shopping district and encouraging human interaction. I suggest that the

open park be used as a free presentation space for various local groups and students. How about providing flowerbeds to be planted by each of residents' associations? We are discussing with local residents how to provide additional information of value to the community, beyond environmental information. Many tenants are also making efforts as corporate citizens, so we will introduce their activities as well.

# As a Community Square

Every month, we are involved  
in community activities together with customers.



The 11th of every month is AEON Day – the day when  
we contribute to the environment and the local community.

## 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 continues various activities together with customers to contribute to society. AEON Day features several events. In the "AEON Happy Yellow Receipt Campaign," goods valued at an amount equivalent to 1% of all customers' purchases on the 11th of the month are donated to volunteer organizations in the local community. In "AEON Clean Road," volunteer AEON employees do sweeping in areas neighboring the store premises, and in the "Clean &

Support for volunteer organizations  
in the local community



## AEON Happy Yellow Receipt Campaign

The "AEON Happy Yellow Receipt Campaign," held on AEON Day, is an activity to support, together with our customers, volunteer organizations in the local community. Specifically, the campaign encourages customers to deposit the yellow receipts issued for their purchases on AEON Day, or the cards\* issued in exchange for stamp cards for the "Bring Your Own Shopping Bag Campaign"\*\*, into a special box located within the store premises. Then AEON donates goods equivalent in value to 1% of the total amount of the collected yellow receipts and exchange cards to local volunteer organizations. The sum total of the posted yellow receipts and exchange cards in FY2004 amounted to 5,056,811 billion yen. Of the total sum, 1%, or 50,568,110 yen worth of goods, was donated to 9,369 organizations.

During the period between the inception of the campaign in 2001 and February 2005, the "AEON Happy Yellow Receipt Campaign" was implemented at AEON Co., Ltd. and 14 other AEON Group companies, donating goods equivalent to 164.14 million yen to 26,256 organizations (cumulative totals).

\* This card is issued in exchange for a "Bring Your Own Shopping Bag Campaign" card with 20 stamps affixed. A single card is equivalent to 100 yen.

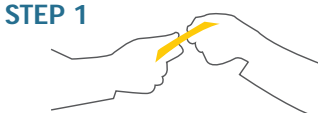
\*\* See page 41.

Green Activities," they further do the same in neighboring parks and riverbeds. And, with AEON Day having been held a number of times, it has become firmly established in the local communi-

ty. AEON Day is known as a day for AEON employees to think about how to contribute to the environment and society together with customers, and act accordingly.



### STEP 1



A customer receives a yellow receipt from the cashier when making a purchase on AEON Day.

### STEP 2



The customer places the yellow receipt in a box located at the store. A separate box is allotted to each local volunteer organization, which bears descriptive text of the organization's activity. From the cluster of boxes, the customer chooses the box of an organization he or she wishes to benefit, and places the yellow receipt in it.

### STEP 3



The sum total of the collected receipts is calculated for each volunteer organization.

### STEP 4



Goods equivalent in value to 1% of the sum total of the collected receipts in each volunteer organization's box are donated to that organization. If the total sum amounts to 1 million yen, AEON donates a further 10,000 yen worth of goods to the organization.

Cleanups are also  
an important contribution to society



## AEON cleanup activities

The "Clean & Green Activities" have been going on since April 1991. AEON employees carry out volunteer cleanup activities for parks, rivers, public facilities, and so on. Since January 2002, in parallel with these 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 and cleanups of tree planting zones along national roads near AEON stores.

In FY 2004, as well, various cleanup activities were implemented at AEON stores all over Japan. AEON will continue to actively promote cleanup activities in various parts of the country.



AEON is also involved  
in new activities in closer cooperation with communities.



Toward a new recycling system within the region  
Network Model Project

## Use of cooking oil consumed as fuel

Maxvalu Chubu Co., Ltd. reuses waste oil generated in frying foods, such as tempura and croquettes, as bio diesel fuel (BDF). This activity has been promoted as Mie Prefecture's Model Project for creating a regional recycling network, in partnership with the Prefectural Government's Department of Environment Protection, Tsu city, local NPOs, Komatsu Mie Ltd. and the Mie branch office of Uokuni Sohonsa Co., Ltd. Specifically, used cooking oil is collected from Maxvalu stores, dining rooms of Uokuni Sohonsa and the prefectural office, and households of Tsu City, and is recycled into BDF by Komatsu Mie.

BDF is used as fuel for diesel engine vehicles. BDF does not require altering car engines and is as powerful as light oil. Moreover, it is "environmentally friendly fuel": it emits no sul-



fur oxides that contribute to acid rain and only a small amount of the black smoke that is typical of diesel-powered vehicles.

Furthermore, even if BDF emits CO<sub>2</sub> as a result of combustion, its emission is not counted in the CO<sub>2</sub> emission limit specified by the Kyoto Protocol, because BDF is of plant origin. This is based on the assumption that plants, which grow by absorbing CO<sub>2</sub> in the atmosphere, merely return it to the atmosphere upon combustion.

Maxvalu Chubu recycles consumed cooking oil collected at two stores (as of February 20, 2005) into BDF, which is used as fuel for its company vehicles. Maxvalu Chubu plans to further promote this activity.



### Collection



### Reuse



Regional vitalization through  
promotion of local foods

## "Local Production, Local Consumption" activities

AEON is vigorously promoting "Local Production, Local Consumption" activities, whose concept is "locally produced foodstuffs prepared in the local style and consumed locally." For example, the JUSCO Higashiyama Nijo store in Kyoto Prefecture launched this activity in 2001 in cooperation with local leaders, including Prof. Kazuhiro Ueda of Kyoto University's Graduate School. The store now continues activities, including research on



sales systems that can reduce a load on the environment, to create a new distribution cycle for foodstuffs. Maxvalu Chubu Co., Ltd. also held a "Local Production, Local Consumption" fair in which local farm and marine products were displayed and sold. In FY2004, Mie Prefecture es-



tablished the "Mie Local Products First Day" to make concerted efforts to promote local production and local consumption. As a result, activities have been expanded and diversified.

## AEON promotes environmental awareness among children through diverse programs



Children get an arena  
for learning about the environment

### AEON Junior Eco Club

To provide an arena for young people to learn for about environmental issues, in 1995 the Environment Agency (since renamed Ministry of the Environment) launched an initiative called Junior Eco Clubs. The idea was to support activities in local communities to provide school children opportunities to learn about the environment. As this is an area of great interest to us, we decided

to participate and set up the AEON Junior Eco Clubs, which have enjoyed strong support from the AEON Group as a whole and become quite successful in the local communities.

Members of the AEON Junior Eco Clubs are children from primary and junior high schools who live in communities where AEON stores are located. There is no membership fee, and each child start off with a one-year membership, renewable annually. Community volunteers and AEON staff provide advice and support for members' activities.

In 2004 a total of 3,561 children in 151 clubs hosted by local AEON stores, with 482 support staff, carried out various activities related to environmental preservation. Their achievements were summarized in club newspapers posted in the stores.

The Ministry of the Environment sponsors the National Festival of Junior Eco Clubs annually, and from each prefecture one club is selected to send delegates to the National Festival. In 2004 three AEON Junior Eco Clubs had the honor of sending delegations to the festival.

onmental preservation. Their achievements were summarized in club newspapers posted in the stores.



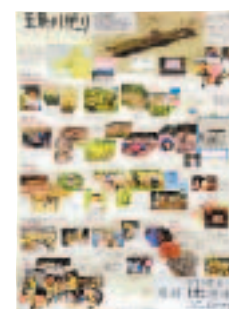
The National Festival of Junior Eco Clubs held in Mihama-Handa, Aichi Prefecture. AEON Yamagata Minami Junior Eco Club (from Yamagata Prefecture), AEON Niihama Junior Eco Club (from Ehime Prefecture), and AEON Karatsu Junior Eco Club (from Saga Prefecture) were among the delegations invited to the national festival.



AEON Niihama Junior Eco Club  
(from Ehime)



AEON Yamagata  
Minami Junior Eco Club  
(from Yamagata)



AEON Karatsu Junior Eco Club  
(from Saga)



### Production of an Eco Club Newspaper

Maxvalu Nishinohon Co., Ltd., Maxvalu Hojo Store

On September 11, 2004, students gathered in the conference room of the Maxvalu store and produced the Eco-Mar Journal, which announced their Eco Club activities of the past year. They discussed the content of the newspaper, and several groups were formed to write articles presenting their memories of the ecological school, their visit to a recycling center, and other topics related to their Eco Club activities.



### Studying Living Organisms in Rice Paddies

AEON Co., Ltd., JUSCO Niigata, Niigata Higashi, and Shirane Stores

Students participated in an event held jointly by three JUSCO stores in which they studied various species of waterborne creatures that inhabit the artificial enclosed shallow bodies of water formed by rice paddies. They netted and examined various species of fish and their characteristics, learned about changes in the ecosystem caused by throwing away of soft-shelled turtles, and enjoyed many other interesting experiences.



### Dietary Workshop

AEON Co., Ltd., JUSCO Miyoshi Store

On October 24, 2004, a dietary workshop under the theme "Vegetables for a Healthy Body" was held, under the instruction of a certified dietician. Students prepared various attractive dishes, took a quiz on vegetables, played a shopping game, and made salads, learning the importance of fruits and vegetables in the daily diet for good health.



### Harvesting and Tasting Winter Vegetables

AEON Co., Ltd., JUSCO Nara, Ikoma and Nara-Minami Stores

In this event held by the three JUSCO stores, students harvested winter vegetables such as Japanese radishes, potherb mustard (mizuna), carrots, and broccoli. Then they went to a volunteer center some 20 minutes away on foot, where using the harvested vegetables they made salads and miso soup with pork and vegetables, which they then sampled together with the packed lunches they had brought. Finally, they attended an evaluation meeting on club activities in 2004.



AEON stores nationwide  
provide arenas for ecological study

### AEON Eco-Eco Store Expedition

To help students in local communities enhance their interest in environmental conservation and understand the importance of protecting the environment, AEON carries out the "AEON Eco-Eco Store Expedition." The expedition invites primary-school students, and the expedition team visits JUSCO, Maxvalu, and Megamart stores to learn about the conservation activities practiced at these stores, which involve recycling and waste reduction. AEON also accepts occasional requests from local primary schools to join the expedition.



For the AEON Junior Eco Club organized by JUSCO Kisogawa Store, opened in June 2004, the first activity following inauguration of the club was the "Eco-Eco Expedition." They enjoyed learning about activities to reduce generation of trash and the mechanics of resource recycling.



### Salmon-Spawning Class

AEON Co., Ltd., JUSCO Sapporo Motomachi Store

At the River Toyohira Salmon Science Museum in Sapporo, students practiced spawning salmon through insemination. Young fish hatched from fertilized ova will set off for the blue waters of the Pacific in May 2005.



### Development of a Community Mountain Forest

AEON Kyushu Co., Ltd., JUSCO Karatsu Store

On January 23, 2005, students participated in the satoyama (community forest) development program held in Miyahara-cho, Kumamoto Prefecture. The program was sponsored by the AEON Environment Foundation to give them experience with nature and in developing a bamboo grove. Under the guidance of volunteers, the children also enjoyed constructing bamboo domes and steaming bread in bamboo baskets.



### Cooking Eco-Pork

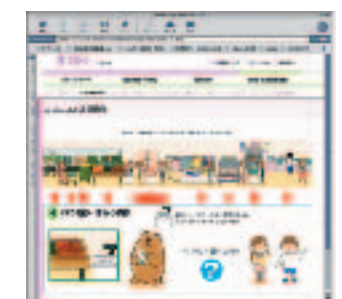
Ryukyu JUSCO Co., Ltd., JUSCO Naha Store

Students participated in a cookout event called "Discover a Linkage" on January 23, 2005, which featured meat from "eco-pigs," which had been raised on food waste from AEON stores. They were able to learn about "sustainability with recycling of resources" based on common materials.

Web site for students to learn about ecology

### AEON Eco-Eco Study Center

We hope that students, who grow into adults in the course of time, will enjoy learning about the importance of ecology, the necessity of recycling, and the significance of nurturing forests. Our AEON Eco-Eco Study Center is an ecology Web site opened just for young students. By venturing into the Eco site and meeting some cute characters, students can have some fun while gaining diverse knowledge on ecology. The content is most appropriate for educational materials on environmental study.



## AEON works in various ways to build "a future of limitless promise"



The group's united activities  
to contribute to society

## AEON's Fund-Raising activities

To financially assist various efforts to provide disaster relief and protect the environment, AEON carries out fundraising activities, through campaigns addressed to both customers at the storefronts and to AEON staff.

In 2004 major disasters that required emergency relief occurred in Japan and elsewhere in the world, and customers were especially concerned about the victims and damage. Many customers deposited contribution money with AEON through the "No More Landmine Campaign," which is aimed at ridding the world of landmines, regarded as the most brutal type of weapon, and the "Return the Forest

to the Fish-Owl! Campaign", which earmarked the proceeds from the sale of wrapping paper and greeting cards designed by Mr. Jimmy Ohnishi for forest conservation.



Fundraising for victims of the Chuetsu earthquake in Niigata Prefecture and Typhoon No. 23 at JUSCO Miyoshi Store.



Labor and management collaborate  
in supportive actions

## AEON Welfare Fund

The AEON welfare fund created in 1977 is funded through the union's monthly donation of 50 yen per member plus matching funds contributed by the AEON Group companies of 50 yen per union member per month (a total of 100 yen). Presently, 38 companies and their employees from the AEON Group participate in the fund, and it provides diverse financial support, such as to help the handicapped become more independent and participate in social activities. Under the Benefit Package for Welfare Facilities program, the fund donates 500,000 yen to 1 million yen per facility to various welfare facilities for the mentally and physically disabled around the nation. The cumulative total of recipient facilities reached 355 in 2004.

## Major Fund-Raising activities in FY 2004

Fund (No. of participating companies)/Period	Funds Collected from Customers and Employees	Donations from AEON	Total	Recipient Organization
Fund-raising for Nepal School-Building Project (58) Mar. 21 – May 20, 2004	53,565,538 yen	54 million yen (Donated from AEON 1% Club)	107,565,538 yen	Japan Committee for UNICEF
Fund-raising for "No More Landmine" Campaign (51) Jul. 1 – Aug. 31, 2004	26,899,570 yen	27 million yen (Donated from AEON 1% Club)	53,899,570 yen	Association for Aid and Relief, Japan
Fund-raising for Emergency Support to the Victims of Typhoon Tokage (65) Oct. 26 – Nov. 7, 2004	43,247,448 yen	43 million yen (Donated from AEON 1% Club)	86,247,448 yen	Hyogo Pref. Fundraising Committee for Typhoon Victims Japanese Red Cross Society, Kyoto Pref. Branch Japanese Red Cross Society, Kagawa Branch Tokushima Pref. Rescue Headquarters for Typhoon No. 23 Damage
Fund-raising for Emergency Support to the Victims of Niigata Pref. Chuetsu Earthquake (65) Oct. 26 – Nov. 7, 2004	108,771,115 yen	108 million yen (Donated from AEON 1% Club)	216,771,115 yen	Niigata Pref. Rescue Headquarters for Earthquake Damage
Fund-raising for "Return the Forest to the Fish-Owl!" Campaign (31) Nov. 29 – Dec. 25, 2004	9,208,134 yen	10 million yen (Donated from AEON Environment Foundation)	19,208,134 yen	Shiretoko Foundation, Inc.
Fund-raising for Emergency Support to the Tsunami Disaster Victims of the Great Sumatra Earthquake (67) Dec. 28, 2004 – Jan. 16, 2005	93,808,211 yen	95 million yen (Donated from AEON 1% Club)	188,808,211 yen	Japan Committee for UNICEF
<b>Total</b>	<b>335,500,016 yen</b>	<b>337 million yen</b>	<b>672,500,016 yen</b>	

## Fund-Raising activities continued in FY 2004

Fund (No. of participating companies)/Period	Funds Collected from Customers and Employees	Cumulative Amount of Funds	Recipient Organization
Red-feather Community Chest Campaign Oct. 1 – Oct. 31, 2004	5,290,934 yen	121,143,948 yen (FY1983 – 2004)	Central Community Chest of Japan
Guide Dogs Fund-raising (26) Sept. 21 – Nov. 20, 2004	17,632,612 yen	165,874,097 yen (FY1989 – 2004)	National Association of Guide Dog Institutes
Fund-raising for the National Bone Marrow Bank (2) Jan. 24 – Feb. 20, 2005	6,229,616 yen	22,665,982 yen (FY2000 – 2004)	Japan Marrow Donor Registry Promotion Conference (Specified NPO)
<b>Total</b>	<b>29,153,162 yen</b>	<b>309,684,027 yen</b>	



From ecological study to international exchange

## AEON 1% Club

Founded in 1989, the AEON 1% Club, which operates on funds contributed by the AEON Group's blue-chip companies equivalent to 1% of their pretax profits, carries out a wide range of activities under the themes "Environmental Conservation," "International Exchange of Cultures and People," and "Development of Local Cultures and Communities." These contributions in FY2004 amounted to 939 million yen, bringing the cumulative total to 7.246 billion yen.

In August 2004, the AEON 1% Club conducted the second "AEON Eco Tour in Germany," and 54 primary and junior high school students joined the tour and learned about the sorting of household waste, recycling of resources, and use of natural energy sources in Germany. At the "No More Landmine Campaign" held from July to August, we held fundraising activities and classes on landmines as a way to think about and act on this problem with our customers.



Participants in the second "AEON Eco Tour in Germany" learned about sorting of household trash in Dresden, Germany.



"Let's Eradicate Landmines Campaign" appealed for eradication of landmines.

Under the "Teenage Ambassador" Program, which is a part of the Club's "International Exchange of Cultures and People" initiative, 20 high-school students from Guangdong Province, China, were invited in November. They joined in diverse ecological studies, including trial attendance at Japanese high schools, a visit to Recycling Plaza in Ohta city, and got some hands-on practice studying marine life on a tidal flat in Tokyo Bay.



"Teenage Ambassador" Program from Guangdong Province, China studied the abundant marine life on the Sanban-ga-Se tidal flat in Tokyo Bay.



Engaging in tree-planting activities overseas

## AEON Environment Foundation

The AEON Environment Foundation, which will mark its 15th anniversary in 2005, carries out and supports conservation projects in Japan and the developing world. In FY2004, the Foundation and the Beijing city government cosponsored the "Great Wall Reforestation Project" tree-planting and -growing activity in July, in which some 300 Chinese and Japanese volunteers planted 4,300 saplings. In celebration of the 20th anniversary of Jaya JUSCO Stores Bhd of Malaysia,\* some 30,000 saplings were planted there by 2,850 volunteers in September. In Japan, the Foundation conducted several tree-planting events in cooperation with volunteers, which included the "Shiretoko Reforestation / Tree Planting Activity" (some 700 saplings were planted), the "Ueda City Hometown Forest Program" (4,000 saplings planted), and "Kaga Coast Hometown Forest

Program" (15,000 saplings planted). In FY2004 the Foundation provided a total of 150 million yen in subsidies to 156 conservation activities conducted by NGOs in Japan and abroad, which brought the cumulative total of subsidies since its establishment to 1,327,070,000 yen.

\*On September 15, 2004, the company was renamed AEON Co. (M) Bhd.



Great Wall Reforestation Project: Tree planting is being carried as part of a three-year plan beginning from 2003.



For the development  
of art and culture of Mie Prefecture

## The Cultural Foundation of Okada

The Cultural Foundation of Okada was established in 1979 to contribute to the development of art and culture in Mie Prefecture. In November 23, 2004, a concert was held at the Mie Cultural Hall to celebrate its 25th anniversary. Members selected from the Vienna Philharmonic Orchestra and three soloists supported by the Foundation appeared together.

## Through Our Products-1 Food Safety

By adding a proven sense of assurance to foods, Aeon contributes to the health of our customers.



### Connecting information disclosure and sense of assurance

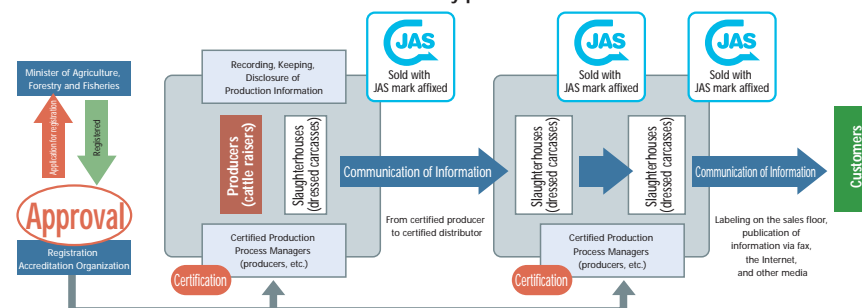
#### Efforts on livestock products

Starting with the BSE problem, the Japanese public has been increasingly concerned about the safety of meat. Aeon is working on the establishment of a system where customers can buy meat with further sense of security. For domestically produced beef<sup>1</sup>, a traceability system was introduced in 2003, which allows customers to track and identify when and where food animals were born, as well as by whom and with which kind of foodstuffs they were raised, by means of the "track record number" and the "individual recognition number"

printed on a sticker affixed to each meat package. In April 2004 we acquired for the first time in Japan "JAS certification for beef warranted by production information disclosure"<sup>2</sup> and "JAS certification for pork warranted by production information disclosure"<sup>3</sup> in November and thus have been able to sell packaged meat with JAS-certified health safety. For the future, as well, we are planning to move ahead in this effort and increase the number of products and expand areas where service is provided.

<sup>1</sup> As of February 2005, introduced to limited areas and products.  
<sup>2</sup> Aeon's food meat processing center, Food Supply JUSCO Co., Ltd. Minami Kanto Center and Meat Packer Incorporation Kitami Office acquired certification for "meat packers." TS Angus Miyashita Ranch, trader of Food Artisan was certified for "production process manager."  
<sup>3</sup> Food Supply JUSCO Co., Ltd. Minami Kanto Center acquired certification for "meat packers," Towadako Plateau Farm for "production process manager."

#### Scheme of JAS certification for meat warranted by production information disclosure



In this scheme, a third-party organization (the registration accreditation organization) certifies that the operators involved accurately communicate production information on foodstuffs to customers.

### Further ascertained sense of security together with crop growers

#### Efforts on farm products

Our TOPVALU Green Eye\* brand features the concept that farmers grow nutritious farm products, utilizing to the fullest the power of nature in a manner friendly to the global environment. So far, we have been disclosing producer information on certain agricultural commodities by means of storefront display terminals, while launching in FY2004 a new producer information system that enables customers to directly access producer information with their mobile phones. By reading QR code affixed to a particular commodity, a mobile phone can access the producer's Web site. On



the display of the phone the customer can see not only the producer's name and picture but also the production record for that particular food item, which provides customers of a further sense of security regarding their purchases. Under this system, since producers receive and manage customer comments and keep production records on farm products in detail, they can grow crops more efficiently in the next season and beyond. Aeon is planning to further develop the existing system into one able to cover not only nationally distributed farm products but also homegrown vegetables and other crops that are rooted in the local dietary culture. As of February 2005, information on 70 farm products is available from this production record tracking system. Aeon is planning to expand farm products covered by this system to 350 items within 2005.

\*For information on TOPVALU, see pp. 28-30.

### Stable product quality throughout the year

#### Efforts on fishery products

There are more than a few customers who are vaguely concerned about the safety and quality of farmed fish. Others are more focused on taste and product quality. Accordingly, in April 2004 Aeon established the "Osakana-Bokujo (mean as Fish Ranch)" an effort to intercon-

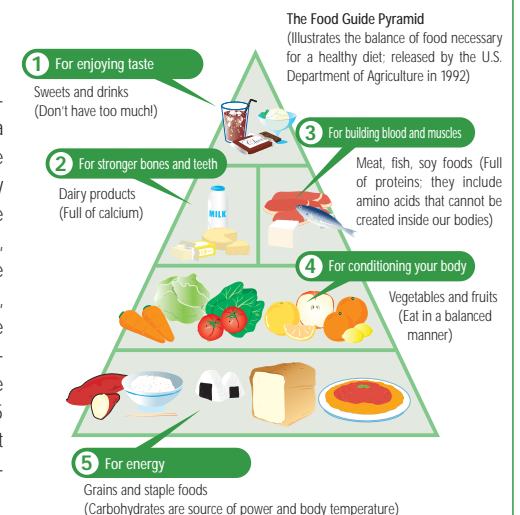
nect customers with operators of fish farms. Under the "Osakana-Bokujo" scheme, producers control in detail the environments and conditions for fish farming to deliver tasty and safe fish products. At the same time, Aeon plans to disseminate information on the advantages of cultured fish, which include the ready availability of measures to secure health safety, stable supply, quality, and tastiness throughout the year, with little adverse impact on natural fishery resources. As of February 2005 the "Osakana-Bokujo" system delivers

four types of cultured fish: eels from Sadowara-cho, Miyazaki Prefecture; yellowtails from Azuma-cho, Kagoshima Prefecture; yellowtails from Amakusa, Kumamoto Prefecture; and Vannamei prawns from Thailand. Aeon is planning to expand the variety of cultured fish products offered from the "Osakana-Bokujo" scheme in the future in order to provide fresh and tasty fish products for many more customers.

### Providing tips for a healthy diet

#### "Five a Day" Campaign

"Five a Day" Campaign is a diet improving initiative started in America that recommends people to eat more than five servings of vegetables a day (70 grams per serving) and more than 200 grams of fruits. In 2001, Aeon introduced this campaign as the first retailer in Japan, and since then, has been holding activities to improve people's diet. At the cooking demonstrations of the "Cooking Station" (the name was changed in Feb. 2005 from "Let's Do Five a Day") event held at stores, dietitians present healthy menus focusing on vegetables.



### Our commitment to safety is also a commitment as producers

#### TOPVALU Green Eye Tasmanian Beef

Tasmania, an island off the south coast of Australia, is said to be one of the world's few remaining areas of pristine nature. TOPVALU Green Eye's "Tasmanian Beef" comes from black angus cattle, raised carefully and healthily using the clean water and fresh air of the island. The tender and juicy texture that Japanese people are so fond of are only made available under the thoroughgoing hygienic management and quality inspections of Tasmania Feedlot, a direct subsidiary of Aeon, from cattle that has been fed grains for over 200 days (using no meat-and-bone meal, genetically modified feed, antibiotics, or growth hormones). This breeding environment is

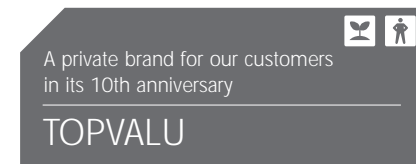
certified by the government of the Tasmanian State Government of Australia, and the manufacturing process is monitored by SQF2000\*, a third-party certification system.

\*SQF stands for Safe Quality Food. It is a certification system run by SGS, the world's largest private inspection, verification, and registration organization. We were the first Japanese retailer to introduce this system.



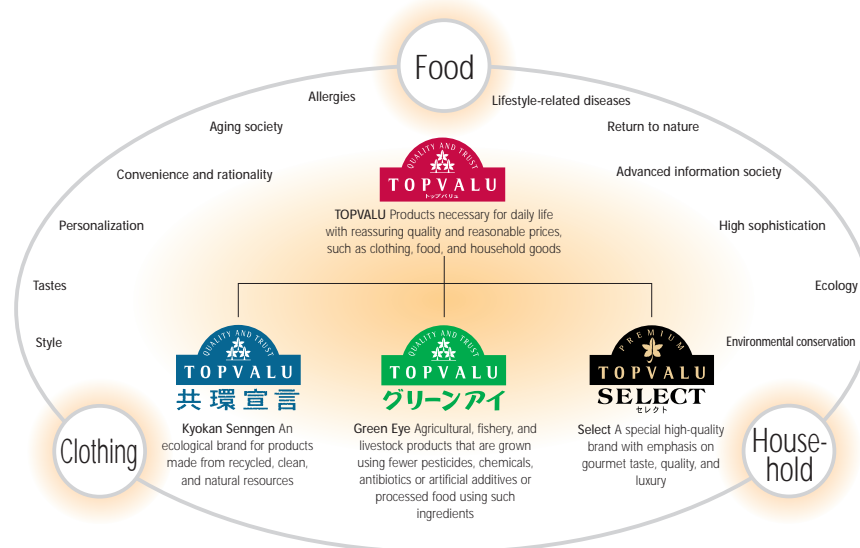
## Through Our Products-2 Private Brands

Customers' voices are heard. Aeon's commitment brings fruitful results.



TOPVALU, Aeon's private brand line, was launched in 1994. We have consistently developed it as a "private brand for our customers," giving concrete form to the values demanded by the times. Every year, we have received increasing opinions and proposals concerning TOPVALU at the "Aeon 21 Campaign."\* With the hope of further responding to our customers' voices, we have revamped the brand this year after four years, broadening the range of products. Naturally the "Five TOPVALU Commitments," which can be seen as Aeon's promise to our customers, will surely be made use of. As of the end of January 2005 there are 2,400 TOPVALU items, which are sold in roughly 4,200 stores in the Group's 40 companies.

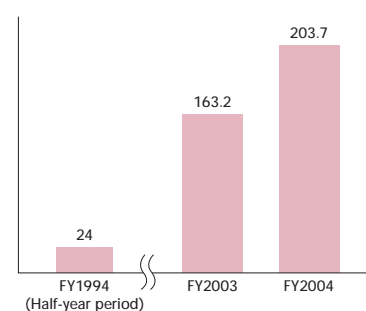
\* See page 16.



## [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 a product if the customer is not satisfied.

## Changes in sales of TOPVALU products (billion yen)



Providing information in a readily understandable manner

## Informative labeling of TOPVALU

The revamped TOPVALU line uses packaging that may look quite different to customers from the previous packaging, but our stance toward packaging remains unchanged: to accurately communicate product information for safety and assurance among customers. Long before the revised JAS law stipulated the requirement, Aeon was voluntarily providing labeling with information on genetically modified

\*The number of items as of February 20, 2005. When additional items are recommended, Aeon will promptly add them to the allergen labeling.

**Labeling of TOPVALU Potato Chips (Consommé)**

**TOPVALU Type Labeling 1**

ばれいしょ(国産)、植物油(米油、パーム油)、糖質、鶏肉パウダー(豚肉を含む)、食塩、香辛料(大豆を含む)、オニオンパウダー、たん白加水分解物(大豆を含む)、粉末醤油(大豆、小麦を含む)

A raw material that contains allergen is shown in parenthesis.

**TOPVALU Type Labeling 2**

●原材料に「小麦、大豆、鶏、豚」の成分が含まれています。  
●ばれいしょ・香辛料(大豆、とうもろこし):遺伝子組換えではありません。  
●たん白加水分解物(大豆、とうもろこし):遺伝子組換え不分別(遺伝子組換え原材料が含まれる可能性があります)  
●粉末醤油(大豆、小麦を含む)

**TOPVALU Type Labeling 3**

栄養成分表示  
表示単位1袋(90g)当たり  
エネルギー 497kcal  
たんぱく質 4.9g  
脂質 32.0g  
炭水化物 45.5g  
食塩相当量 0.7g  
(株)品質管理センターにて検査

For the 25 food items specified as allergens, all of the ingredients and additives used in the manufacturing process are shown. The voluntary labeling also includes information of genetic modification.

**25 food items specified as allergens**

Items mandated by law: eggs, milk, wheat, buckwheat, peanuts  
Items recommended: abalones, squid, salmon roe, shrimp, oranges, crab, kiwi fruits, beef, walnuts, salmon, mackerel, soy beans, chicken, pork, matsutake mushrooms, peaches, yams, apples, gelatin, bananas

## We can recommend with confidence TOPVALU for safety- and health-conscious customers

Mikio Saito Store Manager, Tennocho SATY, MYCAL Corporation



When I first tried TOPVALU, I was surprised at its delicious taste. To share my deep feeling of that experience with our customers, I have been focusing on the tasting sale campaigns, and we have won encouraging customer response. When a comment was raised at a conference of monitors, "Five servings of frozen Sanuki noodles in a single package means some have to be wrapped and sealed unless one is going to consume all five servings at once," they passed that along to the corporate merchandising department, who soon changed the packaging to an outer package

with five inner portion packs, each containing one serving. The monitors were surprised at the quick action taken by Aeon. TOPVALU Green Eye products and the selection of low-salt vegetable juices are showing brisk large sales, which is a sure sign that customers these days are indeed are conscious of safety, health, and the environment. For the future, as well, we intend to disseminate information on the advantages of TOPVALU through the information service approach, which includes suggestions of menus and cross-selling, where related goods are displayed together.

As a part of CO<sub>2</sub> emission reductions

## Packages made of biomass materials

TOPVALU Green Eye has begun to adopt polymer bags\* made of biomass packaging material since last year. Such biomass materials are increasingly regarded as contributing to reductions in CO<sub>2</sub> emissions. In the current fiscal year Aeon is expanding the use of biomass packaging materials, which are used to wrap organically grown bananas from Colombia. Besides their use with TOPVALU items, such a material is used in certain egg cartons. For distributing and displaying these commodities in consumer packages made of the packaging materials of lower carbon intensity, returnable containers are proactively used in a program of "waste reduction practiced together with customers," which is unique to retail business. Both biomass packaging and returnable containers will be increasingly used with many more products offered by Aeon.

\*The raw material for these biomass packaging materials is corn starch. Carbon dioxide emitted by burning these packages is the same CO<sub>2</sub> that was absorbed in the field as the corn grew. Therefore, the use of such packaging does not raise the carbon dioxide levels in the atmosphere.



## Through Our Products-3 Fair Trade

Continuing to serve, along with our customers,  
as an interface between the sales front and social contributions.



We often hear the term "fair trade." The term refers to those activities that procure raw materials and products at fair prices from disadvantaged producers to provide support to their economic and social self-dependency — thus contributing as well to environmental conservation. In 2003 Aeon initiated the Aeon 21 Campaign,\* responding to customers who suggested developing Aeon's sales interface into a place where many people could participate in social contributions through their daily life activities. Under our fair trade campaign, widening opportunities to buy fair trade products leads directly to benefits for these producers. Also, the campaign should be carried out on a continual basis, rather than as a transitory event. Taking advantage of its position as a retailer able to procure products on a global basis, Aeon intends to continue the 21 Campaign in a broader sphere together with many more customers.

\* See page 16.

### Widely bought merchandise TOPVALU Fair Trade Coffee

Aeon launched the sale of Fair Trade coffee (bean varieties) in September 2003. Since that time, Aeon has strived to expand this product line, resulting in the successful launch of TOPVALU brand coffee in 2004. Our TOPVALU Fair Trade coffee uses coffee bean varieties certified by FLO,\* a fair trade labeling or-



Our TOPVALU Fair Trade coffee shows the FLO certification mark on the top of its package.



ganization operating in the 17 western countries. We import the fair trade coffee beans from three producing areas — Indonesia, Thailand and Ethiopia. These coffee beans are processed into regular- and drip-type grinds, providing a fine taste and rich aroma that satisfy coffee-drinkers with delicate palates. These fair trade products are also available from the Aeon on-line shop.

\*Fairtrade Labeling Organizations International

### Teaming up with external specialists SELF+SERVICE

## SELF+SERVICE

CONTRIBUTING TO THE CONSTRUCTION OF  
A CIRCULAR-Styled-SOCIETY BASED ON OUR STORES,  
THROUGH LOCALLY FOCUSED

#### CONCEPT



Differing from monetary donation or providing goods for assistance, fair trade is a commercial transaction based on equitable partnership between producers and buyers. In providing fair considerations and support for improving design and product quality, Aeon helps producers in the developing world be-

come self-dependent. Our SELF+SERVICE line features the concept of compatibility between smart dressing and environmental-consciousness. SELF+SERVICE started selling organic cotton T-shirts, accessories and other fair-trade products in July 2004, in partnership with Fair Trade Company, which runs various fair trade businesses under the People Tree brand. Producers are encouraged to learn about quality control and product planning through their dealings with Fair Trade Company and Aeon, and are assured of income from the continuous flow of sales, which contributes to the development of local Products. In 2005, many new products given birth from these activities will appear in SELF+SERVICE shops. Also, we are planning broad development of opportunities for introducing fair trade products and business into the operations of other Aeon group companies.



### Shop concept THE BODY SHOP

## THE BODY SHOP

Aeon Forest Co., Ltd. distributes products of THE BODY SHOP, a British cosmetics brand, throughout Japan. Aiming at "compatibility between business and social reform" since the opening of its first chain shop in Britain, the cosmetics brand has been carrying out social contribution activities through business based on the five Values concepts. One of these values is Community Trade. Under the concept of "Trade not Aid," THE BODY SHOP pursues unique fair trade practices that support economic and social needs of local communities. This is done through procuring raw materials

directly from local communities and sustaining partnerships between the brand and these communities. At the same time, respect is given to the environment and the indigenous cultures of communities worldwide needing support from others. As of February 2005, the British cosmetic brand has traded with 27 communities in the world.



SUPPORT  
COMMUNITY  
TRADE



# Toward Convenient and Comfortable Aeon Stores for All

In terms of both hardware and software, Aeon promotes store facilities and services that are friendly to everyone

Introducing universal design for Aeon store

## Aeon Heart Building Design Standards

Pursuant to the Heart Building Law enacted in 1994, Aeon has developed its own Aeon Heart Building Design Standards. These design criteria are applied to the construction of new Aeon stores and the remodeling of existing ones to proactively incorporate into Aeon store facilities the concept of "a universal design that everyone can use with convenience and comfort."

To this end, Aeon stores choose to provide barrier-free facilities as a matter of course and upgrade Aeon employees' second-service skills to develop Aeon stores that are friendly for everyone in terms of both hardware and software. Further, Aeon employees take courses in sign language and second services for disabled customers.

In fiscal 2004, 58 Aeon stores acquired the Heart Building Law certification, bringing to 344 the total number of Aeon stores and other facilities certified by the Law.



Parking lots are color-coded by area and a display board at the entrance to the parking facility shows available parking spaces. Visitors can see at a glance if parking spaces for exclusive use by the disabled are available.



Steps on floors are reduced to a minimum, and soft carpets are used in many places.



Pedestrian passageways are indicated with large, clear signs to caution other drivers as well.



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



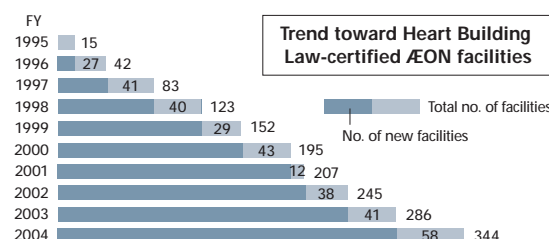
Restrooms in Aeon stores provide toilets with wider spaces for wheelchair access and are also furnished with curtained-off adult-sized beds.



A courtesy telephone is provided in the entrance lobby so that elderly and disabled customers can call for special assistance if needed.



Also available are wheelchairs, as well as shopping carts that are attachable to wheelchairs.



## To improve problems one by one, putting ourselves in the users' position - I believe this is a basic of universal design

Masaaki Fukaya General Manager, Aeon Shimoda Shopping Center, Aeon Mall Co., Ltd.



To realize the dream of a public welfare-oriented shopping center worthy of national pride, from the earliest stage of its development our Aeon Shimoda shopping center tapped the opinions of the elderly

and the disabled. This enabled construction of a welfare shopping center rich in terms of both hardware and software. Their opinions are materialized in toilets of a universal design accessible for both ordinary people and the disabled, step-free and non-slippery floors, and vending machines accessible to the disabled. In appreciation of its thorough welfare design, in 1995 the Aeon Shimoda SC received Heart Building Law certification, becoming the first such recipient in Aomori Prefecture and the second nationwide. In subsequent years, in partnership with local NPO corporations, the Aeon Shimoda SC has introduced a volunteer guide help-

ers scheme that provides additional hospitable secondary services for the elderly and the disabled. There is also an in-house day service facility, which is very rare at SCs nationwide. These achievements won the Aeon Shimoda SC, in 2002, the nation's highest merit: the Prime Minister's Award.

In local communities, our Shimoda SC now plays a remarkable role as a family friend. Of course, the present prominence of the Aeon Shimoda SC is due to the strenuous efforts of my predecessors and their staff members, the assistance of public administration and, above all, the valuable advice from our elderly and disabled customers.

# Customers/In the Information Society

We provide strict management and protection of customers' information

Convenience, comfort and security are ensured by

## Protection of personal information

The Personal Information Protection Law was put into effect on April 1, 2005. In advance of the Law's enactment, Aeon Group companies checked existing policy and rules and developed new ones for handling customers' personal information. In this section, we describe the efforts of two Aeon companies, whose business closely involves dealing with personal data, to protect customers' personal information.

### Customer's information = Our Own Corporate Assets

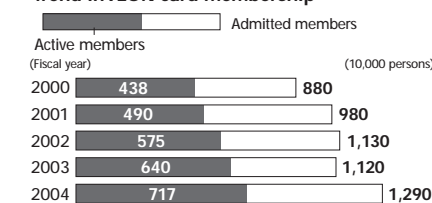
As of February 2005, Aeon Credit Service Co., Ltd. had a total of 12.9 million credit card members. Therefore, we regard protecting customers' information as equal to protecting our own corporate assets. In this regard, we acquired ISO9001 certification for a management system ensuring protection of personal information (January 2002); qualification for the use of the Privacy Mark (January 2003); and ISMS\* certification (July 2004). Further, in response to the widespread use of the Internet, in combination with the latest data encryption technology, we received TRUSTe licensee status in July 2004. Moreover, we have successively introduced several new tools and programs for effective protection of personal information. These include an in-house personal identification system that uses finger vein patterns; a surveillance system supporting operations of the work procedure check-up system; and moral enhancement education

for all Aeon Credit Service employees, including part-time workers. Security the management system has been reinforced with the Personal Information Safety Management Committee at the core. This Committee has been holding monthly meetings since November 2003. Now, we are promoting the introduction of the IC chip card as a measure to effectively protect our customers' cards from fraud and other abuse.

A review of existing operations from the viewpoint of protecting personal information sometimes causes setbacks in efficiency. Aeon Credit Service will work further on strengthening protection of customers' information in Aeon Credit Service operations while endeavoring to strike a balance with operational efficiency.

\* Aeon Credit Service is the first in the industry to acquire these three certifications.

### Trend in Aeon card membership



\* Active members are those card members who have used their credit cards once or more during the past year.



Postal mail received is ultimately handled by the mailroom to check destination address and contents.



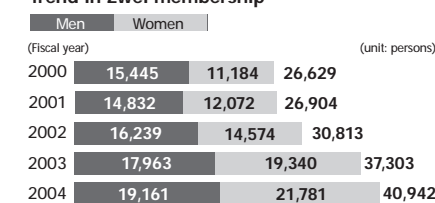
For incoming/outgoing control, multiple check-ups by means of ID card and security code are used.

### Assured trustworthiness promises assured happiness

Zwei Co., Ltd. offers younger people opportunities for encounters leading to marriage. As of February 2005, Zwei membership amounts to some 41,000 individuals. Zwei handles, as its business particulars, highly confidential privacy information. Since its inception, Zwei has implemented various measures and procedures for managing personal information. The company desired to evaluate these fairly yet strictly and thus prove their appropriateness and security. To do this, in 1999 Zwei acquired certification that grants use of the Privacy Mark for qualified businesses. Further, in September 2004, Zwei acquired simultaneous certification of BS-7799, an international standard for secure management of information, and ISMS\*, a domestic standard for information security. Both standards cover all the Zwei operations, its 47 places (as of May 2005) of business and employees, further strengthening its information protecting mechanism. In April 2004, the company inaugurated the Risk Management Committee and Information Security Committee, which have been serving as a system for the continuous improvement of the entire information-protecting mechanism.

\* Zwei is the first in the industry to acquire these two standards simultaneously.

### Trend in Zwei membership



## Representative certification schemes for personal information protection (in Alphabetical Order)

### BS-7799

This security management guideline for company- and organization-run information systems was developed by the British Standards Institution in 1995. The ISMS (described in the column just to the right), is in accord with the latest version of the standard (BS-7799-2:2002).

### ISMS

The Information Security Management System (ISMS) is a compatibility evaluation system for information security management systems inaugurated by Japan Information Processing Development Corporation (IPDEC) in April 2002.

### Privacy Mark

This mark is granted for businesses that furnish and practice appropriate security measures for personal information. The qualification requirements for the Privacy Mark are in accord with the Japanese Industrial Standards JISQ15001 (the requirements for compliance programs on protection of personal information).

### TRUSTe

This certification takes the form of a license granted by TRUSTe, a non-profit U.S. organization known as an international organization serving privacy protection. The TRUSTe scheme aims to help build trust and confidence in the Internet by promoting fair use of information.

## AEON accepts accountability, all the way down to the manufacturing processes



AEON assumes accountability, right down to manufacturing processes

### AEON Supplier CoC (Code of Conduct)

**More than 500 suppliers in Japan and abroad asked to observe CoC**

AEON wishes to assume accountability not only for the quality and safety of products that AEON sells, but also for their manufacturing environment and processes. To this end, AEON formulated in 2003 the AEON Supplier CoC (Code of Conduct), which is applicable to its business partners in 24 countries around the world. The contents of the AEON Supplier CoC are aimed at ensuring the basic compliance of AEON suppliers and vendors with national and local laws and regulations governing production/manufacturing processes. the AEON Supplier CoC also guarantees the respect of the human rights of suppliers' employees and production workers, and insure safer and healthier work environments and appropriate wages at environmentally friendly factories and workplaces. The first explanatory meeting on the AEON Supplier CoC, in May 2003, addressed some 400 contracted manufacturers of TOPVALU products. Since then AEON has held such field explanatory meetings three times in Japan, and abroad three times in China and once in Thailand. Through these meetings, AEON has conducted explanations and has requested more than 500 business partners to observe the AEON Supplier CoC, and has received written declarations of observance from them.



Taking an objective view of AEON itself

### Acquisition of SA8000

**Self-administration as the "claimant"**

As the first among Japanese retailers, AEON acquired in November 2004 SA8000 certification for the supplier management of TOPVALU operations and AEON's head office operations. SA8000 is the internationally known standard for corporate ethics and the work environment. Named for "social accountability," SA8000 is

**Third-party auditing and monitoring systems**

The factory auditing system built on the requirements of the AEON Supplier CoC consists of "internal auditing" conducted by AEON auditing staff members and "third-party auditing" carried out by an external auditing organization. The auditing teams visit plants of contracted manufacturers to evaluate their compliance with CoC requirements. AEON believes it is essential for us to have a system that can properly verify compliance with elaborate re-

quirements and rectification of identified problems.

The AEON Supplier CoC promotes concerted efforts between AEON and its business partners to work together in order to fulfill accountability for AEON products and help improve the livelihood and working environment of workers serving our contracted manufacturers in Japan and abroad. AEON promotes these activities to ensure that our TOPVALU line brings safety and assurance also to workers who produce TOPVALU products.

### 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.

an international standard formulated to make businesses observe human rights and improve the work environment for their employees. The standard calls for observing eight requirements, including businesses' respect for human rights and non-discrimination, structuring a management system to ensure compliance with these requirements, and continuously improving the management system. Since it is asking its suppliers to observe the AEON Supplier CoC, AEON believes it must thoroughly practice more stringent self-administration as well. As a part of such self-discipline AEON acquired SA8000 certification. During the certification review process, AEON received notice of

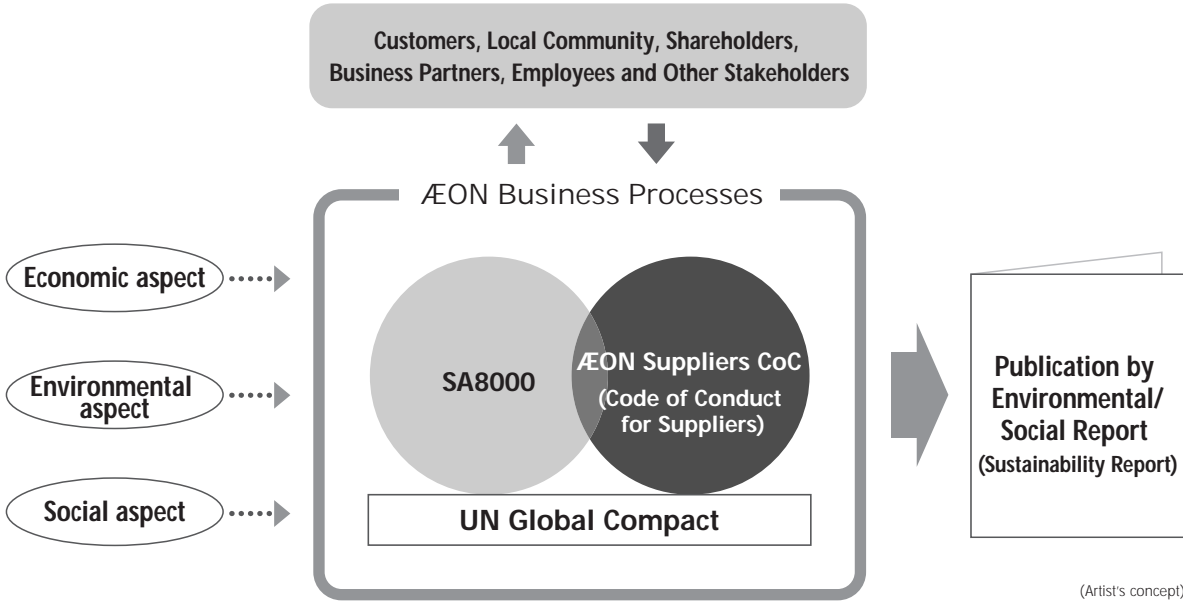
several problems to be rectified, including report-writing on occupational safety and health problems and improvements in working hours. AEON immediately took measures to resolve these problems. Further, AEON is planning to share its know-how on acquiring SA8000 certification with its companies\* and the AEON Group firms, with the aim of extending the SA8000 standard to these companies.

\* The basic corporate management of AEON Co., Ltd. divides the national market into four blocks and introduces the company system into each block.

## AEON Announced Participation in the UN Global Compact in September 2004

As corporate "social responsibility" is sought globally, AEON proactively addresses diverse social requirements. In the process of promoting SA8000 and the AEON Suppliers CoC, AEON monitors whether its business processes work efficiently in the light of the ten principles of the UN Global Compact and the indices provided in the GRI\* Framework. In this way it fulfills AEON's social accountability.

\* Global Reporting Initiative



(Artist's concept)

### I visited a plant and became aware of AEON's social responsibility in manufacturing private brand merchandise

Kaori Tanaka Home Fashion Merchandise Division, AEON Co., Ltd.



For the purpose of verifying improvements in problems found by the internal auditing in terms of the AEON Suppliers CoC, I visited in April 2004 a shoe-making factory run by Shanghai Pro Shoes Co., Ltd. in China. This is a contracted manufacturer with which AEON places orders for TOPVALU slippers through a Japanese first-tier supplier. In the internal auditing process one month ago, we called for improvements in six items, including waste disposal management and calculation procedures for overtime pay. During my visit this time, I found that improvements of two items had been completed and appreciable progress had been made

in the remaining problems. Mr. Chen (as Board Chairman), the representative director for the Chinese company, gave the following feedback: "We have learned much from the points you put forth. And as we have improved these problems, we can now respond with self-confidence, as a supplier meeting global standards, to any offer coming from anywhere in the world." Through the auditing process this time, I have touched upon the vendor management's way of thinking and learned about challenges to possible partnership, and have thus become aware of our social responsibility in the manufacture of private brand merchandise.

## 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.

## ÆON promoting environmental management throughout entire ÆON Group

### The following companies are certified to ISO

As of Feb. 20, 2005

ÆON Co., Ltd.	ISO14001
Qingdao ÆON Dongtai Co., Ltd.	ISO9001
Maxvalu Tohoku Co., Ltd.	ISO14001
Quality Control Center Co., Ltd.	ISO9002
Certo Co., Ltd.	ISO14001
Food Supply JUSCO Co., Ltd.	ISO14001
Maxvalu Nishinoh Co., Ltd.	ISO14001
Diamond City Co., Ltd.	ISO14001
Maxvalu Chubu Co., Ltd.	ISO9001, ISO14001
AIC Inc.	ISO14001
ÆON Mall Co., Ltd.	ISO14001
ÆON Kyushu Co., Ltd.	ISO14001
ÆON Credit Service Co., Ltd.	ISO9001, ISO14001
Ryukyu JUSCO Co., Ltd.	ISO14001
ÆON Techno Service Co., Ltd.	ISO9002, ISO14001
Maxvalu Hokkaido Co., Ltd.	ISO14001
Maxvalu Kyushu Co., Ltd.	ISO14001
Ministop Co., Ltd.	ISO14001
Laura Ashley Japan Co., Ltd.	ISO14001
Mega Sports Co., Ltd.	ISO14001

(in order of certification)

ÆON puts high priority on its daily environmental conservation activities as an important management task, and promotes environmental management activities that integrate business and environmental conservation activities.

As of February 20, 2005, ISO14001 certification, the international standard for environmental management systems, had been acquired by 18 ÆON Group companies. Each of these companies has set up an environmental management system headed by its president. Also, each has formed an environmental committee to consider environmental

challenges specific to the company. The committee sets forth tasks particular to the company's business type and type of operation to mitigate the environmental load imposed by its operations.

Further, decisions made by the environmental committee at ÆON Co., Ltd. are shared with all other ÆON group companies as ÆON Group policy decisions. While ÆON Group companies share the environmental objectives, philosophy and mechanisms for performing environmental management, each of them has the latitude to promote its own environmental goals.

## 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 a recycling-oriented society, 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 CO<sub>2</sub> emissions.
  - We will promote green purchasing, endeavoring to use and purchase 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.

ÆON Co., Ltd. August 21, 2003

Motoya Okada, President

Yutaka Furutani,  
Senior Executive Vice President  
(in charge of overall environmental activities)

岡田 元也  
古谷 亨



Naoki Hayashi

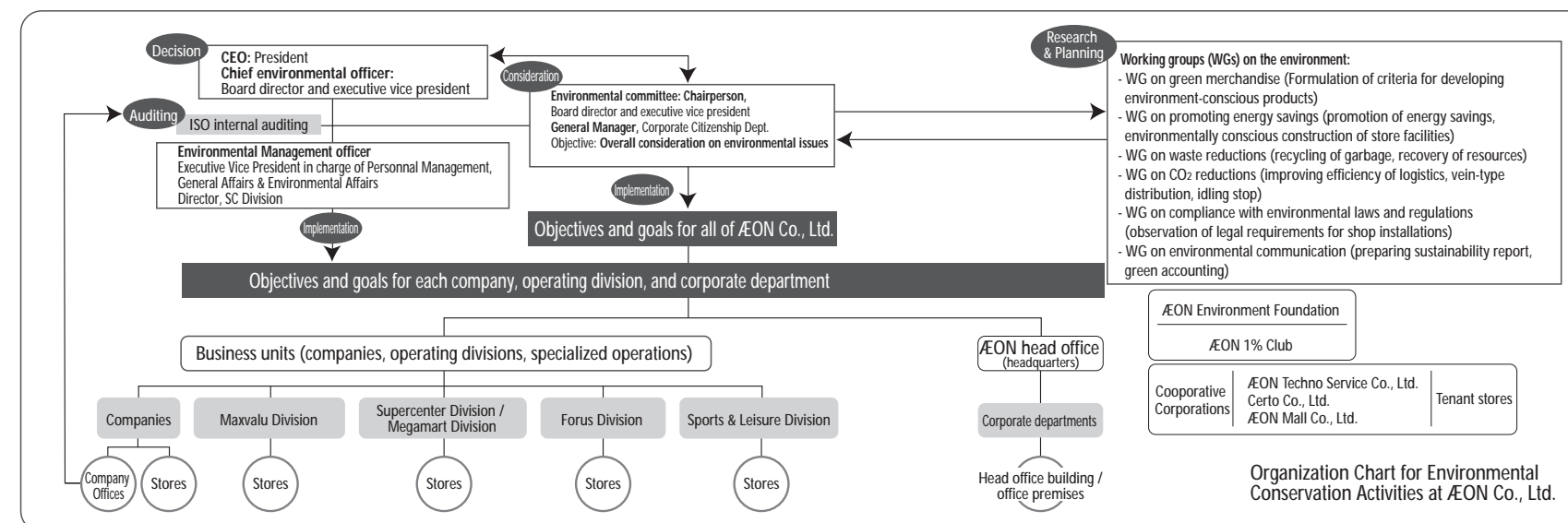
Environment Management Officer,  
Executive Vice President  
Personnel Management,  
General Affairs & Environmental Affairs  
ÆON Co., Ltd.

Soon it will be five years since ÆON Co., Ltd. was awarded ISO14001 certification for its multiple sites. As a result of carrying out our environmental management system at each ÆON stores and business unit, significant improvements have been made in our recycling, energy-saving, resources-saving and other environmental conservation activities, as well as our compliance with environmental laws and regulations on drainage and waste disposal management. I have once again seen confirmation of the fact that ISO14001 serves as an effective tool in our compliance with legal requirements and management of stores installations and equipment.

In the structural reform in the spring of 2005, ÆON Co., Ltd. has transferred the ISO secretariat from the department of environmental and social contributions to the general affairs division. This organizational change aims to further strengthen our compliance with legal requirements and management of stores installations and equipment at every ÆON stores, including those run by ÆON group companies. We aim to achieve zero non-compliance with regard to the water quality requirement and oil spillage control at ÆON stores, and to continuously make use of the ISO as a tool in our environmental conservation and compliance drive. We will promote the development of shopping centers that assure the visiting customers of satisfaction and a sense of security.

The enactment of the Kyoto Protocol on Climate Change in February 2005 presented a big challenge for ÆON Group companies' management to reduce CO<sub>2</sub> emissions. Many factors tend to increase CO<sub>2</sub> emissions, including the increase in openings of new ÆON shopping centers and extended working hours. Thus it is more essential than ever before for us to strategically implement additional CO<sub>2</sub> emission reduction measures. Our plan encompasses strengthening and expansion of existing control measures, including the introduction of energy saving installations and equipment, and use of natural and renewable energy sources. We plan to focus on adopting emission reduction measures in our mainstream business operations. Examples are re-examination of business processes from product planning through manufacturing, distribution and retailing; and expansion of items subject to green procurement in stores construction. If these efforts cause us to fall short of our emissions reduction target, we would like to consider utilizing the Kyoto mechanism (emissions trade).

The environmental impact incurred by ÆON operations is substantial. In that light, our efforts to reduce the environmental load still remain inadequate. The multifaceted yardstick for evaluating corporate performance includes such concerns as corporate social responsibility (CSR). As use of this yardstick spreads, society's expectations of ÆON are continually increasing. We of the ÆON group as a whole will make a determined effort to promote environmental conservation activities to satisfy customers' expectations and gain customers' confidence in ÆON.



Organization Chart for Environmental Conservation Activities at ÆON Co., Ltd.

# ISO 14001 Targets and Performance

## Targets and Performance of ÆON Co., Ltd.

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

Environmental Policies	FY2004			
	Targets	Performance in FY2004	Rate of attainment	Score
Provision of environmentally friendly products and services, and creation of environmentally friendly stores	(1) 1. Raise sales of environmentally friendly products to 1.6% of overall sales	1.5%	93.7%	
	TOPVALU Green Eye: 24,190 million yen	21,185 million yen	87.6%	
	TOPVALU Kyokan Sengen: 2,510 million yen	2,343 million yen	93.3%	
	SELF + SERVICE: 1,760 million yen	1,584 million yen	90.0%	
	2. Formulation of new standards for environmental consciousness	Discussed but did not finalize	—	
Initiatives for of energy and resource conservation	(2) Formulation of standards for environmental consciousness regarding packages and containers, as part of a review of standards for environmentally friendly products: i.e., launch of commercialization	Discussed standards for materials of packaging and containers, but did not finalize	—	
	(3) Formulation of standards for ecological stores "This is ÆON's ecological store"	Concept of ecological stores completed	—	
	1. Construction materials with low environmental burden 2. Introduction of natural energy 3. Indoor environment	1. Eight dimensions formulated 2. Preparation for the opening of the first ecological store	—	
Initiatives for reduction, reutilization and recycling	(1) 3.5% reduction in electricity consumption compared to FY2002 (electric power consumption rate) *However, try to reflect business hours effectively in the calculation of the electric power consumption rate	[36.9wh/m <sup>2</sup> h] in FY2004 as compared with [43.9wh/m <sup>2</sup> h] in FY2002	86.1%	
	(2) 1% weight reduction in plastic bags and packaging materials compared to FY2003 (Aim to reduce inventories and cut costs by unifying logo marks in singing ©ÆON)	Against a target of 10,984 t in terms of used weight, the performance was 10,557 t.	96.1%	
	(3) 1. Building of delivery vehicle management system to monitor compliance with the NOx-PM Law 2. Introduction of a total of 20 natural gas vehicles	1. A delivery vehicle management system was established, but the state of observation has not been confirmed 2. Introduced a total of 21 natural gas vehicles	— 105.5%	
Initiatives for reduction, reutilization and recycling	(1) Achievement of 14.5% rate of customers bringing their own shopping bags 1. Reform of employees' consciousness 2. Confirming that basic instructions are thoroughly understood 3. Expansion of sales of "My Bag," etc.	Against a target of 14.5%, the rate of customers bringing their own shopping bags is 8.99%	62.0%	
	(2) Lower sales losses from discarding products to below 2% of overall sales Using ISO as a tool, include information on sales price in the PDCA cycle	The actual rate of reduction in amount of sales losses from discarding products is 2.2%	109.2%	
	(3) Achievement of 27% recycling rate for food waste 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 composters	Achievement of 27.1% recycling rate for food waste	100.4%	
	(4) Implementation of measurement and separation of waste at JUSCO Yamato-Tsuruma Store as a model	Separation of waste at JUSCO Yamato-Tsuruma Store implemented in June	—	
	(5) Reduction of deliveries in styrofoam containers (Deliveries in cardboard boxes: 30 items; deliveries in returnable containers: 20 items) 50 items in total	Against the target of a total 50 items, 52 items were actually introduced (Returnable containers: 4 items; cardboard containers: 48 items)	104.0%	
	(6) Continue to identify amount of office paper recycling at stores where recycled amount is counted, and increase number of such stores	From 127 stores in FY2003, the number of stores increased to 144 in FY2004; the identification of actual amount of recycling continues	—	
	(7) Further promotion of reduction in use of paper 1. Expansion of the campaign to stores 2. Introduction of "search tool" linked to electronic archives 3. Active use of the Web for each business system	Introduction of ÆON RING electronic archives is being promoted to expand paper conservation activities	—	
Cutting CO <sub>2</sub> emission	(1) Formulation of anti-global-warming vision Begin fact-finding at 40 Group companies in FY2005 Setting of Group reduction target	ÆON's policy for the reduction of CO <sub>2</sub> was formulated	—	
Promotion of green purchasing	(1) 1. Use of soy ink for half of all materials for sales promotional materials and various forms	1. Soy ink is used for 1,251 items	129%	
	2. Introduce recycling system for fluorescent bulbs at all stores (185 stores are expected in FY2004)	2. 213 stores implement the system	115%	
Promotion of tree planting activities with the cooperation of local customers	(2) Use of 10% or more of specific materials acquired through green procurement (7 items) where these materials can be used in constructing new stores	Seven stores use 10% or more specific materials acquired through green procurement (7 items)	—	
	(1) Plant 375,000 trees at 72 locations (entire Group)	423,000 trees planted at 57 locations	112.9%	
Compliance	(2) Increase Junior Eco-Club membership to 3,800	Junior Eco-Club membership only reached 3,561	93.7%	
	(1) Continuation of soil contamination survey	Survey conducted on salable idle real estate	—	

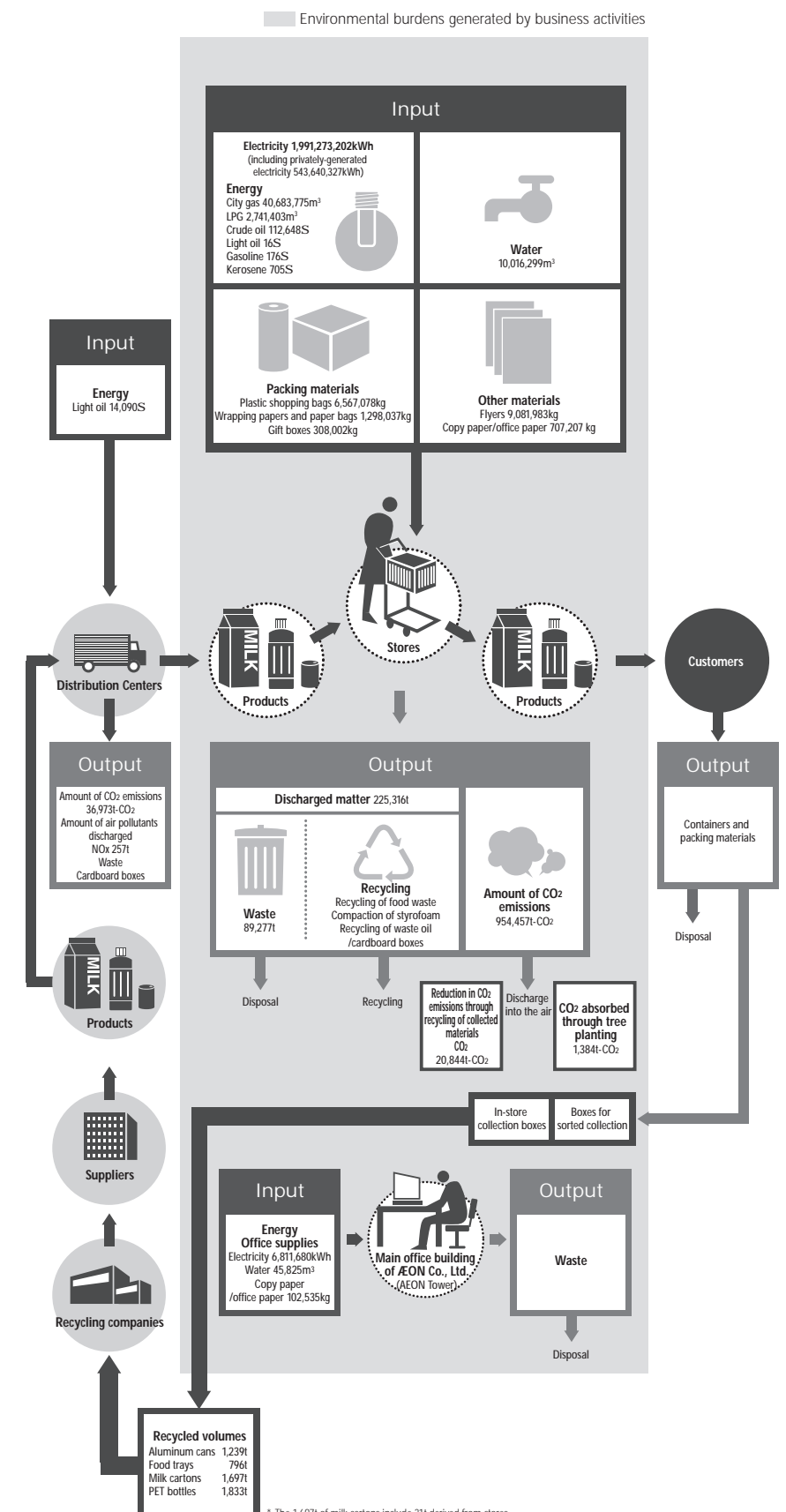
The other companies in the ÆON Group have also established "Environmental Policies,"

\* Targets and performance for FY2004 are contrasted on the same scale.

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

FY2005	
Targets	Department in charge
Raise sales of environmentally friendly products to 1.6% of overall sales	TOPVALU Product Dept.
TOPVALU Green Eye: 23,228 million yen	Each product dept.
TOPVALU Kyokan Sengen: 2,168 million yen	SELF+SERVICE
SELF+ SERVICE: 1,770 million yen	
Formulate new standards for "environmentally friendly products" and put them into effect * To include standards for containers and packaging: e.g., reduction of use of containers and packaging, use of environmentally friendly materials	WG for Environmentally Friendly Products
Further spread of ecological stores 1. Development of a prototype of Maxvalu (supermarket type) 2. Formulate standards for intra-firm evaluations for ecological store development 3. Introduce natural energy sources	Corporate Citizenship Dept.
Reduce electricity consumption by 5% compared to FY2002 (electric power consumption rate) * Promote efforts to reduce total electric power consumption by 1% compared to that of previous year	Facility Management Group
Reduce the use of plastic shopping bags in weight by 2% compared to FY2002	ISO Office
Build delivery vehicle management system to monitor compliance with the NOx-PM Law	SCM
Make efforts to introduce a total of 25 natural gas vehicles	
Realize a 20% rate of customers bringing their own shopping bags (by the end of the 3rd quarter) 1. Introduce a 100-yen discount ticket for TOPVALU products 2. Reconfirm that basic instructions are thoroughly understood 3. Expand sales of "My Bag" and "My Basket"	Corporate Citizenship Dept.
Lower the amount of sales losses from discarding products to below 1% of overall sales in the food sector	Taskforce for Reduction of Sales Losses from Discarding Products ISO Office
Achieve 28% recycling rate for food waste 1. Promote the commissioning of food recycling companies 2. Promote recycling of bony parts of fish 3. Improve capacity utilization rates of existing composters	Facility Management Group
To improve the accuracy of measurements of the amount of waste generation, based on the experimental results obtained at JUSCO's Yamato-Tsuruma Store, implement a change in the payment method in the contract with waste service companies to a weight basis, and begin preparations for horizontal development of this method to other stores.	ISO Office
Reduce deliveries in styrofoam containers (Make efforts to expand deliveries in cardboard boxes to 50 items)	Marine Products Dept.
Continue to determine the amount of recycled office paper at stores where the recycled amount is counted, and increase the number of such stores	General Affairs Dept.
Continue to promote reductions in the use of paper 1. Expand the campaign to stores 2. Introduce "search tool" linked to the electronic archive 3. Actively use the Web for each business system	Store Operation Dept.
Reduce the amount of CO <sub>2</sub> emissions, measured by electric power consumption rate, by 5% compared to that of FY2002 Identify amount of CO <sub>2</sub> emissions of 40 Group companies	Corporate Citizenship Dept.
Review the ÆON standards for green purchasing, and formulate new standards 1. Examine existing standards 2. Formulate a new standard in line with current social conditions	Indirect Material Procurement Section ISO Office
Use 10% or more of specific materials acquired through green procurement (7 items) in GMS stores which are to open during FY2005	Construction Dept.
Plant 428,000 trees at 79 locations (entire Group) as part of "ÆON Hometown Forests Program"	Corporate Citizenship Dept.
Since the management body has changed from ÆON Co., Ltd. to ÆON 1% Club, remove this from the target management of ISO14001	—
Continue to work to prevent soil contamination 1. Conduct a survey of salable idle real estate 2. Provide information on countermeasures against soil contamination to Group companies	Real Estate Management Dept.

## Environmental Impacts Generated by Business Activities (In case of ÆON Co.,Ltd.)



# Report of Environmental Accounting

## Regarding the FY2004 Environmental Accounting

- (1) The figures are from a total of seven companies, as mentioned below.
- (2) Figures for these individual companies are available on the ÆON Web site.
- (3) The items were categorized according to the environmental targets of ISO 14001 on pp.38-39, in order to have them function as an integral part of the environmental management system.
- (4) With regard to monetary effects, only real economic effects were calculated. Deemed effects, such as risk aversion, were excluded.

## Future Directions

Next year and beyond, we will increase the number of group companies included.

## FY2004 Environmental Accounting Calculation Standards

[Accounting period] One-year period from February 21, 2004 to February 20, 2005

\*For Maxvalu Chubu Co., Ltd. from April 1, 2004 to March 31, 2005

[Companies covered] ÆON Co., Ltd., Ryukyu JUSCO Co., Ltd., Maxvalu Hokkaido Co., Ltd., Maxvalu Tohoku Co., Ltd., Maxvalu Tokai Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Nishinoh Co., Ltd.

Unit: 1,000 yen

## Calculation Standards for Environmental Conservation Costs

### Calculation Standards for Environmental Conservation Standards

(1) Compound costs	The calculation of compound costs, including costs not related to environmental purposes, is carried out in the following priority order: (1) add up the differences; (2) add up the proportional divisions (use common sense to divide the compound cost among the expense items); (3) add using the rule of thumb; and (4) add up the total and provide a special note.
(2) Environmentally friendly products	This cost includes the personnel expenses for staff in charge of the development of the products concerned (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.
(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) Personnel expenses	The personnel expenses of the Environmental and Social Contribution Department and staff in charge of ISO promotion, which are directly engaged in environmental conservation activities, are added up (at a 50% rate when the person in charge has other job duties).
(5) Depreciation expenses	Depreciation expenses for FY2004 are not added due to the difficulty of 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.

### Standards for Posting Economic Effects

(1) Reduction effect of energy saving measures	The reduction effect in annual electricity consumption of investments made in equipment that reduces environmental load is calculated (estimate).
(2) Reduction effect of water conservation measures	The reduction effect in annual water consumption of investments made in water-saving equipment is calculated (estimate).
(3) Reduction effect from the use of fewer and thinner shopping bags	* 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 reduced use of cardboard boxes due to the use of returnable 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. (The cost for treating municipal waste is 14.4 yen/kg.)
(5) Income from in-store recycling activities	Income from sales of valuable materials (milk cartons and aluminum cans) derived from in-store recycling activities

(Unit: 1,000 yen)

Objectives and Targets for FY2004		Investment	Expenses	Economic effect	
Provision of environmen- tally friendly products	Development and sales of environmentally friendly products	0	0	0	
	Development and sales of TOPVALU Green Eye products	0	44,600	0	
	Development of ecological stores, SELF+SERVICE stores	20,968	131,268	0	
	Subtotal	20,968	175,868	0	
Initiatives for energy and resource conservation	Reduction in electricity consumption	384,642	100	93,805	
	Reduction in water consumption	60,958	0	50,454	
	Increase in the number of customers who bring their own shopping bags	0	354,204	31,429	
	Subtotal	445,600	354,304	175,688	
Initiatives for waste re- duction and reutilization	Promotion of waste separation	Promote recycling by installing food waste compost	3,544	8,084	6,700
		Promote recycling by installing styrofoam compactors	0	0	25,501
		Costs for recycling fluorescent bulbs	0	20,377	0
		Subtotal	3,544	28,461	32,201
	Reduced use of cardboard boxes at stores	Reduce use of cardboard boxes by utilizing returnable containers	114,520	39,607	184,249
		Reduce use of cardboard boxes by delivering garments on reusable hangers	20,570	20	6,780
		Subtotal	135,090	39,627	191,029
	Promotion of in-store recycling activities	5,316	276,058	211,960	
	Subtotal	143,950	344,146	435,190	
	Green purchasing	Formulation and implementation of green purchasing standards	0	0	0
Subtotal		0	0	0	
Tree-planting activities	Continued implementation of AEON Hometown Forest Program	0	256,769	0	
	Subtotal	0	256,769	0	
Compliance with legal regulations	Measure soot and smoke, and test water quality; implement measures to comply with the Container and Packaging Recycling Law	0	895,607	0	
	Treat municipal waste from business operations properly	0	4,006,313	0	
	Treat industrial waste properly using the manifest system	0	1,495,526	0	
	Subtotal	0	6,397,446	0	
Voluntary measures for pollution prevention		604,619	174,502	0	
Community-based environmental communication activities	Carry out activities to protect nature and improve and maintain scenery	0	74,876	0	
	Carry out environmental activities with customers in the local community	0	54,424	0	
	Disclose environmental information	0	577,704	0	
	Provide donations to environmental protection organizations and support their activities	0	77,985	0	
	Subtotal	0	784,989	0	
Maintenance and management costs for environmental con- servation activities	Provide employees with environmental education	0	656	0	
	Maintain and administer the environmental management system	0	22,442	0	
	Cover personnel expenses for administering environmental conservation activities	0	275,351	0	
	Subtotal	0	298,449	0	
Cost for rehabilitating environmental damage		0	0	0	

ÆON's environmental conservation activities promoted together with customers

## Bring Your Own Shopping Bag Campaign

**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, ÆON has been implementing the "Bring Your Own Shopping Bag" campaign as an ÆON 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.

### My Bag and My Basket Campaign

As part of the effort to reduce usage of plastic bags, we are trying to increase the use of "My Bag" and "My Basket." 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. In June 2004, MYCAL Corp.'s SATY stores began using this system. Cumulative usage of My Basket in the whole ÆON Group amounted to 633,051 pieces. (Reckoning period: June 1, 2000 to February 20, 2005)

Environmental conservation activities carried out with customers

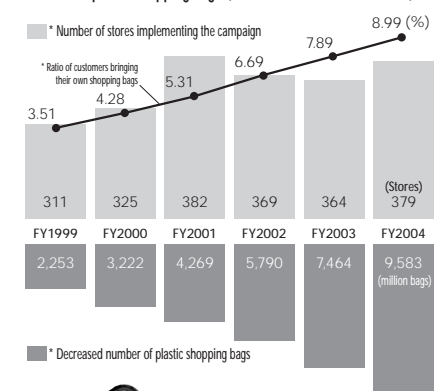
## Recovery of recyclable Packages at the storefront

Since before the enactment of the Containers and Packaging Recycling Law in April 2000, ÆON has set up, in storefronts, recovery boxes for aluminum cans, foam-plastic food trays, beverage cartons (for milk, etc.), and PET bottles (in certain areas), and has promoted recycling activities together with our customers. By recycling recovered resources into "TOPVALU Kyokan Sengen" products and selling these products, ÆON encourages many more customers to join in the recycling of packaging.

## Initiatives for reducing the use of plastic shopping bags

- 1 Asking customers to bring their own shopping bags to reduce the total volume of shopping bags used
- 2 Encouraging the use of My Basket and My Bags as promotional materials
- 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

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



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

Saved approximately 16,560 barrels (200 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 2004 (95,838,776/1,000) x 32 kg = 3,066,841 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 FY2004 by 3,066,841 kg x 1.08 liters = 3,312,188 liters. 3,312,188 liters / 200 liters = 16,560.94 barrels



## Products utilizing recycled materials (Effective use of materials collected in-store)

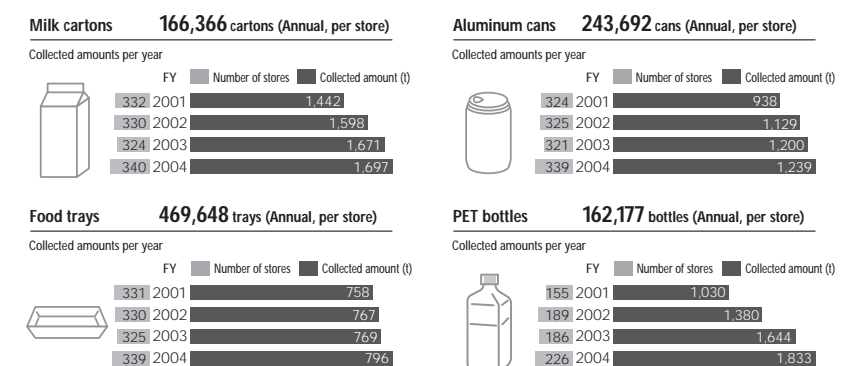


**TOPVALU 共環宣言**  
Cooking range hood cover  
Made entirely out of recycled aluminum cans.



**TOPVALU 共環宣言**  
Coreless toilet rolls  
30% of each roll is made from milk cartons collected at our stores and 70% from recycled paper.

## Collected amounts per type of container (in the case of ÆON Co., Ltd.)



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

# ÆON as a Workplace

For both management of human resources and a better work environment, the underlying concept is "Respect for People"

ÆON positions ÆON people, our human resources, as one of our most important business assets. Our basic idea for management of human resources is founded on two pillars: One is "creation of a work environment that enables our people to develop their abilities persistently and continue serving longer," and the other is "personnel evaluation strictly based on ability and performance, not influenced by an employee's nationality, age, gender, or status of employment." For all the ÆON people who share our concept "Customer First," we adopt a system for management of human resources that decides the individual's role and job based on his/her ability, performance, and ambition.

full-time workers, while community staff consist of full- and part-time workers. Contract workers are all part-time workers. Regarding employee composition by track, community staff, who are mostly female part-timers, account for the majority of the ÆON workforce. This reflects ÆON's business strategy to be a community-based retail enterprise. In other words, ÆON invites seikatsusha (consumers) in the community (mostly women) where a store is located to become involved in our retail operations, since their viewpoints as residents of the community served by that ÆON store and their experiences in raising families can provide a wealth of information, opinions, and ideas as we constantly endeavor to improve our services. In many ÆON storefront and back-room operations, female part-time workers are a vibrant part of the core workforce.

For years ÆON has adhered to the principle of equal opportunity for its employees' advancement and promotion to managerial positions, regardless of age and gender, but there remains a challenge for ÆON human-resource management to improve the current lagging of promotion of female staff members to senior managerial positions. For example, in the case of ÆON Co., Ltd., of a total 5,636 staff in the M position (middle manager/supervisor), 565 are women, while there are only 15 women among the 954 people in the S position (senior-manager/executive). In order to help many more women rise to senior managerial posts, ÆON Co., Ltd. has set up a labor-management special committee. This committee takes up, as its priority agenda of

items for reform, the following topics: to help women strike a balance between family and work, and to help women actively take part in the retailing business.

The percentage of the disabled among employees of ÆON Co., Ltd. reached 1.80% as of the legal reporting date in June 2004. Also, ÆON has founded Abilities JUSCO Co., Ltd., as a joint venture with disabled people. Abilities JUSCO runs (as of February 2005) six "Scrum" CD chain shops in the Tohoku and Hokkaido regions, where exploiting their abilities, disabled staff work together with physically unimpaired staff.

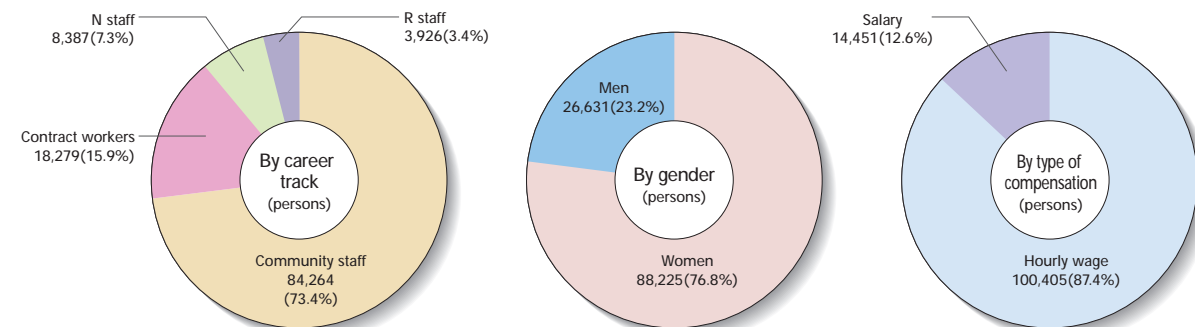
\*ÆON Co., Ltd. divides the national market into four regional blocks and introduces the company system into each of these blocks.



## Lively women contributing to the company Composition of employees

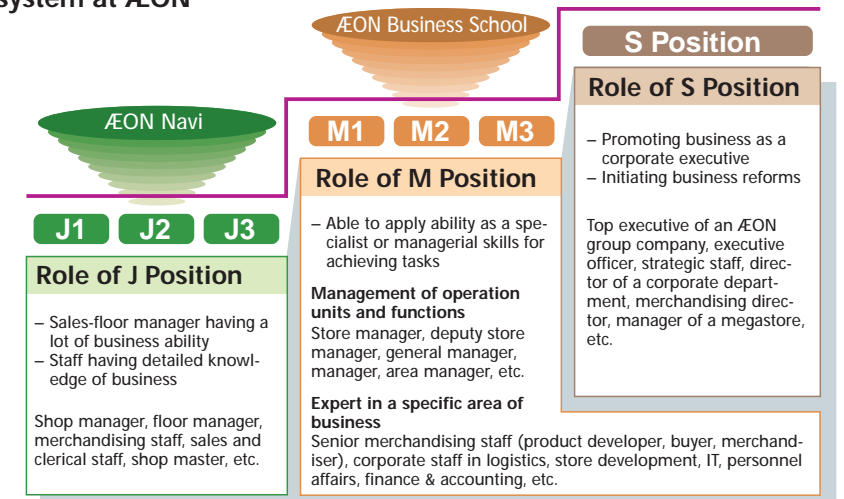
At ÆON Co., Ltd., employees are classified into four tracks of career development: (1) N (national) staff, (2) R (regional) staff, (3) community-based staff (a new classification as of February 2004), and (4) contract workers (those hired on short-term contracts). The N staff are subject to transfer nationwide and overseas, the R staff are subject to transfer within a particular regional block,\* and community staff and contract workers are excluded from transfer that necessitates change of residence. As to working hours, N and R staff are

## Composition of employees at ÆON Co., Ltd. \*Total workforce: 114,856 (as of February 20, 2005)



## Career design and education system at ÆON

At ÆON Co., Ltd., career steps have consisted of seven grades, as shown in the chart. In the past, promotion of part-time workers was limited up to the J1 grade. However, with the introduction of the community-based staff scheme, differentiation in target grade and opportunities for promotion by career track have been totally eliminated. Likewise, in the ÆON education system, such differentiation has been eliminated. Classes of ÆON Navi, the in-house basic education system, are open to all the ÆON people, and they may apply, regardless of career track, for admission to ÆON Business School, which provides a path for advancement to those who seek career development with ÆON. Also, a community staff member may change his/her career track to become N or R staff. ÆON's founding spirit of "education is the most important part of social welfare" remains and will remain unchanged.



### ÆON Navi

This is ÆON's basic in-house education system, which is aimed at letting students learn ÆON's basic business practices for "Customer Satisfaction" and fostering managers. Its programs consist of OJT administered by students' supervisors as basics, as well as schooling and training in various functions.

### ÆON Business School

This is the core in-house education system for developing ÆON's key human resources. It is a voluntary gateway to success for those motivated individuals who wish to pursue career development and move up to higher positions in the company. It provides an arena for students who wish to become store managers or senior merchandising staff or work on store development, and it's a great opportunity to gain the necessary knowledge and skills to move up in ÆON, as well as to pursue personal development.

## Offering equal opportunity and support

## Community-based staff scheme

In an effort to achieve an ideal human-resource development/management system, ÆON Co., Ltd. introduced the "community-based staff scheme" in February 2004. "Community-based staff," as defined in this scheme, refers to those workers who serve at stores in particular local areas without transfer to other areas, since transferring would require them to change place of residence. Under the scheme, community staff are expected to unleash their abilities and initiative for business, as the N and R staff are expected to do, beyond the difference in the career track between part-time workers and regular employees. With the introduction of this scheme, ÆON has totally eliminated differentiation by career track in the roles and expectations, opportunities for attending in-house education programs, as well as opportunities for advancing to upper grades and positions. Also, our personnel-management system is based on one's ability and performance regardless of age or length of service. For the future, ÆON is planning to develop such a human-resource development/management system

that could allow our employees to further exploit their abilities and select work patterns matched to their particular life stages. ÆON Kyushu Co., Ltd., Maxvalu companies, and other ÆON group companies, as well, have been introducing human-resource development/management schemes that enable ÆON employees to exercise their abilities and initiative for business regardless of their career tracks.

## The very base for "ÆON style"

## Toward a workplace where workers are assured of a sense of security

These and other schemes adopted by ÆON are based on our efforts to achieve "a workplace where workers are assured of a sense of security." The ÆON Group operates, through its mutual-aid organization "ÆON Good Life Club," diverse welfare programs to provide support for our workers to live with a sense of security, pleasantly and in comfort, and to prepare for their life stages in the medium and long terms. Furthermore, facing the coming of a society featuring an aging population with declining birthrate, ÆON has been

promoting the balance between life and work to enable ÆON employees to select from among various work-pattern options. For years, ÆON Co., Ltd. has been providing employees with child-care and nursing-care programs beyond the legal requirements, and ÆON is formulating several programs in preparation for the revised Family and Medical Leave Law and the Law on Supportive Measures for Development of the Future Generation, which went into effect April 1, 2005. In particular, we are planning to adopt quite a bold approach to help our workers strike a balance between family and work. Regarding improvements in the workplace environment, ÆON has set up the Occupational Health and Safety Committee in each business location, such as our stores and offices, in order to secure the safety and good health of ÆON workers and thus promote the development of comfortable workplaces. Attendants at the monthly meetings of the committee include the store manager, general manager, a representative of the employees, and union officials. The Health and Safety Committee has been in operation at the ÆON head office, and activities of our health and safety committees at various levels have led to successful acquisition of SA8000 certification by ÆON headquarters.

## Adopting an objective perspective to enhance customer satisfaction by raising the skill levels of ÆON people

Improving skills and awareness

### In-house qualifications

To deliver safer and more secure commodities and services to our customers, ÆON has established diverse in-house certified qualifications in line with our businesses. As of February 2005, six of our in-house qualifications are authorized by the Ministry of Health, Labour and Welfare, indicating that ÆON in-house qualifications require high professional levels. By acquiring technical skills backed with accurate and broad knowledge, which is highly standardized, ÆON staff are able to enhance the quality of their sales activities, and at the same time these qualifications lead to confidence among qualification holders and stimulate their motivation for improving their careers. Also, knowledge and skills of qualification holders are handed on to their colleagues on the sales floor through daily business.

To win repeat purchases at our stores

### Competition in consultative sales skills

As a part of the skill-enhancement education program in customer service, ÆON conducts a national competition. In the "Second Competition on Consultative Sales Skills" held in May 2004, there were 34 entries selected from ÆON stores nationwide. They competed on overall performance in recommending goods in a role-play format with staff who played the roles of customers. Also, in the "Checkout Competition" held in June 2004, 38 corps d'elite gathered from ÆON stores nationwide. In the competition hall, display shelves and checkout counters with cash registers were installed, and contestants were subjected to stringent examinations by contest judges for their basic service skills at the checkout counters and responses to customers' inquiries and requests. Through these efforts, ÆON strives to achieve further improvements in customer satisfaction.

#### ÆON's in-house certified qualifications

\*Number of qualification holders as of February 2005.  
(\*) A figure in parenthesis indicates year of introduction.  
A star indicates a qualification authorized by the Ministry of Health, Labour and Welfare.

##### Hot Deli master (2001)

This qualification is for a staff member in charge of the Hot Deli (deep-fried foods, tempura) section of the Service Deli sales floor, who must have a certain level of cooking skills and product knowledge. Cooking speed and workmanship are checked, as well. Holders of this qualification total 1,132 nationwide.

##### Sushi master (2001)

This qualification is accredited to a staff member in charge of the sushi section of the Service Deli sales floor, who has acquired a certain level of skill and basic product knowledge on all the sushi items. Holders of this qualification total 1,275 nationwide.

##### Prepared-food master

A holder of this qualification is required to effectively manage, on the Service Deli sales floor, "standardization of product merchandising" and train staff in cooking skills in terms of both quality and quantity. This qualification is accredited to an employee who holds qualifications of both Hot Deli master and Sushi master, and this employee is expected to assume the central role on the Service Deli sales floor. At present, holders of this qualification total 297 nationwide.

##### Farm-product master (2003)

This qualification is accredited to a staff member who meets the requirements for knowledge of over-all farm products and related skills, which include skills in cut fruits, merchandising of fruits gift sets and display of vegetables. At present, holders of this qualification total 311 nationwide.

##### Fresh-fish master (1999)

This qualification has been created to help standardize, across the ÆON stores nationwide, operations on our marine-product sales floors and develop such marine-product floors that meet the needs of our customers. Depending upon the difficulty level, the qualification is divided into three grades. Grade 3 holders total 1,634 nationwide, there are 1,190 staff with Grade 2, and holders of Grade 1 (the highest) total only 9 nationwide.

##### Gardening master (2002)

Those staff who have cleared the certification level for skills and knowledge of "group planting" and "gardening gifts," which require sophisticated merchandising skills, are accredited this qualification. Nationwide, 80 staff hold this qualification.

##### Greenery master (2002)

Those staff that have cleared the certification level for skills and knowledge of "flower arrangement," "bouquet" and "greenery gifts," which require sophisticated merchandising skills, are accredited this qualification. Nationwide, 128 staff hold this qualification.

##### Green adviser (2004)

An applicant for this qualification is checked for his/her ability to contribute to "standardization and stabilization in merchandising of products," "skills in merchandising products" and training of fellow staff in terms of quality and quantity on the gardening & greenery floor. Also, an applicant is required to hold the aforementioned Gardening master and Greenery master qualifications. There are as yet no holders

of this qualification, which was introduced in 2004.

##### Cycle advisor (1998)

The applicant is required to have basic knowledge of and skills with bicycles and to pass the examination for bicycle mechanic, a public accredited qualification. After passing the examination, the applicant must receive in-house job training before receiving the qualification. Nationwide 408 staff hold this qualification.

##### Digital advisor (2002)

The applicant is required to graduate from the training program to provide commodity knowledge of digital consumer electronics and related customer-service skills and pass the examination for home electric-appliance advisor, a qualification accredited by the Association of Home Electric Appliances, Inc. Those persons who have mastered sophisticated product knowledge in digital consumer electronics and related customer-service skills and are able to provide appropriate advice for customers' inquiries and requests, are accredited this qualification. Nationwide 141 staff hold this qualification.

##### Baby advisor (2004)

Those staff who have mastered product knowledge necessary for the baby goods floor and related customer-service skills, present a favorable public image, and are able to provide appropriate advice to meet customers' needs are accredited this qualification. Nationwide 26 staff have so far been accredited this qualification, which was introduced in FY 2004.

Judges are customers and ÆON staff

### CS All-Stars

CS All-Stars is an employee-recognition scheme conducted as part of our efforts to nurture the CS (customer satisfaction) mindset among ÆON staff. Monthly MVPs selected based on customers' and colleague ÆON staff's commendations, and six people selected from among them from each area, are recognized by the President of ÆON Co., Ltd.

Mutual commendations among ÆON staff enable us to discover better practices in the stores, and by sharing such better practices by staff in individual stores, and all the ÆON stores, the CS mindset among us is further nurtured. Staff are required to recommend employees based on such criteria as having performed "excellent services" in accordance with the "ÆON Code of Conduct" and having contributed to developing a vivid and pleasant work environment for all the colleagues. In FY2004, a total of 1,280 staff were recognized under the CS All-Stars scheme.

### Qualification for customer satisfaction

Maxvalu Tohoku Co., Ltd.

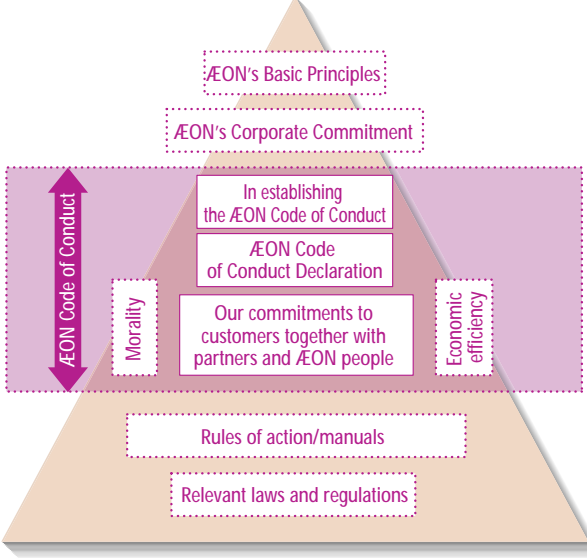
At Maxvalu Tohoku Co., Ltd., its unique in-house qualification accreditation scheme has been further expanded to help each of our staff enhance his/her skills. Since the present corporate organization of the company has been developed through several mergers in the past, it is essential for Maxvalu Tohoku to promote skill enhancement based on standardization of merchandising practices and customer service in order not to be affected by staff-originated companies. Skills and knowledge to be mastered are itemized for each of the checker/marine products/farm products/dairy & livestock products/bakery/delicatessen/liquor floors, and accomplishments are clearly defined as job grades, such as Checker 1st Grade and Farm Products 2nd Grade. Furthermore, the company as a whole strives to be sure that all staff are aware that "their expertise in the goods they handle should please our customers."

Everything starts from here and returns to here

### ÆON Code of Conduct

The "ÆON Code of Conduct," established in April 2003, is positioned as one of our core values, following "ÆON's Basic Principles" and the "Declaration of ÆON's Corporate Commitment." For ÆON people this is one of the pillars, along with our customers, local communities, vendors, and shareholders, that supports "the ÆON touch." And all ÆON people believe that our strenuous efforts to carry out faithful and honest practices exclusively "for the interest of customers" will help us develop ÆON's corporate culture and ÆON's brand image. Also, ÆON's focus on human resources and relevant personnel-management policies are all based on the ÆON Code of Conduct. And, pursuant to the Code of Conduct, we have clearly stated our commitment to providing equitable opportunities and fair personnel evaluations and dealings regardless of a staff member's nationality, gender, and age. Furthermore, we have initiated the "ÆON Code of Conduct Hotline," which works as a collaborator and mutual-assistance system to share

#### Where the "ÆON Code of Conduct" Stands



troubles and problems to be addressed, issues that face ÆON people in the workplace, with the entire ÆON organization, so that we can promptly correct such problems. For the future, too, we ÆON people will keep the

"ÆON Code of Conduct" as the anchor for each of us and as the guideline to indicate the corporate growth path for the entire ÆON group, and we will all respect, adhere to, and benefit from the Code of Conduct.

### To disseminate the "ÆON Code of Conduct" and implement it in our practices

Hiroshi Yamasaki Human-resource Manager, Personnel/General Affairs Division, Mega Sports Co., Ltd.




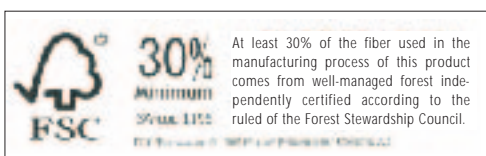
To help propagate the "ÆON Code of Conduct," which emphasizes "Everything we do, we do for our customers" in the workplace, Mega Sports has initiated activities in line

with this objective, by setting a date for a campaign and target levels. To begin, we selected from among our employees candidates of exemplary character, who observe the Code of Conduct, one person from each store who will later serve as an instructor in the Code of Conduct. Those staff members took training courses focused on case studies and completed those courses in September 2004. Then we proceeded to a stage in which those instructors disseminated their acquired knowledge and know-how in practicing the Code of Conduct to their fellow sales-floor staff. Those activities continued through January 2005.

As five new stores have opened during the course of this campaign, in some stores this is still in progress, while in the 57 stores that existed before then, the campaign was completed on schedule. I believe that the "ÆON Code of Conduct" has steadily penetrated onto our sales floors. For FY 2005, we have prepared new case studies as new educational tools. We are planning to initiate the same campaign this summer to further disseminate the ÆON Code of Conduct among our staff. I believe it is a mission of mine to have all of our employees understand and practice the ideal "Everything we do, we do for our customers."

singing  / EON

In September 2004 A&EON announced a new brand message. In this message, we emphasized that upon every visit to our A&EON stores, once exposed to our businesses and services there, customers find themselves humming from the wonders and pleasant discoveries that they encounter. At the same time, for A&EON staff as well, the new message is positioned as an action guideline to make them realize what a pleasant place it is to work, and have their joyful mood hang over the stores and workplaces. As of February 2005, this message is primarily transmitted at our JUSCO stores and as TV and radio commercials. We are planning to disseminate, at many more A&EON stores and facilities and on many occasions, "singing  A&EON" as the message to link customers with A&EON.



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

Takao Tanaka (MYCAL Corporation), Yoshinori Okuno (Maxvalu Chubu Co., Ltd.), Yoshitaka Moriide, Yasushi Kawagoe (Ministop Co., Ltd.), Takao Okazaki (AEON Mall Co., Ltd.), Masakazu Nakatani, Daisuke Ninomiya, Shigeru Kajita, Kazumi Saimen, Seiichi Ueyama, Keiko Murofushi, Sung-Joo Ogino (AEON Co., Ltd.)

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

**ÆON Co., Ltd.** Environmental and Social Contribution Department, ÆON Co., Ltd. 1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba, 261-8515 Japan

Tel: +81-43-212-6037 Fax: +81-43-212-6790 URL: <http://www.aeon.info/> May 2005

# Third-Party Evaluation of the ÆON Environmental and Social Report 2005



**Mr. Akio Morishima**  
Chairman of the Board of Directors  
Institute for Global Environmental Strategies

ÆON's environmental report was renamed in 2003 the "Environmental and Social Report (Sustainability Report)," more clearly putting forth the policy of ÆON Co., Ltd. to contribute to the building of a sustainable future society from the standpoint of a retail business. Annual reports cite ÆON's Basic Principles to benefit society (customers), ÆON's Corporate Commitment, and the ÆON Code of Conduct. Specific activities being undertaken under these basic policies include tree-planting projects and community-based social-contribution activities such as Children's Eco-Club. Most important of all, however, is the development and supply of safe and secure products for customers. ÆON carries such products under the TOPVALU brand, further sub-brand food products with emphasis on safety and environmental consciousness as TOPVALU Green Eye, and recycled paper and other recycled articles as TOPVALU Kyokan Sengen. These brands are quite impressive. But how many TOPVALU products are actually on the shelves? Do shop attendants really understand the philosophy of TOPVALU products? Are customers actually buying these TOPVALU products? Indeed, these are the key points of my evaluation.

ÆON's action policy for environmental-preservation and social-contribution activities can be described, in my view, as one of the particularly cutting-edge ones for Japanese companies. If this is the case, my job is to ascertain whether the top management's policies are really understood by every staff member on the store floor and the policies' impacts are being felt by customers or they are mostly talk and little action. In 2004, I visited JUSCO Atsuta Store in Aichi Prefecture, a large-scale outlet that opened its doors a year and a half ago. There, I first asked the store's management staff about their own environmental consciousness as well as such specific issues as staff education and ways of communication. Then, I walked through the store for on-site observation and posed a few questions directly to several sales attendants. Perhaps partly because the store is relatively new, a large number of TOPVALU items were placed at highly visible spots in the store, with fairly nice descriptions of these items. I felt that salespeople were learning (or were compelled to learn) quite a lot about TOPVALU products and that ÆON's philosophy on safe and environmentally conscious products was being shared among the executive staff as well as employees. However, as product information and other information were being supplied without adequate coordination, it appeared that employees sometimes had to provide customers with information they themselves did not fully understand (like changes in materials used). As far as safety and environmental issues are concerned, there would be little point in responding only after something harmful happened. Therefore, I view it necessary to give thought to a system for adequately managing the collection of information and risks involved, all the more so as the size of the enterprise increases.



**Mr. Toshihiko Goto**  
Chief Executive  
GRI Forum Japan

The Chairman of the Board of Directors spoke of the need for "enhanced auditing." Whether or not auditing can be enhanced will be determined by whether or not the PDCA cycle of "plan, do, check and act" functions effectively. Historically, auditing was perceived more often than not as nitpicking in Japan. But internal auditing indeed represents the PDCA checking function. Thus, the Chairman's reference to the need for enhanced auditing indicates the intensity of ÆON's efforts in this respect. ÆON is also boosting its efforts in such areas as supply-chain management and traceability. That said, these issues have come to be addressed only recently in Japan, and as such I would hope that ÆON will keep leading the pack in these areas.

For further improvements in line with the President's commitments such as "Customers First" and "A Future of Limitless Promise," I would like to see further efforts exerted in the following areas:

It is desirable for internal auditing to be improved further and conducted every year.

The environmental report addresses food security. It is desirable for ÆON to enhance efforts toward securing not only the safety of food but also the stable supply of food and describe such efforts in the report. Exchanges with local communities in Japan are a wonderful thing, but as a global enterprise, ÆON should be expected to describe such exchanges in other countries in more detail in the report. Global warming is an issue of paramount importance that could threaten the continued existence of mankind. To take the extreme view, the Kyoto Protocol can be considered too little too late. As such, I would hope that ÆON will put forth a more ambitious, longer-term goal, such as an "80% reduction in the use of fossil-fuel energy by 2050," and propose drastic measures to attain that goal.

The ÆON report should be commended for its foresighted reference to biodiversity. But it would have been much better if the report had expounded on ÆON's policy for this particular area with specific goals and explanations about its track record.

The ÆON report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines, but the addition of contrast tables would prove very useful for sustainability efforts going forward. This report, in Editorial Policy, states that it covers a total of 156 ÆON group companies. This explanation is not clear enough. It is advisable to provide a little more specific description of the report's coverage.

## Glossary for ÆON Sustainability Report (alphabetical order)

### ABL: Adelaide Blue Gum Pty. Ltd.

The company was established in Adelaide, Australia, through joint capital investment by ÆON and six other companies, for the purpose of operating afforestation projects, which will virtually assure us of carbon credits for the Kyoto Mechanism and a stable supply of wood pulp for paper making. ABL is planting fast-growing eucalyptus seedlings in land areas at a rate of 1,000 hectares per year for consecutive ten years, and starting in the 11th year, the 10-year-old eucalyptus trees will be felled for pulp. The land will then be cleared and replanted, and the cycle will be repeated every year.

### ÆON people

ÆON people, our employees, are one of the most important assets for ÆON and are leaders in creating value at ÆON. Every ÆON person listens to the voices of his/her colleagues and respects his/her colleagues as he/she does him-/herself.

### Best practice

The term "best practice" refers to the most effective and/or efficient way of doing something. When a store or affiliate company has a sales-promotion method that has achieved a remarkable advantageous effect, our prompt action to share this best practice within the ÆON group companies leads directly to improvements in our services.

### Biomass

This is the generic name for biogenic resources that differ from fossil resources such as petroleum and coal. Biomass allows its sustained use as energy sources and raw materials. Biomass can be broadly grouped into resource crops such as corn and sugar cane, straw, and other not-exploited biomass material, as well as biomass originating from waste, such as food waste or scrap lumber from construction or demolition sites.

### Food Artisan

In the Food Artisan project, collaborating with producers who have been maintaining local foodstuff tradition and taste in every region in the country, ÆON markets their products, and thus we provide an arena to enable them to continue their traditional local dietary cultures, as well as opportunities for dietary education. The Food Artisan project was developed based on customers' comments and opinions extended in the first ÆON 21 Campaign. A panel of judges consisting of representatives of our customers and merchandising experts select products to become Food Artisan items from among the en-

tries made directly by local producers and those recommended by others. As of April 21, 2005, Food Artisan items total 325.

### FSC: Forest Stewardship Council

FSC is an NGO with a membership system in which it accredits third-party organizations to "properly manage forests" in terms of planting and felling, thereby promoting efforts to "protect forests while capitalizing on timber harvested from those forests." As of October 2004, the FSC-accredited forests extend over a total of some 47.01 million hectares round the world, and FSC has membership of 629 organizations/individuals in 74 countries. This sustainability report is printed on paper stock made from wood pulp extracted from FSC-accredited forests.

### GMS: General Merchandise Store

Paraphrased as "integrated retailing business," the type of operation at a GMS is likened to a mass merchandise outlet with an abundant assortment of goods covering food, clothing, and household goods. As it is based on store-facility development with minimum capital outlays and displays goods in the low-end price range on specified sales floors by product category in clusters, a GMS is distinguished from department stores. JUSCO is a typical GMS.

### Group synergy

Group synergy is defined as the multiple effect obtained by capitalizing on the diversity and economies of scale unique to a group. In diverse areas, including the procurement of commodities, sales promotion, and social-contribution activities, group synergy brings about a multiplier effect to make  $1 + 1 = 3$  or 4, for example.

### ISO: International Organization for Standardization

ISO is the international cooperation institution founded in London in 1947 to develop and implement unified standards and specifications. Headquartered in Geneva, 146 countries have joined ISO as of April 2003. Derived from the Greek "ISOS," which means "equity," the abbreviation ISO does not stand for the name of the institution in English.

### Kyoto Mechanism

This is a mechanism to facilitate, through international cooperation, achievement of target reductions in emissions of CO<sub>2</sub> and other greenhouse gases, to which countries participating in the Kyoto Protocol on Climate Change have committed. This mechanism includes "emissions trading," which allows trading of allotted carbon

credits among developed countries, "shared implementation," which distributes fruits of a joint project among developed countries who participate in the project, and the "clean development mechanism," in which developed countries support emission-reduction efforts in developing countries and may take over the latter's carbon credits in proportion to their contributions.

### Local Production, Local Consumption

This means to consume foodstuffs produced in a locality in that locality. This approach not only saves distribution cost and energy, but also creates a linkage between the people who are involved in the production and the consumers of the foodstuffs in question. Furthermore, this approach provides several advantages, which include preservation of local dietary tradition to pass down to the next generation, contribution to local dietary education, and community development by means of quality foodstuffs.

### Private brand (PB)

This is a brand attached to an original line of goods uniquely planned and developed by a retailer. TOPVALU is a typical private brand that is developed taking into account customers' voices and embodying ÆON's ideals. As opposed to private brands, commodities produced by well-known producers, and usually sold by various retailers, are sold under "national brands."

### Supply-chain management

In this specific management practice, a series of businesses encompassing product development, procurement, manufacture, distribution and sales act as a chain linking suppliers and retailers, and in turn, customers, and managed accordingly. ÆON believes it has accountability for the whole processes of the supply chain for TOPVALU in particular, and has established the "ÆON Suppliers CoC." And, through these and other efforts, ÆON strives to develop a system that assures customers safety and a sense of security on the delivered commodities.

### Traceability

As a compound word of "trace" and "ability," "traceability" refers to a system able to identify safety of fresh foods by tracking their history back to the point of production. ÆON has initiated this traceability service for certain domestically produced beef, pork, and farm products, for which customers themselves can retrieve production records via the Internet on products they have purchased.