

Sustainability Report 2006

AEON Environmental and Social Report 2006



Building communities involving people

ÆON Business Report for FY2005—A Year of Cooperation with Our Customers

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Editorial policy

ÆON has published environmental reports since 1996; this is the fourth under the new title, ÆON Sustainability Report, and the 11th in all. It sets forth the actions we are taking in partnership with our customers to contribute to a sustainable society and the commitments we make to such stakeholders as our customers and ÆON people; and it clarifies the background to our various efforts, highlights their progress and deficiencies. By indicating our next goals, the report serves as a milestone on the road we and our customers are forging to a future of limitless promise. This year's report focuses on three main themes in areas of high concern among customers—family, community and the Earth environment and sets forth the reforms ÆON has implemented as well as representative samples of the activities of ÆON Group companies.

Report scope

The report covers 157 (as of April 20, 2006) group companies that share the ÆON principles.

Target audience

This report targets ÆON customers, ÆON people, shareholders, all people resident in the vicinity of group stores, business partners, NPOs and other ÆON stakeholders.

Report period

FY2005 (February 21, 2005 through February 20, 2006)
*Data subject to different periods, for reasons including but not limited to different settlement periods, are so indicated.

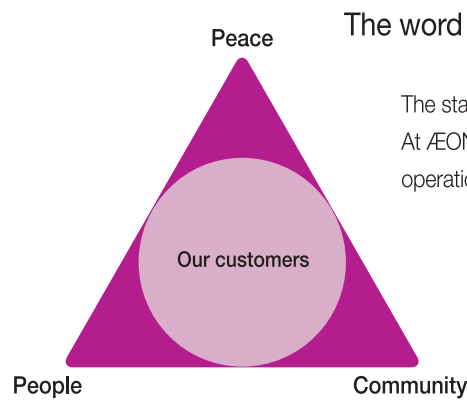
Sustainability Report

Sustainability reports cover much more than just environmental endeavors; they set forth the possibility of sustaining our business activities and focus on the economy and social aspect of those activities. This report was compiled with reference to international Global Reporting Initiative guidelines.
*Icons are used throughout this report to indicate the theme to which each item pertains: economy, environment or community.



ÆON's Objectives

ÆON's Basic Principles



The word "ÆON" has its origin in a Latin root meaning "eternity."

The starting point of our principles is the customer.
At ÆON, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

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

ÆON's Corporate Commitment

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

No. of stores	February 2006	February 2005	February 2004		settlement (year and month)	(millions of yen)
General-merchandise stores (GMS) ^{*1}	683	672	665		2002.02	2,934,592
Supermarkets	623	605	579		2003.02	3,086,504
Supercenters	9	—	—		2004.02	3,546,215
Drugstores ^{*2}	2,067	2,127	1,929		2005.02	4,195,843
Home centers	41	44	—		2006.02	4,430,285
Convenience stores ^{*3}	2,854	2,681	2,633			
Department stores	2	3	3		2002.02	119,222
Specialty stores	3,246	2,759	2,666		2003.02	132,172
SC-development operations	—	—	—		2004.02	132,212
Financial services	62	58	58		2005.02	146,777
Services	791	736	669		2006.02	166,105
Food services	541	576	577			
Food processing, distribution and other operations	—	—	—		2002.02	114,759
E-commerce businesses	—	—	—		2003.02	127,431
					2004.02	131,354
					2005.02	156,099
					2006.02	175,989

^{*1} The term "general merchandise store" refers to a shop similar to a mass retail outlet with an extensive line-up of food, clothing and shelter products.

^{*2} Drugstore numbers include companies participating in the ÆON Welcia Stores program that are not consolidated with ÆON, as well as ÆON stores that handle pharmaceuticals.

^{*3} The number of convenience stores includes franchised stores.

Major Group Companies

ÆON is a customer-focused corporate group consisting of 157* companies in all.

ÆON is a retail corporate group consisting of a total of 157* companies in Japan and overseas, with ÆON 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 order to respond to changes in the retail environment, we operate a dual policy of growth through expansion of our business base and qualitative turns in profits and finances, while endeavoring in a broad and innovative range of ways to further our position as a truly international corporate group. Outside Japan, ÆON is prioritizing Chinese and other Asian operations, accelerating localization efforts and enhancing close ties with local communities so as to improve our performance groupwide.

*As of April 20, 2006

GMS

- * ÆON Co., Ltd.
- * Posfū Corporation
- * ÆON Stores (Hong Kong) Co., Ltd.
- * ÆON Co. (M) Bhd.
- * ÆON Kyushu Co., Ltd.
- ÆON Marche Co., Ltd.
- MYCAL Corporation
- MYCAL KYUSHU Corporation
- Ryukyu JUSCO Co., Ltd.
- ÆON (China) Co., Ltd.
- Guangdong JUSCO Teem Stores Co., Ltd.
- Qingdao ÆON Dongtai Co., Ltd.
- Shenzhen ÆON Friendship Stores Co., Ltd.
- Taiwan ÆON Stores Co., Ltd.

Supermarkets

- * Kasumi Co., Ltd.
- * Maxvalu Chubu Co., Ltd.
- * Maxvalu Nishinohon Co., Ltd.
- * Maxvalu Tohoku Co., Ltd.
- * Maxvalu Tokai Co., Ltd.
- * Maxvalu Hokkaido Co., Ltd.
- Maxvalu Kyushu Co., Ltd.
- Joy Co., Ltd.
- Siam JUSCO Co., Ltd.

Supercenters

- ÆON Supercenter Co., Ltd.

Drugstores

- * CFS Corporation
- * Tsuruha Holdings, Inc.
- * Welcia Kanto Co., Ltd.
- * Kusuri No Aoki Co., Ltd.
- * Kraft Inc.
- * Terashima Co., Ltd.
- * Medical Ikko Co., Ltd.
- Welpark Co., Ltd.
- Takiya Co., Ltd.

Home centers

- * Homac Corp.
- * Sunday Co., Ltd.

Convenience stores

- * Ministop Co., Ltd.

Department stores

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

Specialty stores

- * The Talbots, Inc.
- * Taka-Q Co.
- * Yamaya Corporation
- * Tsuruya Shoe Store Co., Ltd.
- * Cox Co., Ltd.
- * Blue Grass Co., Ltd.
- Abilities JUSCO Co., Ltd.
- ÆON Forest Co., Ltd.
- Claire's Nippon Co., Ltd.
- Talbots Japan Co., Ltd.
- NuStep Co., Ltd.
- Book Bahn Co., Ltd.
- Petcity Co., Ltd.
- Mega Sports Co., Ltd.
- Mega Petro Co., Ltd.
- Laura Ashley Japan Co., Ltd.
- MYCAL Cantevole Co., Ltd.

SC development operations

- * Diamond City Co., Ltd.
- * ÆON Mall Co., Ltd.
- LOC Development Co., Ltd.

Financial services

- * ÆON Credit Service Co., Ltd.
- * ÆON Credit Service (Asia) Co., Ltd.
- * ÆON Thana Sinsap (Thailand) Plc.
- ACS Credit Management Co., Ltd.
- NCS Kosan Co., Ltd.
- ÆON Credit Card (Taiwan) Co., Ltd.
- ÆON Credit Service (M) Sdn. Bhd.
- ÆON Credit Service (Taiwan) Co., Ltd.
- ÆON Information Service (Shenzhen) Co., Ltd.

Services

- * Japan Maintenance Co., Ltd.
- * ÆON Fantasy Co., Ltd.
- * Zwei Co., Ltd.
- * Certo Corporation
- ÆON Cinemas Co., Ltd.
- ÆON Techno Service Co., Ltd.
- Jusvel Co., Ltd.
- Quality Control Center Co., Ltd.
- Reform Studio Co., Ltd.
- MYCAL Create Co., Ltd.

Food services

- * Origin Toshu Co., Ltd.
- Gourmet D'Or Co., Ltd.
- MYCAL Ist Co., Ltd.

Food processing, distribution and other operations

- AIC Inc.
- Food Supply JUSCO Co., Ltd.
- Tasmania Feedlot Pty. Ltd.

E-commerce businesses

- ÆON Visty Co., Ltd.

*Public companies

As of April 20, 2006

- ÆON 1% Club
- ÆON Environment Foundation
- The Cultural Foundation of Okada

Transforming our retail business into customer satisfaction business



岡田 元也
Motoya Okada
President
AEON Co., Ltd.

Ideas and action putting the consumer first are indispensable

When I am asked the fundamental question of what AEON's significance in society is, my response is that AEON seeks to achieve a better consumer lifestyle for our customers and, from a management point of view, to act as a representative for consumers. I consider that to be our major contribution to society. The AEON Group's basic principle is to foster the concepts of peace, people and community, with our customers at the very core. This is a globally valid philosophy, and represents values that must remain steadfast in this age of widespread and rapid environmental change. FY2005 saw a number of issues arise that we at AEON, as a community-based corporate group that aims to contribute to our local communities, must focus on. One was the revision of the so-called "three laws of urban design." We at AEON take the attitude that the resolution of local issues must begin with urban planning that reflects the opinions of local residents. As such, consumer-first ideas and action are indispensable. In our capacity as representatives for consumers, we aim to build shopping centers that are unique to their communities; we believe that harmonious coexistence with local communities—with their characteristic local cultures—is of the utmost importance. To that end, it is only natural for us to seek to pass on our expertise and in so doing we hope to achieve harmonious coexistence based on the full participation of local people.

Complete reevaluation of attitudes and work methods

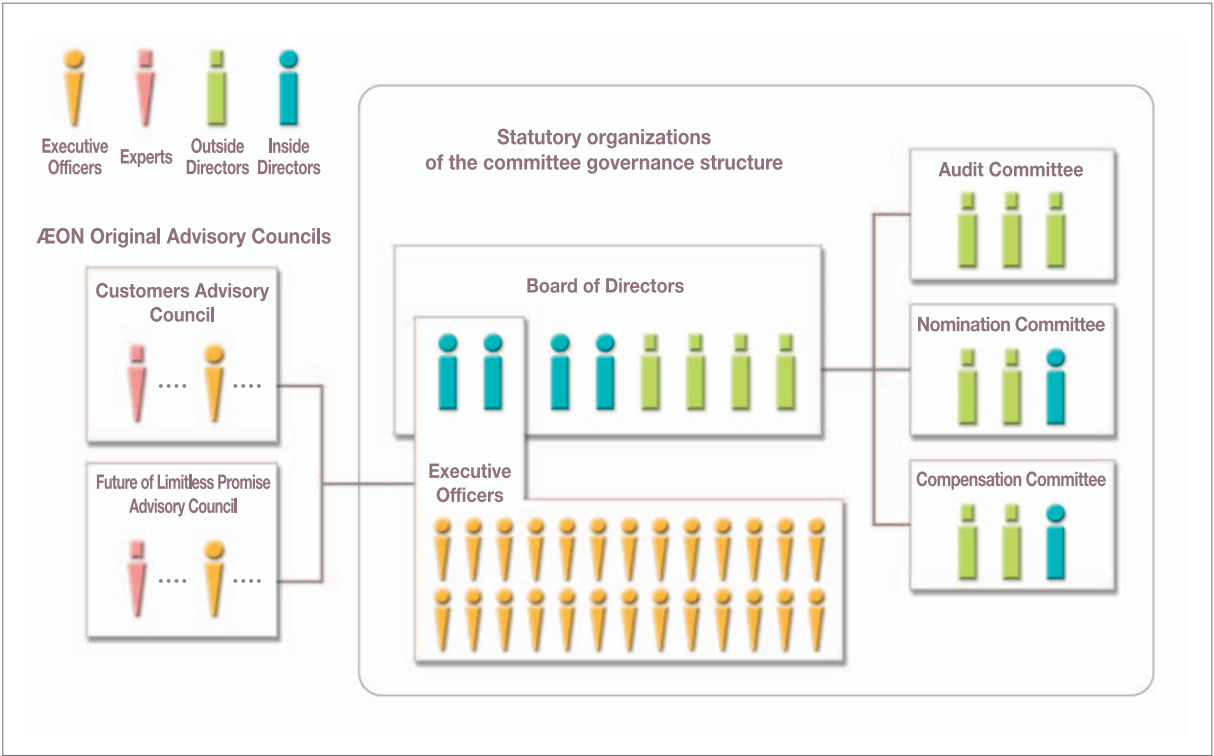
We are, furthermore, transforming our retail distributor business into a customer satisfaction business. To further this trend, we are reevaluating in all aspects, our ways of thinking and the way we work. The notion of "putting the customer first to the extent that our capabilities allow" is a mistaken one, equivalent to announcing that "we put ourselves first." It is my firm view that only through the unrelenting pursuit of new products, stores and services that truly aims beyond current limitations on putting the customer first can we earn the moniker of all-round customer satisfaction business. The same goes for our environmentally conscious business management and social contributions: we feel that if we are to tackle long-term issues like global warming prevention, we need to take systematic action now with a brand-new outlook. That is why we have taken concrete steps in that direction with the release of the AEON Mid-term Global Warming Prevention Plan last year.

Rising to the challenge of balancing reduced environmental impact and improved productivity

As part of the revision of the way we work in our core business of developing products and stores, there is a stern challenge we must face: the need to reform our business processes to strike a balance between reducing environmental impact—such as by minimizing CO₂ emissions—and improving productivity. Furthermore, we bear an onus to offer the more than two million customers who visit AEON Co., Ltd. stores every day ways in which to change their lifestyles for the better. Some examples of this include: human rights and environmental accountability in the manufacturing process of TOPVALU products (AEON private-brand products) through the AEON Supplier Code of Conduct and the SA8000 certification (the international social accountability standards for human rights and labor environments), which we were granted in 2004; efforts to minimize CO₂ emissions and improve environmental efficiency through the development of Eco Stores; and reducing the number of plastic bags provided at check-outs by encouraging customers to use My bag, My basket and *furoshiki* bundling cloths. All of these are consumer-led ideas and actions, which form the very core of our social contribution activities.

We at AEON have designated 2006 as the year when we take a major step towards becoming the company we aspire to be in the 21st century; it is the year in which we unflinchingly step up our efforts to reform, with each and every employee making real changes to his or her ways of thinking and working to bring us ever closer to that mainstay of the AEON Corporate Commitment: "a future of limitless promise." In these efforts I ask for your continued support. I look forward to maintaining a frank and forward-looking dialogue with all AEON customers.

FY2005 AEON Co., Ltd. Organizational Structure



Forums for gathering a multitude of opinions: one example of AEON's original open management style

Advancing reforms in corporate governance

In May 2003, AEON Co., Ltd. overhauled its corporate governance policy in order to shift the company to a committee governance structure. The move aims to further streamline company management, clearly separate executive and oversight management functions, and realize a highly transparent style of management that rigorously provides accountability in terms of executive responsibility and results. AEON also has two exclusive advisory councils in order to gain as many objective opinions as possible and utilize these in management. One is the Customer Advisory Council, through which AEON is able to hear honest opinions from Customer Deputy Store Managers and people with informed opinions, thus allowing the company to reflect our customers' points of view in management. In 2005, the council engaged in discussions about what should be done to address the needs of the baby-boomer generation, who will start reaching retirement age from 2007. Similarly, the Future of Limitless Promise Advisory Council is made up of academics who give invaluable advice regarding policy. Based on the

central theme of the three laws of urban design, a varied selection of urban design experts and other educated people have been invited to discuss how best to build compact cities in an aging society environment, and the council is proving to be a forum for frank debate. One of the key pillars supporting the AEON system of bringing in ideas from outside the company and actively seeking as many opinions as possible is AEON 21, the concept that was launched at the time the company changed its name in 2001 and has since been an annual fixture on the company's corporate calendar. Indeed, AEON 21 has proven to be a great success, giving rise to countless company management ideas from customers and employees, including—but certainly not limited to—the Customer Deputy Store Manager scheme and Food Artisan. AEON's brand of easy-to-understand, open management is not limited to clearly defining where the functions of the company lie and holding management strictly to account; it also includes such ideas as seeking out a broad spectrum of opinions from near and far.

Caring for Your Family



The starting point for all Aeon activities is to put the customer first.

Naturally, those closest to our customers are their families.

We at Aeon endeavor to incorporate the family-centric nature of customers' daily lives into our products, services and various activities, aiming to transform daily routine into a future of limitless promise.

Q. What does Aeon pay most attention to when making new products?

A. That the products are safe as indicated by customer feedback, and environmentally conscious.

TOPVALU



Company
46 Aeon Group companies

A private brand of quality and reliability

As a retailer interacting directly with our customers on a daily basis, we at Aeon strive to give customers the kinds of products they want. That desire led to the development of our own private brand, TOPVALU. Indeed, the feedback and ideas we receive through the Aeon 21 campaign increasingly concern TOPVALU, and in order to ensure that our customers' views are reflected in products, we implement trials in which customers test products at the development stage to check their quality and function. We also make an effort to use materials and packaging that have low environmental impact so that we can truly create products that reflect the Aeon customer-first policy.

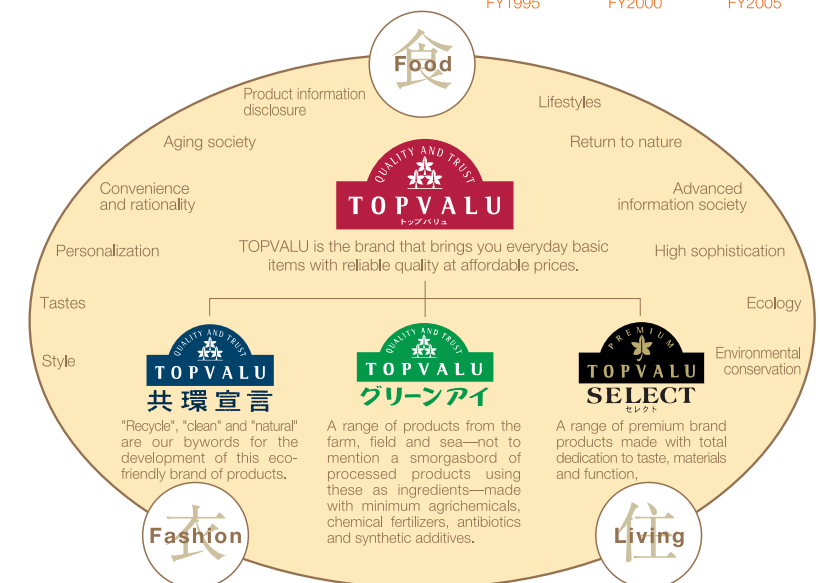
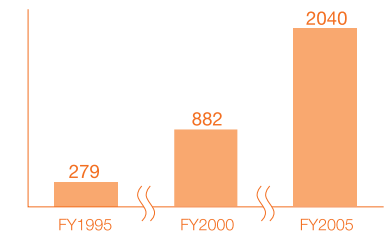
Aeon's Five Commitments to customers

TOPVALU is an "umbrella" brand covering three "sub-brands" of food-shelter-clothing products combining solid quality with affordable prices; those sub-brands are TOPVALU Kyokan Sengen, TOPVALU Green Eye and TOPVALU Select. Since its introduction in 1994, the TOPVALU product line-up has carried on the legacy of Aeon's Five Commitments, through which we undertake to maintain a style of management that results in customer satisfaction not only in terms of quality and price, but in areas such as health and ecology, too. As of February 20, 2006, Aeon offered customers a choice of 3,100 TOPVALU products.

The Five TOPVALU Commitments

1. Reflecting the opinions of customers in products
We invite customers to test products and give their opinions about quality and function.
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 affordable prices
We offer product prices that are more affordable than those of national brands.
5. Guaranteeing customer satisfaction
We give a refund or exchange a product if the customer is not satisfied.

Increases in sales of TOPVALU products (billion yen)



I can recommend TOPVALU products with confidence—because I've tried them.

MYCAL Corporation Of SATY
Katsunori Saijo
Manager of Marketing Section

Our goal for FY2005 was to increase recognition of the TOPVALU brand. To that end, we started by making sure we knew the TOPVALU products well ourselves. We started by holding a tasting session for hot-pot flavoring stock in the staff cafeteria and having our "experts" fill out questionnaires, followed by try-before-you-buy sampling in stores. I also tried the soy-milk hot-pot at home and it was really delicious—my children loved it. Now I can recommend TOPVALU products to customers with real confidence, and the reaction from customers is completely different from before. Most of our customers fit in the junior baby-boomer family demographic, and we hold numerous informal get-togethers and other events targeting these customers. Indeed, we have endeavored to provide customers with plentiful opportunities to try products first-hand; for instance, the Baby Expo focused on safe, secure baby lotion and the Pet Grooming Workshop showcased a range of pet food products. Customers are sensitive to safety and security issues, so we hope to continue to expand TOPVALU sales in FY2006 by convincing customers to buy our products through sales presentations that allow customers to experience for themselves the advantages that each product gives.





Q. Does AEON properly disclose the contents of its products?

A. Yes. We display the information customers want as simply as possible.

TOPVALU informative labeling



These days, interest in food safety and food allergies is extremely high. TOPVALU products meet a definite need in this area by displaying the product information that customers want as simply as possible. In addition to legally required labeling that includes a range of information in one place, we also provide an original TOPVALU label that provides all necessary information in a format that customers find easy to understand.

TOPVALU Potato chips (consommé flavor)



TOPVALU informative labeling 1

ばれいしょ(国産)植物油(米油、パーム油)、糖類、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)、粉末澱粉(大豆、小麦を含む)

Raw materials that contain allergens are all shown in parentheses.

TOPVALU informative 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)●小麦の成分は小麦由来です。

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.

TOPVALU informative 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	4.5g
脂質	32.0g
炭水化物	45.5g
食塩相当量	3.7g
ナトリウム	272mg
食塩相当量	0.7g
(株)品質管理センターにて検査	

Sodium chloride equivalent, which customers inquire about frequently, is indicated on the product labeling.

25 food items specified as allergens

*Numbers current as of February 20, 2006. List will be updated immediately upon addition of new items.

Items mandated by law: eggs, milk, wheat, buckwheat, peanuts

Items recommended: abalone, squid, salmon roe, shrimp, oranges, crab, kiwi, beef, walnuts, salmon, mackerel, soybeans, chicken, pork, matsutake mushrooms, peaches, yams, apples, gelatin, bananas

"Elimination and reduction" are our bywords. We aim to cut unneeded additives and rethink the use of salt and fats.

TOPVALU is a leader when it comes to providing safe and secure support for people's culinary lifestyles. Potato chips that use no chemical seasonings and pork sausages that use no preservatives: these are just two items that illustrate our dedication to the "elimination and reduction" concept, and just the beginning of our ongoing drive to offer products that satisfy our customers' ever-diversifying needs.

For example...

These products contain no chemical seasonings.

- Potato chips
- Dry seasoning for rice
- Egg soup



For example...

These products contain no preservatives.

- Pork sausages
- Meatballs
- Chicken nuggets



Q. Is it possible to find out if AEON products are really safe?

A. Yes. We have a system to supply the production history of products to ensure you can buy safe foods with peace of mind.

Traceability



We live in an age where the ability to eat safe food with peace of mind is a top priority. That is why AEON is involved in a range of efforts to protect the safety and security of your family. For instance, AEON was one of the first to introduce a traceability system that allows customers to see the history of food products stretching right back to the area they were produced in.

Livestock information disclosure

The BSE issue has brought about a dramatic increase in general awareness of food safety. AEON, together with its customers, keeps a sharp eye on food safety, and introduced a traceability system in 2003 for domestically produced beef. Under the system, production history ID numbers and individual recognition numbers on meat pack stickers allow customers to check the place where the meat was produced, as well as its producer and even the feed it ate. Also, in 2004, the Minami Kanto Center of AEON Group company Food Supply JUSCO Co. Ltd.

was recognized as a certified meat packer. This certification is JAS recognition for production information disclosure¹, i.e., it is the seal of approval from the Minister of Agriculture, Forestry and Fisheries—awarded through an independent institution—for the accurate disclosure of production information. Indeed, AEON is proud to have been the first in Japan to sell beef packs with the JAS mark affixed. Since then, we have also begun sales of pork meat packs² with the JAS mark.

¹ 1. AEON's food meat processing center, Food Supply JUSCO Co., Ltd. Minami Kanto Center and Meat Packer Incorporation Kitami Office, acquired certification as meat packers. TS Angus Miyashita Ranch, a trading partner of Food Artisan, was certified as a production process manager.

² 2. Food Supply JUSCO Co., Ltd. Minami Kanto Center acquired certification as a meat packer, Towadako Plateau Farm as a production process manager.

Even more details disclosed about farm produce

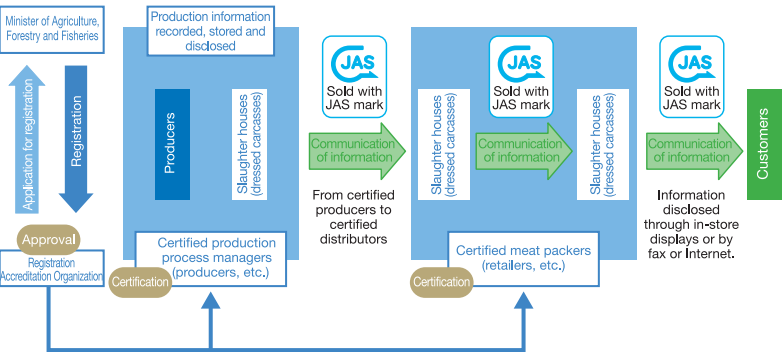
Driven by our desire to prove our food's safety in a more easily understood way, we at AEON have introduced AEON Farm Product Client Quality Control Standards, a framework whereby we are able to keep a close watch on the use of agrichemicals and fertilizers in farm produce right from the production stage, and have also implemented a

support system for the standards, the Farm Produce Data Administration System. These allow us to ensure strict quality control from the farm to your table, thereby better meeting our customers' needs.

Relaying customers' opinions back to the producer

With the TOPVALU Green Eye brand, customers with mobile phones featuring barcode-reading functions are able to access the production information for individual products simply by scanning the QR code on the package. Producers' comments are available, as is information about agrichemicals and fertilizers used, and we have even begun a system where customers can give their opinions to producers through a questionnaire. This novel system of putting customers' thoughts to use in production has been introduced for a total of 204 items.

JAS production information disclosure system



Under the system, an independent institution (i.e., the registration approval institution) certifies that the operators involved accurately communicate production information about food to customers.

TOPVALU Green Eye producer information QR code

Mobile phones with cameras take "photos" of QR codes displayed on labels or other printed items and allow customers to gain easy access to production information.



Terminology: Traceability

Traceability refers to a system that uses the Internet to track the safety and other aspects of fresh food products right back to the place they were produced.



Q. How does AEON ensure it makes safe products?

A. For instance, our vegetables all meet our exclusive "five criteria."

TOPVALU Green Eye



Company
14 AEON Group companies



The concept behind the TOPVALU Green Eye brand is the maximization of nature's strengths to bring customers delicious, nutritious and environmentally friendly products. We have established a series of stringent voluntary criteria together with our customers; through these, we aim to minimize risks in fruit and vegetables.

A partnership with Eco Farmers
A system called Eco Farmer has been introduced whereby agricultural producers that promote environmentally

friendly farming practices like organic production are recognized by prefectural governors. Through the TOPVALU Green Eye brand, we join forces with Eco Farmers to implement a vegetable production system that centers on a local recycling farming system whereby seasonal vegetables are grown using varieties of produce and production methods that best suit the local soil and then are delivered to the local community for consumption.



The TOPVALU Green Eye Five Criteria

- 1 No artificial coloring, preservatives or sweeteners are used in Green Eye foods.
- 2 Use of chemical fertilizers, agrichemicals, antibiotics and other chemical items is minimized in the production process.
- 3 Green Eye products use nature's strengths to make foods as delicious as possible: location, timing, crop varieties and feeding.
- 4 Green Eye products support farming practices considerate of environmental and ecosystem protection.
- 5 Green Eye products are controlled from production to sale in accordance with voluntary criteria.

A. Green Eye products are grown under strict management in a rich, natural environment under direct AEON control.

TOPVALU Green Eye
Tasmanian Beef



TOPVALU Green Eye Tasmanian Beef is the epitome of the AEON commitment to bringing you the ultimate in food safety and taste. Raised in Tasmania, a southern island of Australia boasting one of the world's premier natural environments, our Black Angus beef cattle are fed no bone-meal feed or growth hormones, and are raised under the thorough hygiene and quality control of Tasmania Feedlot Pty. Ltd., a company operated directly by AEON. Indeed, we know this is the only way to produce the tender, juicy meat so suited to the Japanese palate. Our quality is

such that even the Tasmanian state government has given its seal of approval, and our production process is administered using the independent verification system SQF2000*.

*The Safe Quality Food verification system is operated by the world's largest private-sector inspection and testing institute, SGS. AEON is the first Japanese retailer to implement the system.



Certificate of quality approval from the Tasmanian state government



The three TOPVALU Green Eye Tasmanian Beef commitments

- 1 Cattle are not fed bone-meal feed.
- 2 Cattle are not fed genetically modified feed.
- 3 Cattle are not fed antibiotics or growth hormones.



Tasmanian Beef

A. We work together with farmers to produce safe rice.

Contracted cultivation of rice



Company
Ministop Co., Ltd.

Rice is the staple food of Japan; in order to improve rice production without compromising taste or safety, Ministop stocks rice produced under contract. Japan is a longitudinally elongated country and much of its land lies in areas of high humidity, which means that it is susceptible to pest insects and disease. Given growing unease about the use of agrichemicals and genetic modification, the contract cultivation system starts with the meticulous preparation of soil so the farmer can grow strong rice plants with no more agrichemicals than are absolutely necessary. With the cooperation of farmers nationwide, we are able to keep the level of agrichemicals used in

contract-cultivated rice—rice which is used in boxed meals, rice balls and sushi—to no more than half of the average level for the various regions and rice breeds. Furthermore, we make sure the rice we supply to customers is always delicious by closely tracking the progress of rice from production through to sale, storing all harvested rice in its hulled form and limiting the amount of rice milled at one time to what can be used up within a three-day period.



Customers, producers and participating stores try their hand at harvesting contract-cultivated rice



Rice balls made from contract-cultivated rice

Production regions	Rice kinds	Rice used to make...
Bifuka-cho, Nakagawa-gun, Hokkaido	Hakuchō-mochi	Red rice, rice with red beans
Kamifurano-cho, Sorachi-gun, Hokkaido	Kirara 397	Sushi, etc.
Suburbs of Morioka-shi, Iwate	Hitomebore	Boxed meals, rice balls in Tokai region and west
Hanamaki-shi, Iwate	Hitomebore	Boxed meals, rice balls in Tokai region and west
Mogami & Okitama regions of Yamagata	Akita Komachi, Haenuki	Boxed meals, rice balls in Kanto region and north
Nasu region and Hagano region of Otawara-shi, Gunma	Koshihikari	Boxed meals, rice balls in Tokai region and west
Joso Hikari region of Ibaraki	Koshihikari	Boxed meals, rice balls in Kanto region and north
Koga region of Koga-gun, Shiga	Kinuhikari	Sushi, etc., in Tokai region and west

Protecting against bird flu

TOPVALU Green Eye
Junkikei chickens

TOPVALU Green Eye *Junkikei* chickens are all raised under the watchful eyes of contract farmers in Aomori, Iwate, Gifu and Hiroshima. Rest assured that we have stringent protocols to help prevent bird flu: daily reports on chickens' conditions are received, lime is scattered around farm boundaries and disinfection is required not only for people entering chicken coops but also for vehicles that carry chicken feed. We also receive daily reports on bird deaths to check for signs of bird flu. Indeed, our efforts to eliminate threats to food security help us maintain vigilance against bird flu.



Junkikei chickens

The three AEON commitments

- 1 Our chickens are raised on feed free of antibiotics and synthetic antibacterial drugs.
- 2 Chicken feed and management are regularly inspected at AEON-designated farms.
- 3 Abattoir and packing centers are subject to regular hygiene management and bacteria testing.



Q. I'm worried about the effects of asbestos. Are AEON stores safe?

A. Yes. AEON stores have been checked for asbestos, and measures taken where necessary.

Dealing with asbestos



Company
11 AEON Group companies

Checking for asbestos

In order to ensure customers have the safest possible shopping experience, MYCAL Corporation tested the insulating material in its stores for asbestos. The inspections covered the 78 stores opened up to and including 1995; asbestos was found in six. Of these, the only places where insulating material was found to be exposed in areas used by customers were the beams of the Takada SATY number one parking building.

Removal

The removal by specialists of asbestos found at Takada SATY was completed by November 20, 2005. In the five stores where asbestos was discovered in areas not used by customers, tests were performed to ascertain the amount of free-floating asbestos. The Air Pollution Control Law allows up to 10 fibers per liter of air, and the SATY tests returned a maximum reading of 0.5 fibers per liter. The measurements were

then sent to a government-registered institution for analysis in accordance with the Working Environment Measurement Law. The concentration of asbestos in the air was determined to be "no different to that of regular air."

Future measures

The five stores at which asbestos was found to be exposed will continue to be subject to regular tests, and asbestos will be removed by specialists where necessary.

AEON Group companies' anti-asbestos measures

(As of February 20, 2000)

Company	Stores tested (completed 1995 or prior)	Stores where exposed asbestos was found in places used by customers	Stores where exposed asbestos was found in other areas
AEON Co., Ltd.	173	2 ^{*1}	9 (2 closed)
Postfū Corporation	16	1 ^{*1}	0
MYCAL Corporation	78	1 ^{*1}	5
Kasumi Co., Ltd.	114	0	3
Maxvalu Nishinoh Co., Ltd.	28	0	1
Maxvalu Tohoku Co., Ltd.	62	0	3
Maxvalu Tokai Co., Ltd.	19	0	1
Maxvalu Hokkaido Co., Ltd.	19	1 ^{*1}	1
Joy Co., Ltd.	17	0	1
Inageya Co., Ltd.	26	0	11
Ministop Co., Ltd.	617	0	2

AEON Kyushu Co., Ltd., AEON Marche Co., Ltd., MYCAL KYUSHU Corporation, Ryukyu JUSCO Co., Ltd., Maxvalu Chubu Co., Ltd., Maxvalu Kyushu Co., Ltd., Bon Beta Co., Ltd., Diamond City Co., Ltd., AEON Mall Co., Ltd., and Tachibana Department Store Co., Ltd., were also inspected, but no exposed asbestos was found.
^{*1} Work has been performed on areas where exposed asbestos was found, including legally required removal, sealing and enclosure; and regular tests to ascertain the amount of free-floating asbestos continue.

Q. What if a customer falls ill while shopping?

A. We are prepared for such unforeseen events.

AEDs on stand-by



Company
Maxvalu Chubu Co., Ltd.

Maxvalu Chubu prides itself on its ability to provide customers with a safe shopping experience at all times. In November 2005, the company installed automated external defibrillators (AED) in its five major stores (including Maxvalu

Komaki Horinouchi and Kawai-cho) to make sure they are prepared for the unthinkable: a customer suffering cardiopulmonary arrest in-store. The AEDs allow emergency treatment to be given until an ambulance arrives. AEDs use an electric shock to jolt the heart out of spasm and return it to a normal state. Upon installation of the AEDs at Maxvalu Chubu, training workshops were held at the stores to teach employees how to use them, and store managers took fire department regular life-saving courses.



An AED training workshop

Q. Does AEON have a robust privacy protection policy?

A. Yes. We strive to protect privacy by continually strengthening and raising awareness of our information management policy.

Privacy protection



Companies that have earned the Privacy Mark
AEON Co., Ltd., AEON Credit Service Co., Ltd.,
Zwei Co., Ltd.

AEON is fully aware of the importance of privacy protection, and handles each and every piece of personal information with care so as to contribute to the creation of a more secure lifestyle for all. Because each person's personal information forms his or her individuality and values, we respect personal information just as much we do people; we manage information collected from people in the community safely and properly, thereby building and maintaining a steadfast relationship of trust.

Industry-leading information management system

AEON Credit Service believes that to protect customers' privacy is to protect a company asset. In an age when companies are rushing to build ever-more stringent management systems to ensure security for personal privacy and informational assets, AEON Credit Service was awarded the coveted Privacy Mark in January 2003, and TRUSTe licensee status for bolstering Internet security—Internet Website security, including that for mobile phone-based sites. In July 2005, all company workplaces were simultaneously granted Internet Security Management System and British standard BS7799 certification, the first time both were granted simultaneously in the credit industry.

Beginning in August 2005, a companywide Access Control System was implemented to regulate room entry/exit using IC cards. Not only does the system prevent unauthorized access, it allows a record to be kept of who entered which room, where and when—24 hours a day, 365 days a year—thus further contributing to the implementation of our privacy protection policy.



The Privacy Mark certificate



An employee runs her IC card through the Access Control System

Dealing with faulty TECO LCD TVs

Program settings on some TECO 32-inch LCD televisions, which went on sale at JUSCO, SATY, Carrefour and Postfū on July 8, 2005, were discovered to be faulty as a result of a complaint received from a customer that the audio channel change-over function did not work as described in the user's manual. After we inspected and repaired affected TVs, some customers said that the TVs' sound cut out at times. We looked into the issue and found that this problem tended to arise in regions with weak reception or in situations where incoming waves became weak, and offered to inspect and repair the affected televisions.

Affected model
TECO 32-inch LCD television (TAL0032)



A composite image of a TECO 32-inch LCD TV

July 8, 2005	TECO 32-inch LCD TVs go on sale at AEON Group stores.
July 13, 2005	A customer complaint leads to the discovery of incorrect audio channel displays and other malfunctions.
July 20, 2005	Installable repair program (Ver. 2) released via computer.
Mid-August 2005	Customers reported that repaired TVs' sound cut out.
September 5, 2005	Repair contractor and AEON Group store managers involved begin visiting individual customers' homes to re-repair faulty TVs.
End of October 2005	Re-repair 90.0% complete (percentage of known faults repaired).
March 2, 2006	Re-repair 97.0% complete (percentage of known faults repaired).
Thereafter	Notices continue to be posted in accordance with sales numbers in stores with customers who may not be aware of the issue.

Future measures

The AEON Visual Appliance Shipping Inspection Standards will be documented and thoroughly implemented. Our system that provides for safety tests and checks of all items written in users' manuals performed by independent institutions will be reinforced.

Hand-in-hand
with the Community



For AEON, being one with the local community is of the greatest importance.

We recognize that the local economy, as well as volunteer activities, crime prevention and the development of children are community issues that concern AEON directly.

AEON is more than a place to enjoy shopping. Our roots lie at the heart of the community, through our role as a place of work, activity, learning and interaction.

Q. Will AEON vitalize our community?

A. Yes. Through food, we aim to energize our local communities.

Local production,
local consumption

Not only does the consumption of locally produced food according to local culinary customs boost the local economy, it also helps hand local food culture down to future generations. Boosted by the recent trend towards food safety and security, local-production-local-consumption movements are growing nationwide. Always a proactive participant in local communities, AEON aggressively promotes local consumption of locally produced food in conjunction with our



Mejaa Ichi



Umakappe Ibaraki

Food Artisan project, which was created as a result of customers' opinions elicited through the AEON 21 campaign. For instance, we ran the *Mejaa Ichi* market in cooperation with Aomori Prefecture, and *Umakappe Ibaraki* and *Unmeemon Niigata* took place in Ibaraki and Niigata prefectures respectively, all of which proved very popular. Encouraging the spread of information about producers and testing institutes by local governments and support groups and putting AEON's wealth of customer information and distribution expertise to effective use have the potential to lead to expanded sales and the development of fantastic new products.



Mejaa Ichi



Unmeemon Niigata

How empty trucks
can energize
a community

Mejaa Ichi, the market operated in a collaboration between AEON and Aomori Prefecture, has since changed its name to the Aomori-ken Fair, and it is now held not just locally in Aomori, but also at places like AEON Tsudanuma in Chiba Prefecture and JUSCO Noda Hanshin in Osaka, where it is very well received. As well as local-production-local-consumption, another growing trend that is viewed positively by local government officials and support groups is the use of trucks on their way back from deliveries—which would otherwise be traveling with no cargo and therefore making an inefficient journey—to transport local cuisine to other regions. We at AEON are pleased that our pursuit of foods to make customers' culinary lives richer and more enjoyable leads to interaction among producers from many regions and that these efforts are helping in the revitalization of local communities.



Aomori-ken Fair

Mie Bounty Appreciation Day

Mie is a veritable treasure trove of food. Each month we provide *bento* boxed meals featuring delectable morsels of the season from Mie.

The whole of Mie Prefecture is involved in the local-production-local-consumption drive, and the third Sunday of each month (Family Day) and the preceding Saturday are designated Mie Bounty Appreciation Days. Mie Prefecture enjoys a wealth of food from the land and the sea—so much so that there are numerous items that even the locals may not know about. The Appreciation Days initially started out as Local Bounty Appreciation *Bento* boxed meals, which were the result of the wish to provide people with the opportunity to discover foods they had never known before and rediscover the flavors they knew and loved. The *bento* were a way of providing people hassle-free access to seasonal foods. The areas the ingredients were produced in are written on the boxes, so we have to be careful not to mix them up with those of other areas. Still, we have exclusive food-service plants that can handle the whole process from buying to cooking, so we have no problems in that area. In 2005, we released a series of mix'n'match *bento*, where we supplied five kinds of rice and five kinds of side dishes that people could combine as they liked. That means that we have to start by planning an extensive menu each month, but that ceases to be a hardship when we see how happy our customers are.

Maxvalu Chubu Co., Ltd.
Kenji Hata
Operating Officer, Merchandise Manager, Nagoya



A. We also provide business opportunities and know-how.

Hosting stores
and offering
know-how



30% of stores in our shopping
centers are local stores

AEON Mall, Co., Ltd. aims to fill 30% of the specialty store spaces in its shopping centers with local stores. One of the attractions of shopping centers is that they contain local stores with strong ties to local community customers. Of the remaining stores, 30% are leased by national-brand stores, 30% by stores moving into the area for the first time, and the remaining 10% by specialty stores making their first appearance in an AEON Mall. By combining the comfort of the local shopping experience with the enjoyment and newness of city shopping, AEON Mall provides totally original shopping centers that are unique to their locations.

Providing know-how to *shotengai*
arcades

As part of its efforts to achieve an ever more perfect coexistence with the local community, AEON Co., Ltd. does all it can to provide know-how to local *shotengai* shopping arcades. AEON itself is a proactive participant in town management organizations that bring a strong focus on community building to their planning and work towards the revitalization and maintenance of central city areas. There have even been cases of former AEON employees starting companies to create new commercial facilities to that end. At this stage, however, know-how alone is not enough to keep local *shotengai* in business, so we at AEON are working hard to widen the pool of human resources who have the know-how needed to operate a commercial concern. We do so by assisting people with store manager experience to obtain the shopping

center operator qualification offered by the Japan Council of Shopping Centers. The company also offers support to specialty stores for grooming successors through organizations comprised of shopping center tenants, and also offers management advice. Moreover, AEON offers assistance in skill enhancement; in fact, we provided customer service training to approximately 5,000 store employees in FY2005 alone. Unlike mere developers, we at AEON remain dedicated to offering valuable know-how to support the businesses of fellow retail operators long into the future.



AEON Miyazaki Shopping Center (AEON Mall, Co., Ltd.)



AEON Mito Uchiyama Shopping Center (AEON Mall, Co., Ltd.)

Open 24 hours

Continuously high customer demand means AEON-operated Maxvalu supermarkets are generally open 24 hours a day. Currently, 75 Maxvalu stores are open all hours (as of February 20, 2006), and the presence of security staff at each of those stores means customers often tell us that they like how they can shop safely at Maxvalu stores even late at night. Moreover, from an employment point of view, many of our staff wish to be rostered for night duty, meaning that around-the-clock business is yet another way in which we contribute to the local community. When opening our stores, not only do we operate within the bounds of laws regarding late-night noise and light, we also consult with nearby residents to gain their understanding before opening. If a local resident complains that Maxvalu night lights are hindering his or her sleep, we deal with the situation appropriately, such as by slightly dimming parking lot lights or installing shading curtains. For sales of alcohol and tobacco products at night, care is always exercised to prevent purchase by minors. By checking customers' ages and talking with customers in stores we aim to remain a positive presence in our local communities.

Q. What kinds of places does AEON open stores in?

A. AEON sets up stores in locations that are convenient for the local community.

Community
involved in
urban design



Coexisting with the community

At AEON, our primary concern is coexisting successfully with our local communities; not only do we aim to provide quality products at affordable prices, but we also strive to become one with our communities and earn their support. Indeed, we endeavor to contribute in a number of ways, such as providing service facilities and forums for community interaction, expanding sales of locally produced items, employing locally, hosting local specialty stores, contributing to local finances and even having employees participate in volunteer activities in the local area.

Requirements for urban design

With the revision of the so-called "three laws of urban design," restrictions on setting up megastores have been strengthened significantly, meaning it will be much more difficult to open new megastores in the future. That begs the question: will that tightening of regulations be of any advantage to consumers? Urban design should not be regulated by one-size-fits-all laws; rather it should be determined in a consumer-centric fashion. We at AEON believe that it is impossible to create an attractive town if urban design does not reflect the will of the people. Nonetheless, despite the tightening of the regulatory grip, AEON will continue to work together with local people to develop commercial facilities that contribute to the urban design of those communities.

AEON stores serve as safe havens

Local Safety Stations
(safe, secure lifestyle centers)

Ministop Co., Ltd.

A safe and secure town is made so by its people. Ministop, together with other convenience store members of the Japan Franchise Association, is proud to join forces with stores, the National Police Agency, local governments and the people of the local community to set up local Safety Stations to provide safe, secure lifestyle centers for the community. This nationwide movement began in October 2005. Based on its three main aims—helping to build safe, secure towns, helping to raise healthy children and helping to improve other related areas—Safety Stations involves the use of posters, "what-to-do-if" manuals, videos and other tools in an effort to improve and maintain local safety and security.

Convenience store
Safety Station campaign



"110 stores" Maxvalu Chubu Co., Ltd.

In an effort to rid the streets of crime, Maxvalu Chubu concluded an agreement with the Mie prefectural police in January 2004 to make its stores "110 stores"—emergency havens. Under the agreement, which takes its name from the Japanese version of "911," the 56 Maxvalu outlets in Mie are designated "110 stores" in order to uphold local security. The five direct-operated Maxvalu stores in Aichi Prefecture followed suit in September 2005; in cooperation with the Aichi prefectural police, whenever a crime is committed in or around a store—or a situation is discovered in which a crime is likely to be committed—the police are called, and the victims of the crime temporarily sheltered in the store.



Revision of the "three laws of urban design"

Importance of maintaining the appeal of towns for residents

The three laws of urban design were revised because of the unarrested drop in city-center population numbers, which has resulted in deserted shopping centers even on weekends, and the lack of an obvious improvement in the situation. Another factor is the European concept of compact cities, i.e., given ever-falling population, the more the elderly population, the smaller urban living area the better. The new regulations aim to strengthen location restrictions on large-scale customer-attraction facilities with a total space of more than 10,000m².

Consumer-led concepts and action are indispensable

With the advancement of motorization, people have moved ever further away from city centers in search of more spacious dwellings, and they have been followed by local government buildings, schools, hospitals and police stations. Quality roads mean it is becoming more convenient to shop at suburban megastores. Conversely, a drive into the city center will likely entail traffic restrictions, congestion and insufficient parking. Will placing restrictions on the opening of megastores in the suburbs now really bring customers back to *shotengai* shopping arcades? While there is clear data attesting to the decline of towns and *shotengai*, no clear causal relationship between that and the appearance of megastores has been proven. Moreover, it is not a simple matter for elderly people who already live in suburban areas to relocate to a central area given the housing situation in cities. But most of all, the revised laws eliminate healthy competition, and it is entirely possible that the people to become most disadvantaged by the restrictions will be the consumers.



Q. Is it true that shopping at AEON promotes social contribution activities?

A. Yes. We are expanding our contributions to society through products and services.

Fair Trade



Company
All AEON Group companies

We at AEON have a strong desire to contribute to the revitalizing of communities around the world. One of the ways we do this is participation in the Fair Trade program. By dealing in the materials and products offered by needy communities at fair prices, we are able to support their economic and social independence, and protect the environment, too. We heard from customers through the AEON 21 program that they wanted a way to contribute to society through their daily routines, and we are pleased to offer something to expand the scope of activities that help our stores and our customers contribute to society.

The Body Shop

Under the concept of "trade not aid," British cosmetics specialist the Body Shop pursues fair trade practices that address the economic and social needs of communities worldwide. This is done through procuring raw materials directly from the communities and sustaining partnerships between them and the Body Shop brand. At the same time, respect is given to the environments and the indigenous cultures of needy communities worldwide. The Body Shop is operated in Japan by AEON Forest Co., Ltd.; the company aims to strike a balance between business and social reform, and is proud to be involved in a range of activities to contribute to society through its business, which is based on its Five Values.



Body Butter featuring Shea Butter, an all-natural moisturizer

TOPVALU Fair Trade Coffee

TOPVALU, the brand that brings you safe, secure products at affordable prices, features a menu of fair-trade coffee. TOPVALU Fair Trade Coffee uses coffee bean varieties certified by FLO*, a fair trade labeling organization operating in 17 Western countries. We import fair-trade coffee beans from three producing areas: Indonesia, Thailand and Ethiopia. The beans are processed into regular- and drip-type grinds. These fair-trade products are also available from the AEON on-line shop.

* Fairtrade Labeling Organizations International



Our TOPVALU Fair Trade Coffee shows the FLO Certification mark on the top of its package.



TOPVALU Fair Trade Coffee



A Thai coffee bean producing area

AEON Happy Yellow Receipt Campaign

The 11th of each month is AEON Day, and you know what that means: 1% of sales are distributed to community volunteer groups under the AEON Happy Yellow Receipt Campaign. See page 24 for more details.

SELF+SERVICE

SELF+SERVICE, a chain of ecologically minded shops designed for the simultaneous pursuit of environmental consciousness and fashion, helps producers in the developing world become self-sufficient by providing fair consideration and support for improving design and product quality. 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 the People Tree brand. Producers are encouraged to learn

about quality control and product planning through their business with us and are assured of income from the continuous flow of sales, which contributes to the development of local products.



Fair trade products

SELF+SERVICE

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



Q. Is AEON involved in social contribution activities?

A. Yes. We are aggressive in management-union support activities.

The AEON Welfare Fund



Company
38 AEON Group companies

The AEON Welfare Fund is a combined management and workforce effort—a social welfare movement that supports the creation of a future of limitless promise. The fund was created in 1977, and is maintained through the union's monthly donation of 50 yen per member plus a matching contribution from AEON Group companies, making a combined total of 100 yen per union member per month. Presently, 38 companies and their employees from the AEON Group

participate in the fund, which provides diverse financial support, such as to help people with special needs become more independent and participate in social activities. Under the Benefit Package for Welfare Facilities program, the fund makes donations to various welfare facilities for the mentally and physically disabled around the nation at between 500,000 and 1 million yen per facility. The cumulative total of recipient facilities reached 364 in 2005.

A. We are also proud contributors to the development of art and culture.

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 the foundation's 25th anniversary. Members selected from the

Vienna Philharmonic Orchestra and three soloists supported by the foundation appeared together.



Q. Can we join in AEON's social contribution activities?

A. Yes. There are a number of fund-raising activities through which customers can contribute to the community.

AEON fund-raising activities



To financially assist various efforts to provide disaster relief and protect the environment, AEON carries out fund-raising activities through campaigns. These include customer-focused in-store campaigns, as well as those for AEON staff. Starting on April 1, 2005, we began the Fund for the Child Victims of the Great Sumatra Earthquake. The devastation that the massive hurricane Katrina wrought on the southern USA spurred AEON to begin another fund-raising drive on September 3, 2005, in all AEON Group stores and other places of business.



The Emergency Pakistan-India Earthquake Relief Fund



A certificate of appreciation received for our Niigata-Chuetsu Emergency Relief Fund (certificate addressed to AEON Co., Ltd., AEON Credit Service Co., Ltd., AEON Mall Co., Ltd., and Ministop Co., Ltd., as representatives of AEON 1% Club member companies)



The Fund for the Child Victims of the Great Sumatra Earthquake



The 24-hour TV 28 Fund

Major fund-raising activities in FY 2005 (domestic)

Fund (no. of participating companies), period	Funds collected from customers and employees	Donations from AEON	Total	Recipient organization
Fund for the Child Victims of the Great Sumatra Earthquake (63) Apr. 1 - May 22, 2005	42,861,074 yen	43 million yen Donated by the AEON 1% Club	85,861,074 yen	Japan Committee for UNICEF
24-hour TV 28 Fund (63) Jul. 29 - Aug. 31, 2005	204,647,643 yen	-	204,647,643 yen	31 private TV stations nationwide, incl. NTV
Hurricane Katrina Disaster Relief Fund (62) Sep. 3 - Sep. 20, 2005	18,679,013 yen	19 million yen Donated by the AEON 1% Club	37,679,013 yen	US Embassy in Japan
Emergency Pakistan-India Earthquake Relief Fund (66) Oct. 9 - Oct. 30, 2005	26,857,470 yen	30 million yen Donated by the AEON 1% Club	56,857,470yen	Japan Platform
Save the Shiretoko Forests Christmas Wrapping Fund (28) Oct. 28 - Dec. 25, 2005	10,871,917 yen	11 million yen Donated by the AEON Environment Foundation	21,871,917 yen	Shiretoko National Park Forest Conservation Fund
Total	303,917,117 yen	103 million yen	406,917,117 yen	

Fund-raising activities continued in FY 2005

Fund (no. of participating companies), period	Funds collected from customers and employees	Cumulative amount of funds	Recipient organization
Red Feather Community Chest Campaign Sep. 21 - Nov. 20, 2005	8,465,655 yen	129,609,603 yen (FY1983 - 2005)	Central Community Chest of Japan
Guide Dogs Fund (25) Oct. 1 - Nov. 30, 2005	15,499,219 yen	181,373,316 yen (FY1989 - 2005)	National Association of Guide Dog Institutes
Total	23,964,874 yen	310,982,919 yen	

Q. Are there any activities children can participate in?

A. Yes. We provide a forum for our future leaders to learn about the environment.

AEON Cheers Club



To provide an arena for young people to learn about environmental issues, in 1995 the Environment Agency (since renamed Ministry of the Environment) launched an initiative called Junior Eco Clubs. AEON has supported this concept wholeheartedly and set up our own Junior Eco Club. In May 2005, 10 years after the activities began, the Club was renamed AEON Cheers Club, with the aim of upgrading current activities and raising healthy children. Club activities not only teach children how to coexist in harmony with nature, but they also focus on maximizing children's inherent curiosity and imagination, and instilling the concepts of social rules and manners through teamwork. The theme for 2005 was "trash," and Cheers Club members based their activities at local AEON stores. The club also offers an AEON Cheers Club Summit—an annual gathering where the club reports on its activities over the year. This year's theme is "recycling," with the support of local communities, AEON and the children form a tight partnership of ideas and action.



AEON Wakamatsu Cheers Club (AEON Kyushu)
Members separate trash after a clean-up drive



AEON Yokkaichi Obira Cheers Club
Winners of the AEON Cheers Club Summit Chubu Conference Excellence Award



AEON Tomakomai Cheers Club
"There's one!" Bird watching in local forests



AEON Imaichi Cheers Club
Members study river-based life forms



AEON Tottori Cheers Club
Members get up close and personal with plants in a forest



AEON MV Tohoku Cheers Club
Potato harvest...to be followed by some eco-cooking!

AEON Eco-Eco Study Center



We hope that students 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 Website opened just for youngsters—studying ecology has never been so much fun.



AEON Eco-Eco Study Center top page



Q. Does AEON cooperate with the community?

A. Yes. We listen to what our customers are saying and try to build ever-better relationships.

Customers or employees?
Well, sort of both.

Customer Deputy Store Managers

Company
AEON Co., Ltd., AEON Kyushu Co., Ltd.

AEON has what is called the Customer Deputy Store Manager system, where selected people participate in AEON's management as representatives of local customers. The idea was the result of the very first AEON 21 campaign; in FY2005, 97 Customer Deputy Store Managers were active at 40 stores nationwide, and the cumulative number of improvements made from the customer's standpoint now totals around 5,970.

"We have a special focus when we do our rounds," says Customer Deputy Store Manager Nanae Yamada. "For instance, in the lead-up to spring when many people are moving and setting up new homes, the



Customer deputy store managers at AEON's JUSCO Tsudanuma Store Nanae Yamada (left) and Miwako Oeda

focus is on home fashions. Once, an air duct switch was installed at head height, and no sooner had I mentioned it than a sign was erected alerting people to it." Adds Customer Deputy Store Manager Miwako Oeda: "We got a display section for children's shoes installed, which I feel is a real improvement because it is much easier for parents to have their kids try shoes on. Communication has also been made much smoother with a morning meeting to ensure that the Customer Deputy Store Manager system is properly implemented."

Promoting universal design for AEON

AEON Heart Building Design Standards

Company
18 AEON Group companies

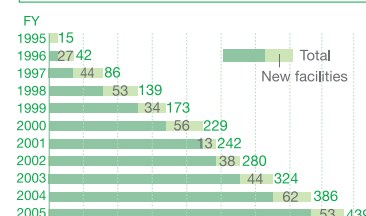
AEON is proactive in incorporating the concept of universal design—the idea of convenience and comfort for all users—into its store designs. Reflecting to the Heart Building Law enacted in 1994, AEON has developed its own AEON Heart Building Design Standards. These design criteria are applied to the construction of new AEON stores and the remodeling of existing ones. Not only do AEON stores

have barrier-free facilities as a matter of course, the Heart Building concept also enables AEON employees to improve their skills, thus ensuring that the "people-friendly" label applies not just to our buildings, but to what goes on inside them as well. Furthermore, AEON employees take courses in sign language and how to attend to customers with special needs. In FY2005, an additional 53 AEON stores acquired Heart Building Law certification, bringing to 439 the total number of certified AEON stores and other facilities.



Rental wheelchairs, as well as shopping carts that are attachable to wheelchairs, are available in stores

AEON facilities certified under the Heart Building Law



Collaborating with non-profit organizations Spreading AEON's goodwill in a tie-up with Eco Seed

Eco Seed is the brainchild of graduates of the Nagoya Environmental Learning Center (ECOPAL NAGOYA) HR training course Nagoya Kankyo Juku, which aims to develop a higher awareness of environmental protection among the local citizenry through practical ecology and the collection and supply of environment-related information. Currently, the AEON Chikusa Shopping Center is the base for their ongoing efforts to plan and hold in-store eco-tours, eco-craft events and other opportunities to spread environmentally-minded information.

Workshop schedule (workshops held every 4th Saturday; program subject to change)

April 2006: There's fun to be had with bamboo—Part 1: Stills May 2006: National Forestation Ceremony—Part 1
June 2006: Hemp palm leaf crafts July 2006: Separating trash properly August 2006: Growing mini veggies, bean sprouts

Eco Seed members say...

"I'm glad to be able to create an atmosphere where businesses and local citizens can really concentrate on the importance of environmental issues;" "I hope to teach people a whole range of things they can make themselves, and help them pick up all sorts of tricks of the trade;" "I hope to sow the seeds of environmental awareness. If you sow a seed in a child, it will blossom, and I'd like to help that process along;" "It is a real help to have ongoing use of facilities for our work;" "lots of companies are serious about the environment, but AEON tops them all."

Shiro Okamura, mall manager at AEON Chikusa Shopping Center

AEON Chikusa Shopping Center was the first Eco Store. While we have environmentally conscious buildings and facilities, the difficulty lies in spreading the word about the importance of the environment among large numbers of people. Nonetheless, I am determined to succeed in expanding the circle of environmental awareness among local people.



Eco Seed activities at AEON Chikusa Shopping Center

A. Each month we join our customers in providing support services and cleaning up on a voluntary basis.

The 11th of every month is AEON Day—a day of environmental and community contribution.

AEON Day



On the occasion of renaming our company AEON in August 2001, we declared the 11th of every month to be AEON Day. Under the themes of "ecology" and "giving back to the community," AEON, as a member of a local community, continues various activities together with customers to contribute to society. AEON Day features several events. For instance, the "AEON Happy Yellow Receipt Campaign" ensures that goods valued at an amount equivalent to 1% of all customers' purchases on AEON Day are donated to volunteer organizations in the local community, while under the AEON Clean Road plan, AEON employees volunteer to sweep the streets in store vicinities, and as part of their "Clean & Green Activities," they 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 community. It is now well known as a day when AEON employees, filled with the customer-first spirit, join forces with customers to consider and perform environmental and social contribution activities.

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 community-based volunteer organizations together with our customers. 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 as part of 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 as requested. The total of the posted yellow receipts in FY2005 amounted to over 5.7 billion yen. One % of this, together with the sum of exchanged cards, equivalent to 57.8 million yen worth of goods, has been donated to 10,837 organizations. During the period between the inception of the campaign in 2001 and February 2006, the AEON Happy Yellow Receipt Campaign was implemented at AEON Co., Ltd. and 14 other AEON Group companies, and has so far resulted in the donation of goods equivalent to just over 222 million yen to 37,093 organizations.

*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 34.

Contributing to the community by cleaning it

AEON cleanup activities

"Clean & Green Activities" have been a community fixture since April 1991. AEON group employees clean up parks, rivers, public facilities and the like on a volunteer basis. 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 cleanup of tree planting zones along national roads near AEON stores. In addition to "AEON Clean Road Activities" at 154 stores, various cleanup activities were implemented at AEON stores all over Japan in FY 2005. AEON will continue to actively promote cleanup activities in various parts of the country.



Cleaning up on AEON Day

The AEON Happy Yellow Receipt Campaign process





Q. What activities is AEON involved in overseas?

A. We are placing increasing importance on our business in China, and the rest of Asia-Pacific.

AEON's Asia-Pacific business



In order to continue our steady growth, AEON places priority on its Chinese and Asia-Pacific business activities, and aims to further localize business management and become ever more community-based.

A supply & distribution hub

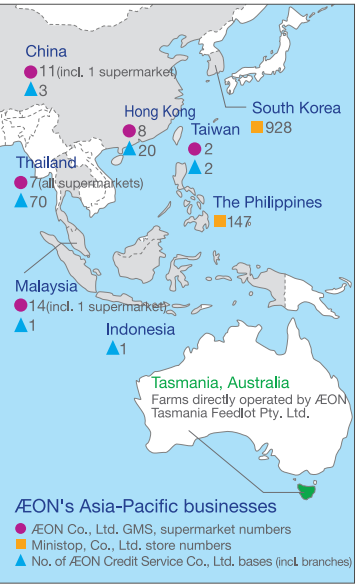
AEON's first overseas venture was Jaya JUSCO Stores, which opened in Malaysia in 1985. Changing its name to AEON Malaysia on the occasion of its 20th anniversary, the company was refreshed and ready to take on a new generation of challenges. With six stores added to the fold in FY2005, AEON's Asian portfolio now includes 11 stores in China, eight in Hong Kong, two in Taiwan, 14 in Malaysia and seven in Thailand, making a total of 42. AEON's customer-first corporate philosophy is not limited to Japan; it applies overseas, as well. Through the AEON 21 campaign, in which the company solicits ideas from customers and employees about how AEON can strive to build a future of limitless promise, we have received many inspirational ideas from our Chinese customers. The Customer Deputy Store Manager system, too, is in

effect a way to further our community-centric operations. China continues to enjoy spectacular economic growth, and it is an important hub for product supply and distribution throughout Asia. AEON already has "Global Cross Dock" logistics centers in Shanghai, Qingdao and Shenzhen with processing and inspection capabilities. The centers have dramatically improved the efficiency of the distribution network incorporating Japan and the rest of Asia-Pacific, and have simultaneously boosted the procurement capabilities of the whole AEON Group, but our quest for ever-better group synergy does not stop with that success—it continues unabated.

Providing financial services in China

AEON Credit Service Co., Ltd. opened a branch in Hong Kong in 1987, and set up a locally incorporated company, AEON Credit Service (Asia) Co., Ltd. in 1990. In the year ended February 2006, customers numbered 870,000; the company boasted 20 branches and turned over some 5.4 billion Hong Kong dollars' worth of business. AEON Credit Service (Asia) continues to increase its presence as a credit card company in the region. Another local company was set up in 2000 in Shenzhen, Guangdong Province, and preparations continue apace for future credit operations in mainland China. In 2005, the company

became—in conjunction with China Union Pay, a credit card company established by a major Chinese bank—the first Japanese-owned business to be awarded a license to issue credit cards in Hong Kong. China Union Pay Cards will be issued beginning in April 2006.



JUSCO Qingdao

Q. Are AEON suppliers subject to regulations? Are they compliant?

A. Yes. We ensure safety, security and honesty in our business processes and with our suppliers.

AEON Supplier Code of Conduct



When it comes to accountability for the production process and environment, AEON upholds a policy of safety, security and honesty. We adopted the AEON Supplier Code of Conduct in 2003, which applies to business partners in 25 countries around the world. The code is aimed at ensuring basic compliance of AEON suppliers and vendors with national and local laws and regulations governing production and manufacturing processes. The code also guarantees that the human rights of suppliers' employees and production workers will be respected, and ensures safer and healthier work environments and appropriate wages at environmentally friendly factories and workplaces. AEON began holding meetings to explain the AEON Supplier Code of Conduct in May 2003 with a gathering that addressed some 400 contracted manufacturers of TOPVALU products. Since then AEON has held such meetings eight times in

Japan, three times in China and once in Thailand. Through these meetings, AEON has explained the code to more than 500 business partners, requested they observe the code and has received written compliance declarations from them. We consider it important to check that those business partners are actually performing the tasks required of them and continually looking to improve. That is why we have a factory auditing system built on the requirements of the AEON Supplier Code of Conduct. The system entails internal audits by AEON auditors and third-party auditing carried out by an external auditing organization. Overseas, the double check system involves either internal or third-party auditing once every year. Already, 30 suppliers in Japan have been subject to internal audits in Japan; 50 to third-party audits. Internal auditing involves periodic audits and ongoing monitoring by employees, thus allowing AEON to track improvements and give supervision. Results have been pleasing. Moreover, in order that the audits themselves are conducted efficiently, we are investing significant efforts into training local auditors; a

total of 10 people have been certified in China and Thailand, covering 87.5% of our overseas plants. We look forward to evolving our auditor training and, through confirmation of compliance with the AEON Code of Conduct, to building and maintaining stable relationships of trust with our suppliers.

SA8000



AEON employees and the producers of AEON products work under the protection of AEON's SA8000 certification for human rights and working environments. SA8000 is the international standard for corporate ethics and the work environment. Named for "social accountability," SA8000 is 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. In September 2004, AEON became the first Japanese retailer to declare participation in the United Nations' Global Compact; the AEON Supplier Code of Conduct was mentioned at the UN summit in Barcelona in 2005. Moving forward, we at AEON plan to share our know-how on acquiring SA8000 certification with our companies* as well as those of the AEON Group with the aim of extending the SA8000 standard to these companies.



*As part of the basic corporate management of AEON Co., Ltd., the national market is divided into four blocks, each subject to a "company" system.

Requirements of the AEON Supplier Code of Conduct

Suppliers are requested to comply with statutory standards of social responsibility enacted in their respective countries.	
Legal compliance	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 Code of Conduct.
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 Code of Conduct.
13. Prohibition of gift giving	Gift giving between AEON employees and our suppliers is prohibited.



Q. What does AEON do to make employees' jobs rewarding?

A. We have a system that allows every person in our diverse workforce to maximize their potential.

Creating new values and competitive abilities Embracing diversity



As our customer base and markets are diversifying rapidly, AEON keeps abreast of the changing environment by continuing to leverage the broad range of skills that AEON people possess and offering a wide spectrum of values so as to maintain our superiority within those markets. AEON people are one of our most valuable assets. Inspired by personnel concepts that call for "human resource management that eliminates discrimination based on nationality, age, gender or rank, and that rewards skills and results" and "creation of a corporate environment conducive to long-term employment of continually growing employees," we provide an environment that allows all AEON people to make full use of their strengths.



Workforce composition

To provide for a broad range of work styles, AEON Co., Ltd. offers four career courses for employees: (1) N (National) staff, (2) R (Regional) staff, (3) community-based staff (implemented in February 2004) and (4) contract workers, which mainly involves short-term contracts.

N staff is assigned and reassigned throughout Japan and overseas; R staff may be transferred within their particular regional block*, while community staff and contract workers are not required to relocate. N and R staff are full-time workers, while community staff have a choice of full-time or part-time duties, and contract workers may only work on a part-time basis. Community staff and contract workers make up a large majority of the AEON workforce, and women, too, are conspicuously large in number.

*As part of the basic corporate management of AEON Co., Ltd., the national market is divided into four blocks, each subject to a "company" system.

Community-based Staff system

The bulk of the AEON workforce is made up of community staff. We feel that making the most of community staff' skills in our business management is key to adapting to market diversity.

Going beyond traditional worker systems that provided only for permanent employees and part-timers, AEON eliminated the discrimination in roles, expectations and opportunities for training and promotion that traditional career courses brought, with the aim of helping to leverage the abilities and enthusiasm of community staff to the same level as N and R staff. Age and term of service have also been removed as factors in our HR set-up, which is now based on employees' skills.

AEON Group companies such as AEON Kyushu and the Maxvalu companies have also introduced systems in which all skilled and motivated employees can advance regardless of career course.

Equal opportunities

For a retailer like AEON, the participation of consumers—and women in particular—from the local community is key to ensuring a distinctly local aspect is reflected in product selections and service improvements; indeed, it is very much a part of the corporate strategy of the community-based industry. As such, AEON staunchly protects equal advancement and promotion opportunities for employees regardless of age or gender, and shoppers will find many female employees in our workplaces. Nonetheless, we do face one issue: while there are many women in our workforce, they are not being utilized in business management roles. Let us look at AEON Co., Ltd. for example: while 689 of the 5,993 people in supervisory management positions are women, the number of females among the 1,011 people in business



management positions is only 24. In order to rectify the situation, AEON established an Equal Opportunities Committee in 2005 comprising labor and management representatives. The committee looked into major issues such as supporting a balance between childcare and work and the advancement of women in the workplace, and both sides were able to reach a common awareness of the issues. AEON has undertaken to aim for improved promotion and appointment of female employees through the raising of male employees' awareness of the problem—and that of female employees, too—improving working environments and aggressively promoting a better work-life balance among employees. Our mid-term goal is to have an equal male-female ratio among store managers by 2010.

Employment for the over 60s

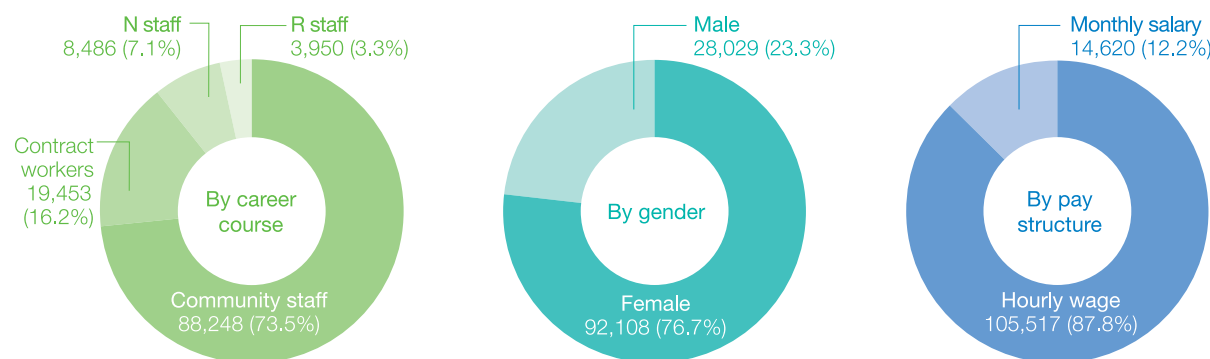
Maxvalu Nishinoh Co., Ltd. values the specialist skills and knowledge that those over 60 bring. In order to make full use of their skills and knowledge and provide ever-better services to customers, on February 21, 2006, the company established a system to re-hire employees and part-timers who have reached the retirement age of 60 until the age of 65. The system applies not only to company employees, but to our main body of human resources: "flex

employees" (i.e., part-timers). For its part, AEON Co., Ltd. has traditionally re-hired employees who reach retirement age where both parties wanted the employee to stay on. From FY2006, though, company policy will, in principle, re-employ all employees reaching retirement age who wish to carry on working until the age of 65. Thus, by providing various work styles, we are able to better meet the diverse needs of our workers.

Special-needs employees

People with special needs made up 1.81% of workers at AEON Co., Ltd. on the June 2005 statutory reporting date. We also operate Abilities JUSCO Co., Ltd., a joint venture involving people with disabilities. This uplifting venture sees disabled and non-disabled people working side-by-side, making full use of their potential in operating a chain of seven (as of February 2006) CD shops called *Scrum* in Hokkaido and the Tohoku region.

AEON Co., Ltd. workforce composition *Total no. of employees: 120,137 (as of February 20, 2006)



Terminology: AEON people

A collective term referring to AEON employees. AEON people are one of our greatest assets—the very ones who create our values. Each AEON person is happy to lend an ear to his or her colleagues, and respects them all equally.

Every person with skills and enthusiasm gets an equal chance

AEON Credit Service Co., Ltd.
Akimasa Suzuki
Business Support Center Acting Manager



I'm in my fifth year at AEON Credit Service. At first I was assigned to the Business Support Center, and later transferred to the Systems and Administration Divisions. A couple of years ago I was appointed Acting Manager at the Business Support Center. At the Systems Division, there were 14 people with disabilities including me. I used to do only simple tasks like attendance record data entry, but since I came back here I have been charged with Gold Card changeovers and new ETC card memberships. Our section is the point of customer contact at a company that makes customers its number-one priority, so the difference in responsibility that our work carries compared with other departments is very big.

My aim is to be a bridge between Japan and China

AEON Credit Service Co., Ltd.
Pan Yan
Personnel Division Recruitment & Training Section



I am from Hunan Province in China. I came to Japan as a university student, and took a keen interest in credit cards and joined AEON Credit Service. I am only in my second year; I work in the Recruitment & Training Section, where I am involved in education and training. Mainly I do new employee training and CSR—related privacy protection training—basic training for employees to help discharge the social responsibilities that credit card companies bear. Except for places like Hong Kong, there are still areas of China where credit cards cannot be used, and I hope to use the experience I gain here in Japan to play a part in the development of China's credit card market. I want to make an extra special effort to act as a sort of bridge between Japan and China.



A. **ÆON supports working environment improvements and growth in order to encourage longer, more fulfilling terms of employment.**

Aiming for ever-better working environments
Work-Life Balance



In order to retain employees, it is necessary for a company to have systems in place that enable staff to alter their working patterns in accordance with various events in their lives. To that end, ÆON has a Work-Life Balance system that affords workers a diverse range of working styles. We also continually add improvements to our working environment in order to make it a safe, secure and motivating one for all ÆON people.

Childcare and Nursing Care Support Systems

ÆON introduced several programs in advance of the enactment of the Family and Medical Leave Law and the Law on Supportive Measures for Development of the Future Generation on April 1, 2005. Our policy is to take a bold approach to help our workers strike a balance between family and work.

Occupational Health and Safety Committee

In our desire to improve our workplace environment, we at ÆON have set up the Occupational Health and Safety Committee in each of our places of business, 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 is 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.

ÆON Good Life Club

These and other plans 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 the ÆON Good Life Club, as well as diverse welfare programs, to afford our workers peace of mind, pleasure and comfort, and to allow them to prepare for their lives over the medium and long terms.



Rewarding enthusiasm
Supporting HR growth



ÆON offers an education system that is open to motivated employees who wish to improve their skills. All ÆON people are eligible for basic education courses, and there is also an ÆON Business School for staff that have the enthusiasm to seek out and grasp opportunities regardless of their career track. Moreover, any community staff member may change to N or R staff status. ÆON's founding spirit of "education is the most important part of social welfare" remains—and will remain—unchanged.

On-the-job training

This is ÆON's basic in-house education system. Its objectives are to let trainees learn ÆON's basic business practices for attaining customer satisfaction, and to foster future managers. Its programs are centered on OJT administered by trainees' superiors, and also include schooling and occupation-specific training.

ÆON's in-house qualifications

Number of qualification holders as of February 2006. Parentheses denote year of introduction.
⊙ denotes qualification authorized by the Ministry of Health, Labor and Welfare.

Beauty-care advisor (2005)

ÆON is proud to instill employees with expert knowledge to enable them to provide customers with in-depth product information at beauty counters to meet all their needs. Not limited simply to cosmetics, this qualification covers a broad spectrum of expertise and customer-care techniques to deal with the ever-expanding health consciousness of the public. A new qualification introduced only in 2005, we already have 32 qualified people.

Senior-care advisor (2005)

This course aims to develop people with accurate knowledge of products for the care of the elderly, which ÆON stocks in its senior care product areas. Senior-care advisors are able to offer the right products for customers' individual care needs. We strive to maintain a full understanding of the roles played by local governments and experts in nursing care, and collaborate with the pertinent departments to ensure that our systems provide full support for customers. A new qualification introduced only in 2005, we already have 74 qualified people.

⊙ Hot deli master (2001)

1,558 holders nationwide

⊙ Sushi master (2001)

1,594 holders nationwide

Prepared-food master (2001)

306 holders nationwide

⊙ Farm-product master (2003)

539 holders nationwide

⊙ Fresh-fish master (1999)

1,483 grade 3 holders nationwide; 805 grade 2; and 9 holders of the prestigious grade 1 nationwide

⊙ Gardening master (2002)

135 holders nationwide

⊙ Greenery master (2002)

202 holders nationwide

Green advisor (2004)

6 holders nationwide

Cycle advisor (1998)

360 holders nationwide

Digital advisor (2002)

181 holders nationwide

Baby advisor (2004)

101 holders nationwide

➤ More Info

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 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 is a great opportunity to gain the necessary knowledge and skills to move up in ÆON, as well as to pursue personal development.

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 2006, six of our in-house qualifications are authorized by the Ministry of Health, Labor 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.

➤ More Info

Internal recruitment system

ÆON has a system of soliciting participants in new projects from among ÆON Group employees. In this age of rapid change in the corporate environment, this system is unique in that it offers employees the chance to attain the job or position they want through their own efforts rather than leaving their careers in the hands of the company. FY2005 saw recruitment for the 2020 Group Vision Project Team and Supercenter projects promoted by ÆON Supercenter Co., Ltd., and ÆON Co., Ltd., with motivated people being assigned to a range of projects throughout the group designed to continue ÆON's evolution.

ÆON Code of Conduct

The ÆON Code of Conduct was adopted in April 2003—a concrete expression of intent to achieve ÆON's Basic Principles and fulfill the ÆON Corporate Commitment. It serves as a reference for all ÆON people in their efforts to apply our customer-first philosophy and further the ÆON corporate culture and brand, and as a yardstick with which to measure progress towards the creation of a future of limitless promise. ÆON's approach to and policies regarding human resources are all founded on the ÆON Code of Conduct, which documents our dedication to equal opportunities, assessment and treatment for all regardless of gender or nationality. If an ÆON person is concerned or unsure about something, he or she is encouraged to call the ÆON Code of Conduct Hotline 110. The worries of one ÆON person are the shared worries of all ÆON people, and our mutual support system aims to achieve swift resolutions.



Spreading the ÆON Code of Conduct

"To us, the stores are partners; to customers, they're ÆON."

Ministop Co., Ltd.
Masahiko Hosoe
Training manager
Personnel Division, Management HQ



When the ÆON Code of Conduct was implemented in 2003, we gathered all employees together in their respective areas, and staff from the Personnel Division explained the code to them. Since 2004, three to four hours of job position-specific training seminars have been spent on sessions that explain the Code of Conduct, where trainees have to consider their actions in a range of hypothetical cases. Trainees are divided into groups where they hear and discuss each others' ideas. There is no single correct answer, but through that discussion, we aim to achieve ever-wider implementation of the Code of Conduct. There was a problem in that some employees undergo training and others do not, meaning there is a discrepancy in awareness of the Code of Conduct, but the introduction of self-management training now means that employees who had minimal opportunity for training can take full part in discussions. Furthermore, we hope to improve the spread of the Code of Conduct by training management-level employees and having them in turn train their subordinates. The same goes for member stores, too. To us, the stores are partners; to customers the stores are the face of ÆON, so we intend to work hard to raise awareness of the Code of Conduct among member stores, too.

A Better Earth Environment for the Future



ÆON places special importance on the Earth's environment.

Minimizing waste, reusing and recycling are all small-yet-significant efforts we can make together with our customers.

By expanding our ecologically minded circle of activities we aim to preserve the Earth's environment for future generations.

Q. What is ÆON's policy for preventing global warming?

A. We respect the spirit of the Kyoto Protocol, and work to reduce CO₂ emissions through our business activities.

Basic Policy for Prevention of Global Warming

Greenhouse gases are a major contributor to global warming, and approximately 90% of greenhouse gases are made up of CO₂. To curb this trend, it is vital to conserve energy and resources, and reduce waste. The ÆON Basic Policy for Prevention of Global Warming (CO₂ Reduction, etc.) was implemented in 2004 in a move aimed at boosting the company's CO₂ reduction efforts.

The key phrase of a recycling society

The three Rs

Our thorough three-Rs policy helps reduce waste

In order to make the most effective use possible of the Earth's finite resources, the first thing to do is reduce the

ÆON Basic Policy for Prevention of Global Warming (CO₂ Reduction, etc.)

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

ÆON will strive to reduce CO₂ emissions, primarily through efforts made at our stores, and supplement deficiency with utilization of the Kyoto Mechanism^{*1}.

^{*1}: In order to more effectively reduce CO₂, we at ÆON are working on a policy to make full use of the Kyoto Mechanism in case emission reduction targets are not reached through our business-based efforts. Specifically, we have jointly funded the establishment of Adelaide Blue Gum Pty Ltd., a forestation business set up in Adelaide, Australia, in 2003². Through our participation in the cyclical program involving the managed planting, development and harvesting of forests we plan to acquire emission credits.

^{*2}: A joint concern involving seven companies: Mitsubishi Paper Mills, Ltd., Hokuetsu Paper Mills, Ltd., Tokyo Gas Co., Ltd., NYK Line, Chubu Electric Power Company, Inc., Mitsubishi Corporation and ÆON Co., Ltd.

Products and stores together with customers
Through this tripolar approach we aim to cut CO₂ and prevent global warming.



amount of waste. We at ÆON, in partnership with our customers, go even further, implementing a thorough three-Rs policy of: reduction, where we produce as little trash as possible; reuse, where we use items as many times as they can be used; and recycling, where products are turned into resources to make subsequent products instead of being thrown out. Japan has an obligation under the Kyoto

Protocol to bring its greenhouse gas emissions down to 6% less than 1990 levels; as a member of the national project titled Team Minus 6%, we at ÆON are doing all we can together with our customers to eliminate waste altogether.

Reduce waste as much as possible



My Basket®



My Bag



Sale of products individually



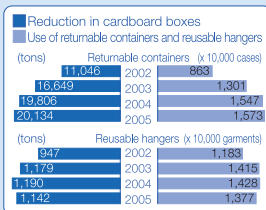
Bring-your-own-cup vending machines



TOPVALLU Green Eye biomass packaging



Reusable containers



Reuse items as many times as possible

ÆON's Three Rs



In-store recycling boxes



Products containing recycled materials

Recycle products for use as resources

Terminology: Team Minus 6%

The Kyoto Protocol is a symbol of the worldwide effort to resolve the issue of global warming. The protocol came into effect on February 16, 2005, and under it, Japan's pledged target is to reduce greenhouse gas emissions to 6% less than 1990 levels. Japan launched a nationwide project to help meet that goal: Team Minus 6%.



Q. What can we do to help reduce CO₂?

A. **ÆON asks that customers use the Bring Your Own Shopping Bag Campaign and in-store collection of recyclable items.**

The ÆON way to CO₂ reduction



As a retailer interacting with customers on a daily basis, we at ÆON are eager to join forces with our customers to protect the environment. Two examples of this are our Bring Your Own Shopping Bag Campaign and in-store collection of recyclable goods. The Bring Your Own Shopping Bag Campaign aims to cut down on the use of plastic bags, conserve resources and reduce CO₂ emissions, while the in-store recycling system promotes recycling by collecting customers' used foam-plastic food trays and paper cartons, thereby reducing household trash.

Achieving a major reduction in plastic bag use

Revisions to the Containers and Packaging Recycling Law set forth a new policy for promoting reductions in the use of plastic bags: the charging of money for such bags, which is set to be enforced from April 1, 2007. For our part, our efforts together with those of our customers to cut plastic bag use through our Bring Your Own Shopping Bag Campaign predate the law revision. By not using plastic bags, we hope to cause a drop in production of the bags, which in turn will lead to conservation of petroleum (which is used to make the

bags) and a cut in CO₂ emissions. The aforementioned legislation aims to promote the spread of Bring Your Own Shopping Bag Campaign throughout society, and we are convinced that the resulting dramatic increase in support will lead to a significant drop in CO₂.

Convenience stores also making an effort

Ministop is playing its part in minimizing CO₂, as well, with its own policy tailor-made to suit the convenience store industry.

CO₂ reduction in partnership with customers (2010 targets) (tons of CO₂)

Method of CO ₂ reduction	Estimated annual CO ₂ reduction	Miscellaneous
Broader reduction in plastic bags (Bring Your Own Shopping Bag Campaign)	34,949	1. Bring-your-own-bag rate: 20% (Japan Chain Stores Association policy) 2. Amount of petroleum used to make 1,000 L-sized plastic bags: 33kg 3. Reduction of 15.8kg of CO ₂ per 1kg of L-sized plastic bags
Broader reduction in plastic bags (charging for plastic bags)	53,276	4. Increase of bring-your-own-bag rate as a result of charging for plastic bags: 20% to 50%.
Promotion of in-store collection of recyclable items	41,688	1. 2004 annual CO ₂ reduction: 20,844 tons 2. 2010 target: double collection amounts (full-scale)
Subtotal	129,913	

Containers and Packaging Recycling Law issues & revision

The Containers and Packaging Recycling Law, which aims to reduce the amount of waste produced and contribute to the development of a recycling society, reached the 10th anniversary since its formulation in 2005, and deliberations on revisions continued in two government advisory bodies. The law had two problems: it lacked fairness and transparency. It was unfair because it failed to take into account the fact that freeloading business operators still exist and because of the outrageous difference in the portion of the surcharge payable for plastic shopping bags and food trays: businesses that used the bags and trays had to pay 99.5% of the surcharge and manufacturers only 0.5% (in 2004). It was lacking in transparency due to differences in municipalities' trash collection and separated storage fees and lack of disclosure of information regarding the money flow of the aforementioned surcharge. The recent revisions offered small improvements in these areas, but they are still insufficient, and the issues need to be raised again when the law is next revised. The revised law also falls short of making charges for plastic shopping bags obligatory in order to minimize discharge, meaning that it will fail to bring all retailers into line in this area. It is said that approximately 30 billion plastic shopping bags are used every year; we at ÆON will continue our work in conjunction with our customers to reduce discharge, and to use that as a stepping stone to lifestyle changes among people that will lead to reduction of other waste (e.g., customers bringing their own bags when shopping) and reform in the way management entities—not just companies but municipal governments as well—do business to incorporate the three Rs. (NB: 33 ÆON companies paid approximately 1.9 billion yen in surcharges in FY2005, including 1.09 billion yen by ÆON Co., Ltd.)



In-store collection boxes

Resource conservation activities in partnership with customers
Bring Your Own Shopping Bag Campaign
Environment
Society
Company
15 ÆON Group companies

Bring Your Own Shopping Bag Campaign

(our initiative to reduce the number of plastic shopping bags used)

Since 1991, ÆON has offered a Bring Your Own Shopping Bag Campaign as a way for ÆON as well as our customers to conserve resources. On April 1, 2005, we enhanced that company-customer partnership by, among other things, adding to the range of Shopping Bag Stamp Card benefits 100-yen discount coupons redeemable for purchases of any TOPVALU product. Subsequently, the rate of customers bringing their own shopping bags in FY2005 leapt 15.48%.

My Bag, My Basket®

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 and carry

Environment protection activities in partnership with customers
In-store collection of recyclable items
Environment
Society
Company
15 ÆON Group companies

Since before the enactment of the Containers and Packaging Recycling Law, we at ÆON have set up collection boxes in our stores for aluminum cans, foam-plastic food trays, milk and other beverage cartons and PET bottles (in certain areas), and have promoted recycling activities together with our customers. By recycling collected resources into "TOPVALU Kyokan Sengen" products and selling them, ÆON encourages many more customers to join in the recycling of packaging.

system for their purchased items over store-supplied plastic bags. Cumulative usage of My Basket in the whole ÆON Group amounted to 785,002 baskets (period: June 1, 2000, to February 20, 2006). With the introduction of a charging system for plastic bags, we at ÆON will swiftly review My Bag designs and materials in order that we and our customers can achieve our goal for the reduction of plastic bag use. We will introduce bags with cold insulation so as to increase the pleasure, convenience and sheer good looks of using the My Bag scheme for customers, and thereby improve My Bag recognition and participation.

Number of customers bringing their own shopping bags, and decreased number of plastic bags

(in the case of ÆON Co., Ltd.)



Resource-saving effect

(in the case of ÆON Co., Ltd.)

Saved **15,895** drums (200 liters per drum) of petroleum
Formula (Japan Polyolefin Film Industry Trade Association formula)
The energy (materials: resin, manufacturing, molding) used in the whole production process of plastic bags is 17,124kcal/kg. The amount of energy for one plastic bag @ 9.9g each converted back into the calorific value of crude petroleum is 18.3ml (11.5ml of crude petroleum solidified into a plastic bag and 6.8ml converted into CO₂ in the production process, etc.).
No. of plastic bags reduced in FY2005
173,718,072 bags x 18.3ml ÷ 1000 (for per-liter conversion purposes) = 3,179,040 liters
3,179,040 liters ÷ 200 liters = 15,895 drums

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

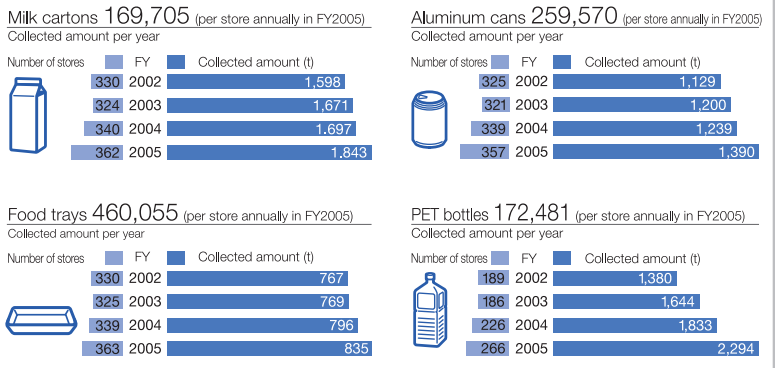


Range hood cover
Made entirely out of recycled aluminum cans.



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

Collected amount 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.



Q. What are stores doing to reduce CO₂?

A. Stores strive to minimize environmental impact and increase effectiveness under the unique **ÆON** environmental indicators.

Reducing packaging material Biomass packaging



A new **ÆON**-driven movement to reduce materials used for packaging is gathering momentum, as is our move to biodegradable biomass materials for packaging for food and other products. Biomass refers to materials originating from biological sources. For instance, the plastic that we use for **ÆON** packaging is made from the starch of corn and other plants. Because the biomass used to make our packaging is made from plant material and eventually decomposes into water and CO₂, using it allows for the conservation of precious petroleum resources. Around 30 kinds of packaging for **TOPVALU** Green Eye farm produce and other products are to be switched to biomass plastic—a small gesture when taken on its own, but bound to lead to impressively large

バイオマス
包装資材使用



results in the long run, and we at **ÆON** are thrilled to take that step together with our customers.

Reducing use of paper cups Bring-your-own-cup vending machines



Company
Certo Corporation

Certo Corporation firmly believes that reduction is the first step of any environmental policy. To complement the company's environmentally friendly products and services, in December 2005 Certo introduced bring-your-own-cup vending machines, that encourage customers to use their own cups instead of disposable paper cups. Naturally, there are paper cups available for customers who do not have a cup with them. There are approximately 160,000 vending machines that use paper cups nationwide, and it is said that two billion paper cups are consumed each year, but there are high hopes for the resource protecting effects of bring-your-own-cup vending machines: it is predicted that use of

bring-your-own-cup
vending machines
will reduce paper
cup use by 20 or
30 percent.



Bring-your-own-cup vending machine

Reduction of cardboard box use when transporting goods



TOPVALU Green Eye farm produce transported in returnable containers rather than cardboard boxes bears an exclusive mark. This program is already under way with cucumbers and other products, and is credited with a reduction in cardboard box use of approximately 20,000 tons in FY2005. We are looking to expand this scheme to include other products in the future.



The returnable container mark

All Maxvalu Chubu stores have a system to ascertain trash volumes and use feedback to help reduce waste

In 2003, Maxvalu Chubu became the first company in the **ÆON** Group to implement the Waste Measurement System in all stores in an effort to understand how much of each type of separated trash was being thrown away. Each store's measurement devices are connected to a network allowing company headquarters to monitor the volume of 29 kinds of waste in eight categories and provide numerical feedback to stores. Quantifying the data in understandable figures has helped raise employees' awareness of the need to minimize waste. Items which can be turned back into resources are recycled. Some waste oil produced from tempura and other deep-fried cooking are recycled for use as eco-friendly biodiesel fuel in company vehicles.

ÆON Mall Co., Ltd. followed Maxvalu Chubu's lead by introducing the Waste Measurement System in 13 shopping centers.



Terminology: Returnable container

Freight containers that can be used repeatedly, and which contribute to a drop in the use of cardboard boxes. Returnable containers also allow for energy conservation in transportation, improved shelf-stacking efficiency and a drop in the total cost of materials.

A. We have established a new, environmentally friendly distribution system.

Minimizing Supply Chain Management environmental impact



At **ÆON** Co., Ltd., we promote an ongoing system of aggressive reform to reduce CO₂ emissions by improving the efficiency of product distribution. Previous distribution center mergers and closures have already made operations somewhat more efficient, but we are determined to achieve ever-better efficiency through the introduction of natural gas-powered vehicles and reinforcement of transportation support systems to cut CO₂ emissions. We are also working hard at ongoing improvements to our six efforts to reduce the environmental impact of our operations.

1. Effective use of delivery vehicles

Operation of empty delivery vehicles is minimized and transportation efficiency improved by having them pick up products from vendors when returning to distribution centers after delivering products to stores.

2. Procurement network improves loading efficiency

Having **ÆON** vehicles pick up products that manufacturers used to deliver to us allows for more efficient deliveries and loading.

3. Using overseas distribution centers reduces domestic trunk line deliveries

We have reduced demand for truck deliveries from Tokyo to other areas by delivering products sourced from our China distribution center to regional ports rather than concentrating them in Tokyo as before.

4. Electronic data exchange eliminates paper invoices

We have switched from paper delivery slips to electronic data when taking delivery of products from suppliers so as to reduce the volume of paper we use. For instance, taking delivery of 40 million cases of products usually produces delivery slips at an average of around 1.7 sheets per case—a saving of 68 million sheets of paper.

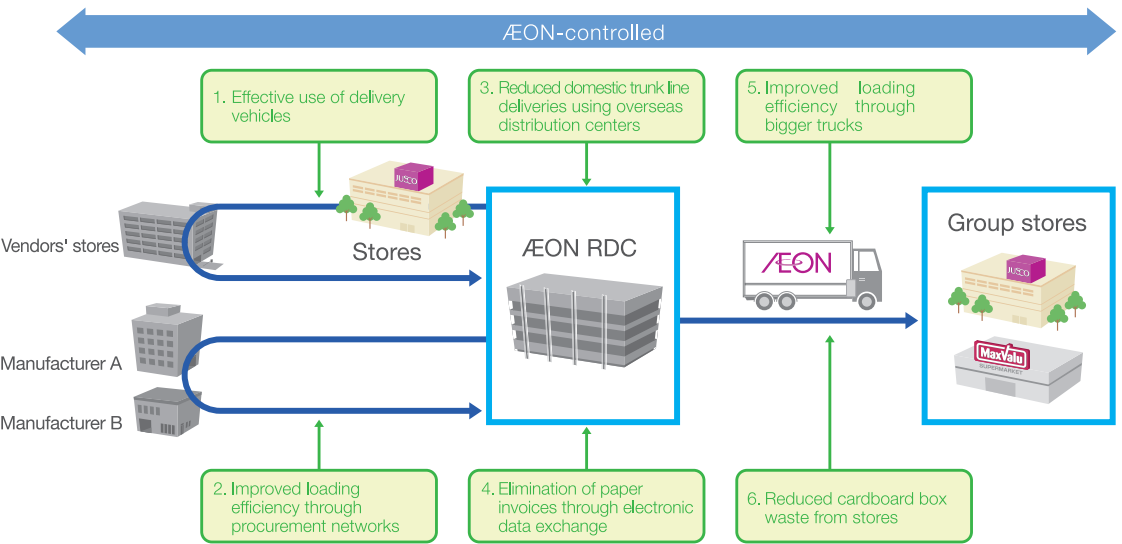
5. Improved loading efficiency through bigger trucks

Making deliveries to supercenters using large trailer trucks allows us to achieve better loading efficiency. One trailer truck can load 2.8 times more products than a four-ton truck and 1.3 times more than a 10-ton truck.

6. Reducing cardboard box waste from stores

By aggressively promoting the use of returnable containers and delivery of clothing products already on hangers, we aim to drastically cut the amount of wasted cardboard boxes from stores.

Efforts to minimize environmental impact of Supply Chain Management



Terminology: RDC

Short for regional distribution center; RDCs are large storage centers located in various regions throughout the country for delivery of products to stores. Concentrating on the pick-up work that was previously performed at each base at RDCs increases distribution efficiency and lowers costs.



Q. What is AEON doing to create a future of infinite promise?

A. Many things, including tree planting with our customers.

AEON Hometown Forests Program

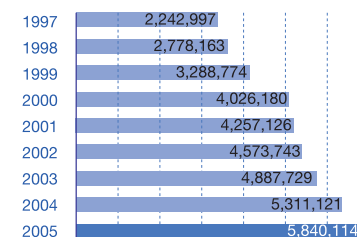


The AEON Hometown Forests Program was established in 1991 with the aim of ensuring that all new AEON shopping centers are lushly verdant and that they grow into true community facilities that fit in with the local environment, and in the hope that Japan could lead a global renaissance in attitudes to reforestation. Our program for planting trees together with customers began at JUSCO Malacca, run by Jaya JUSCO Stores*; the program is designed to plant and nurture saplings of trees indigenous to shopping centers' and distribution centers' local areas. From the beginning, Akira Miyawaki, professor emeritus at Yokohama National University, provided valuable guidance regarding the selection of the types of saplings to plant, and we adopted a policy of planting dozens of kinds of indigenous plants so that they could

compete amongst themselves for growth. In FY2005, tree planting events took place at 59 sites, with more than 50,000 people participating, planting a total of 528,993 saplings. As of February 2006, a total 5,840,114 trees have been planted in 527 locations. Our target for CO₂ fixation (absorption) through tree planting is 1,658 CO₂ tons by an estimated 471 stores by 2010.

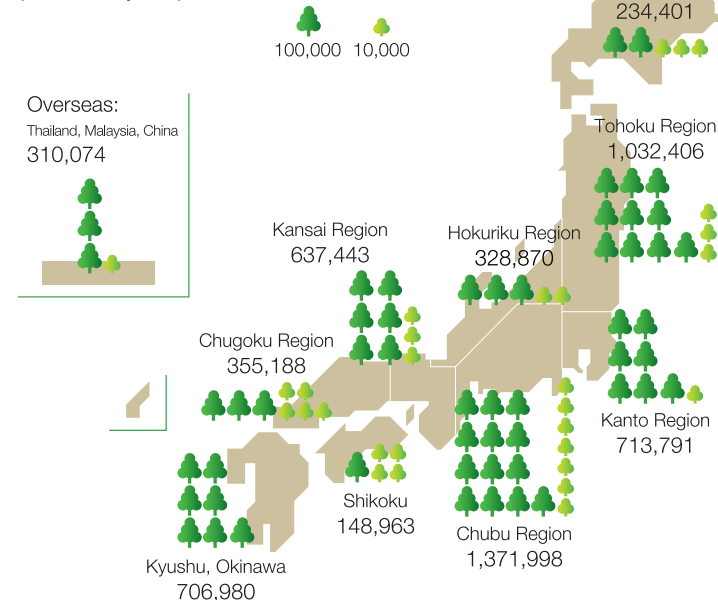
*On September 15, 2004, the company was renamed AEON Co. (M) Bhd.

Cumulative total of trees planted



AEON Hometown Forest map

(as of February 2006)



AEON Environment Foundation



The AEON Environment Foundation celebrated its 15th birthday in 2005 by inviting Wangari Maathai, Kenyan assistant minister of environment and 2004 Nobel Peace laureate, to attend an anniversary event. The foundation's activities include planting trees around dams in Mt. Laoshan in Qingdao, China, tsunami-ravaged areas of Phuket, Thailand, and in Japan, in Miyagawa-mura and Momoyama-cho in Mie and Wakayama Prefectures respectively. The foundation was established in 1991 with the objective of carrying out and providing ongoing support for environment protection projects in Japan and overseas. So far, the foundation's support for environment-themed NGOs has seen a total of 1.47 billion yen given to 1,766 organizations and 780,000 trees planted in places domestic and international, well-known examples of which include the Great Wall of China and the Shiretoko Peninsula.



Kenyan Assistant Minister of Environment, Wangari Maathai



Planting trees in Miyagawa-mura, Mie Prefecture

A. We are active participants in international eco-protection, culture and HR exchanges.

AEON 1% Club



The youth of the world are its future, and we at AEON actively seek to promote mutual understanding and deeper relationships on a global scale. To that end, we invited 20 high school students from Kwangju City, South Korea, as Junior Ambassadors. The youngsters attended high school in Mie Prefecture, lodged with homestay families visited solar energy generator facilities and factories involved in other environmentally considerate technologies and planted trees in typhoon-damaged Miyagawa-mura, Mie Prefecture. The project has been a fixture on our calendar since 1990, and to celebrate its 15th birthday in 2005, a reunion was organized. The project

started with Malaysia in 1990, then the UK, Brazil and numerous other countries, so the reunion was a wonderfully boisterous affair featuring 183 of the 370 Junior Ambassadors from 11 countries that had attended over the years. The event was a true forum of interaction beyond borders, age and cultures. The AEON Cheers Club, too, is an environmentally-themed movement, nurturing children's natural curiosity through ecological activities in areas around AEON stores. Inspired by its objective of raising healthy children, the club undertook an extensive menu of activities in 2005. See page 22 for details.

The AEON 1% Club operates on funds contributed by the AEON Group's blue-chip companies equivalent to 1% of their pretax profits, and carries out a wide range of activities focusing on environmental conservation, international exchange of cultures and

people, and the development of local cultures and communities.



AEON Shinhigashine Cheers Club members check out the rice field ecosystem



Junior Ambassadors from South Korea

Our presence at 2005 World Exposition, Aichi

Planting jacarandas

AEON Higashiura Shopping Center of AEON Mall Co., Ltd. was proud to plant jacaranda saplings, the national tree of Kenya, as part of its AEON Hometown Forests tree planting ceremony on April 29, 2005, and in conjunction with Higashiura-cho's partnership with Kenya under the One Community, One Country Friendship Project, featured at the 2005 World Exposition, Aichi. A commemorative photograph taken at the ceremony with Kenyan Ambassador to Japan Dennis Awori was displayed in the Expo's Kenyan pavilion as a symbol of the friendship between Higashiura-cho and Kenya.



The photograph at the 2005 World Exposition

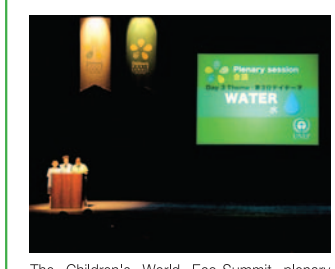
Expo eco-money

In line with our goal of preventing global warming and creating a recycling society, we at AEON Co., Ltd., were avid participants in the "eco-money" experiment that aimed to promote the reduction of CO₂ emissions through environmentally considerate action by companies, governments and citizens alike. For each stamp on the stamp cards issued as part of our Bring Your Own Shopping Bag Campaign, card bearers were awarded one unit of eco-money at the Expo Eco-money Center. Points were redeemable in two ways at the holder's choice: they were usable by the holder to buy a number of items such as eco-products and admission to eco-tours, or could be used to contribute to the creation of a forested community. The Expo has finished but the Eco-money Center lives on at Asunal Kanayama*, where stamp card holders can still earn eco-money.

*The Eco-money Center will operate at Asunal Kanayama until September 30, 2006.

Children's World Eco-Summit

The Aichi World Expo was the site of the Children's World Eco-Summit between July 26 and 29, 2005. Twenty members of the AEON Cheers Club attended the summit among a total of 600 children (aged between 10 and 14) from 65 countries. The children issued a request to world leaders to give consideration to environmental issues such as energy, biodiversity, water and recycling and promised that they, too, would act in an environmentally friendly manner.



The Children's World Eco-Summit plenary session at Ai Plaza Toyohashi in Toyohashi City on July 28, 2005

AEON Environmental Principles

Based on the AEON Principles of “pursuing peace with our customers as the starting point, respecting human life and contributing to communities,” we will promote activities for social contribution and environmental conservation in order to fulfil 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.

AEON Co., Ltd. Environmental Policy

As an all-round customer-satisfaction company, AEON Co., Ltd. is dedicated to ensuring that a comfortable lifestyle and environmental conservation are mutually achievable. We do this by offering our customers safe and secure stores, products and services. We also contribute to efforts towards the realization of sustainable communities that are full of promise, and work to support the development of healthy children, who will lead our future. We have a unique environmental management system in place to carry out these activities. We periodically review and continuously improve this system.

- 1. We aim to improve the environmental efficiency and reduce the environmental impact of our business activities. We place particular emphasis on respecting the spirit of the Kyoto Protocol in order to prevent global warming.
 - (1) We act together with our customers.
 - We promote resource conservation policies in the spirit of three Rs—reduce, reuse and recycle.
 - We participate actively in tree planting and development.
 - (2) We offer environmentally conscious products.
 - We offer and actively recommend environmentally conscious products to customers, and actively develop our own products that have minimal environmental impact.
 - We continually revise and adjust the product life cycle: manufacture, transport, sale, use and disposal.
 - (3) We operate stores with a view towards making a minimal environmental impact.
 - We continually endeavor to conserve energy and resources, and aim to open more Eco Stores.
 - We strive to reduce waste and dispose of it correctly.
 - We endeavor to choose materials and other items with the least environmental impact.
- 2. We strictly administer substances with high environmental impact, work to prevent pollution and protect biodiversity.
- 3. We accept and comply with all environmental laws and other requirements.
- 4. We work hard to ensure that all employees and other people involved in our business activities are thoroughly aware of these guidelines, and that each person knows his or her role and can act independently to fulfil that role.
- 5. We have announced and publicized these guidelines widely, and work hard to expand the influence of our environmental activities, building partnerships with as many people as possible.

Adopted February 21, 2006
Motoya Okada
President
AEON Co., Ltd.

Promoting environmental management throughout the entire AEON Group

At AEON, we consider environmental protection to be an integral part of our daily management tasks. Indeed, we pursue environmental management activities that fuse business with environmental protection. Little surprise, then, that as of February 22, 2006, 21 of our companies have acquired ISO14001 certification for environmental management systems. Each of those companies has a management framework with the company president at the top, as well as an environment committee to deliberate environmental issues. The companies set their tasks in accordance with their industries and business categories, and do their utmost to cut their business activities' environmental impact. The decisions made by the AEON Co., Ltd. Environmental Committee are shared throughout the AEON Group as an environmental policy, while still allowing each company leeway to pursue its own unique environmental protection activities.

The following companies are certified to ISO As of Feb. 22, 2006

MYCAL Product Research Laboratories Co., Ltd.	ISO9001, ISO14001
AEON Co., Ltd. (incl. AEON Supecenter Co., Ltd.)	ISO14001
Qingdao AEON Dongtai Co., Ltd.	ISO9001
Maxvalu Tohoku Co., Ltd.	ISO14001
Quality Control Center Co., Ltd.	ISO9001
Certo Co., Ltd.	ISO14001
Food Supply JUSCO Co., Ltd.	ISO14001
Maxvalu Nishinohon Co., Ltd.	ISO14001
Diamond City Co., Ltd.	ISO14001
Maxvalu Chubu Co., Ltd.	ISO9001, ISO14001
AIC Inc.	ISO14001
AEON Mall Co., Ltd.	ISO14001
AEON Kyushu Co., Ltd.	ISO14001
AEON Credit Service Co., Ltd.	ISO9001, ISO14001
Ryukyu JUSCO Co., Ltd.	ISO14001
AEON Techno Service Co., Ltd.	ISO9001, 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
Japan Maintenance Co., Ltd.	ISO9001
Maxvalu Tokai Co., Ltd.	ISO14001
Blue Grass Co., Ltd.	ISO14001

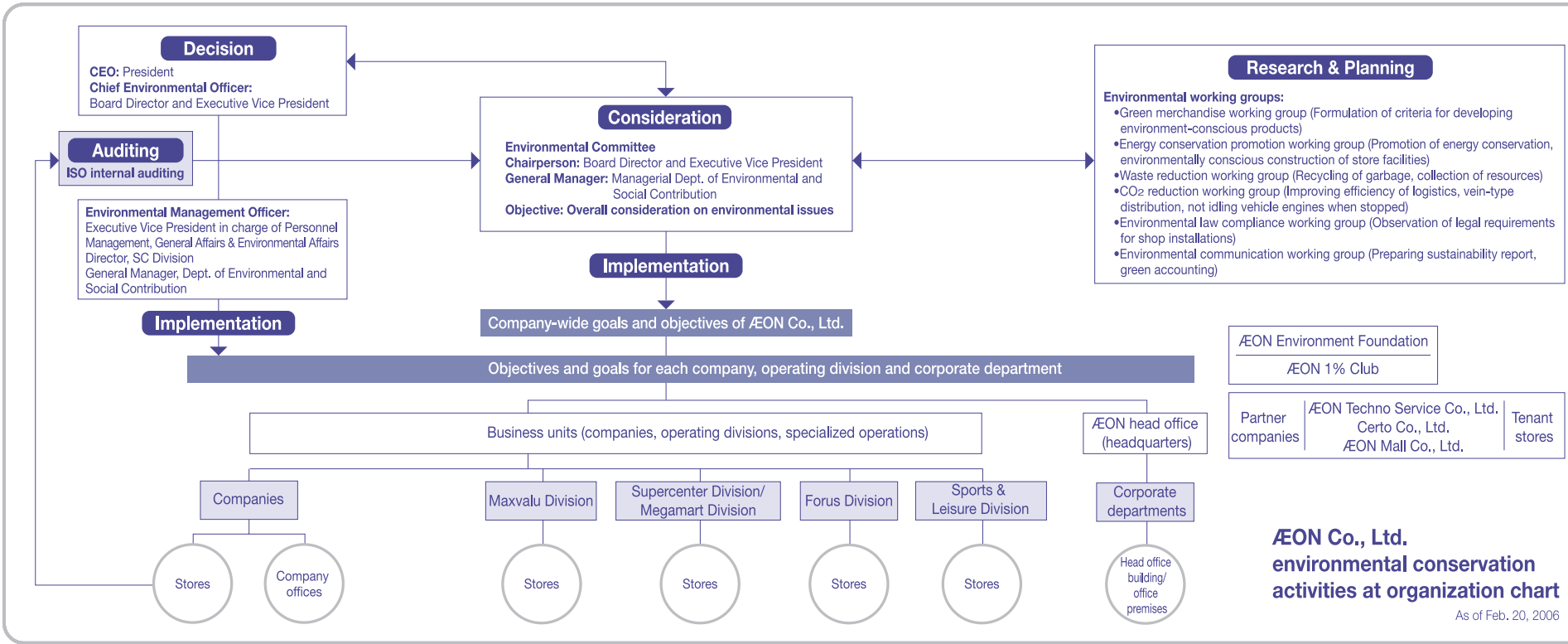
(in order of certification)

Naoki Hayashi
Environment Management Officer
Executive Vice President; Developer Operations
AEON Co., Ltd.



Six years have already passed since AEON was awarded ISO14001 certification. In FY2005, the company shifted its ISO Office from the Department of Environmental and Social Contribution to the General Affairs Department and, within a structure that is able to engage in swift, on-site solutions to problems, we have promoted environmental conservation activities, focusing mainly on the prevention of environmental accidents and breaches of environmental law such as oil leaks. While, on the one hand, legal stipulations regarding waste management and waste water grow stricter every year, on the other hand, the idea of corporate social responsibility—for instance, that shopping centers should not only be safe, secure and convenient for all customers but that they should also function as community focal points such as evacuation areas in earthquakes and other emergencies—continues to gain currency throughout society. Similarly, customers' expectations of AEON have increased in proportion to their heightened environmental awareness, which is reflected in the way customers submit requests concerning health-conscious and environmentally considerate products, and ask for information about our environmental protection activities to help realize a sustainable society. It is against such a backdrop that AEON will switch from its traditional approach of ISO14001 certification for each group company to consolidated group certification. In FY2006, AEON aims to obtain a single, unified ISO certification for the group companies already accredited, and subsequently expand the scope of that certification to include other group companies.

With the Kyoto Protocol in force since February 2005, the reduction of CO2 emissions is a major groupwide concern. This issue is accompanied by others that face each company in the group, including reduction of waste materials, containers and packaging, as well as the promotion of energy conservation. It is our aim to pool the group's collective wisdom to overcome these challenges, and to place emphasis on prediction and prevention of environmental accidents and breaches of environmental law because it is always better to be safe than sorry. We at AEON are dedicated to using our ISO-recognized environmental skills to further the whole group's environmental protection activities so that we may better meet our customers' expectations.



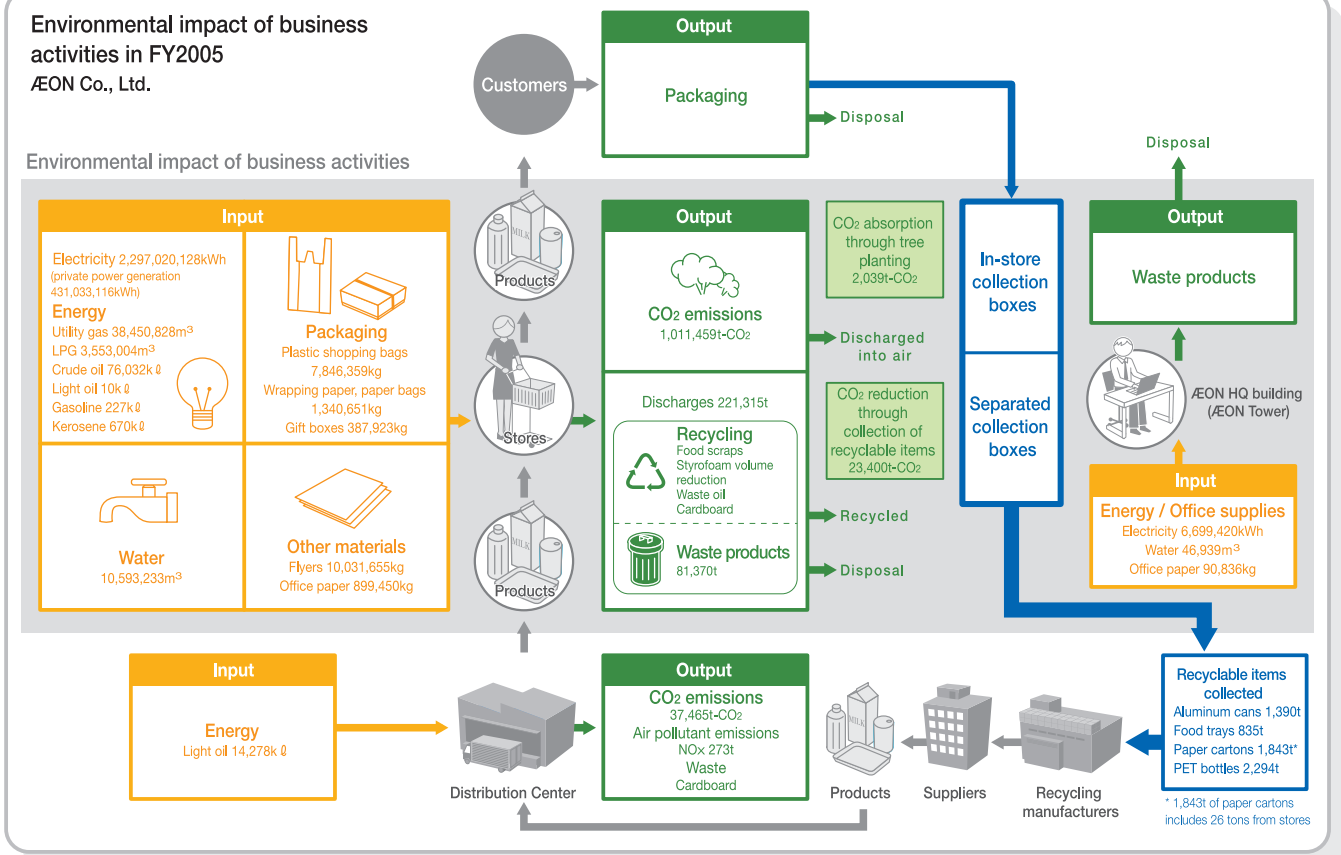
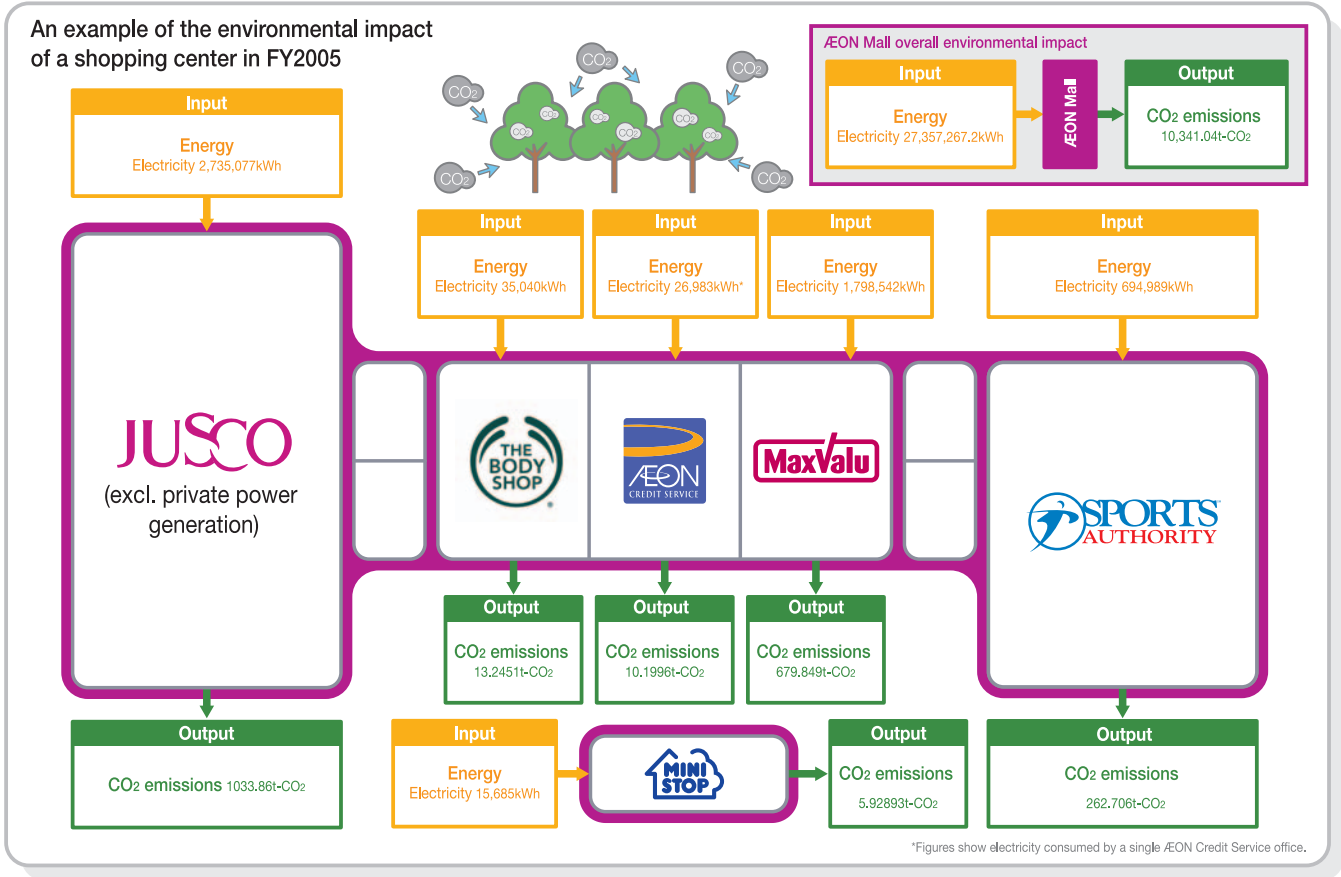
FY2005 ISO14001 Report

AEON Co., Ltd. FY2005 performance

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

Environmental policies	FY2005				
	Target	Result	Rate of attainment	Rating	Dept. responsible
Provide environmentally friendly products, services and stores	(1) Raise sales of environmentally friendly products to 1.6% of overall sales	1.5%	93.8%	△	TOPVALU Products Dept.
	TOPVALU Green Eye 23,228 million yen	17,957 million yen	77.3%		
	TOPVALU Kyokan Sengen 2,168 million yen	2,048 million yen	94.5%		Product depts.
	SELF+SERVICE 1,697 million yen (Because fewer new stores were opened than initially planned, the sales target was revised from 1,770 million yen to 1,697 million yen)	1,765 million yen	104.0%	△	SELF+SERVICE
	(2) Formulate and implement standards for environmentally conscious products * Include standards for packages and containers, i.e., use environmentally friendly materials and cut overall material use	Target: use of containers and packaging cut by 232 tons; actual reduction 44 tons	19.0%		Environmental Protection Products Working Group
Promote energy and resource conservation	(3) Further popularization of Eco Stores. 1. Maxvalu (supermarket) prototype development 2. Compile internal evaluation criteria for Eco Store development 3. Introduce natural energy	1. Inaugural Eco Store opened (Chikusa Shopping Center) 2. Not compiled 3. Wind power introduced at Mikawa Shopping Center	—	△	Environmental and Social Contribution Dept.
	(1) Reduce electricity consumption by 5% compared to FY2002 (by unit energy consumption) *Aim to reduce total electricity consumed by 1% over previous year	[36.2wh/m ² /h] in FY2005 as compared with [43.9wh/m ² /h] in FY2002	86.8%	⊙	Facility Management Group
	(2) Reduce the use of plastic bags at checkouts and decorative plastic bags in weight by 2% compared to FY2002	Reduction of 7,846 tons greatly exceeded target of 5,792 tons	135.5%	△	ISO office
Initiatives for reduction, reutilization and recycling	(3) 1. Build delivery vehicle management system and monitor complete compliance with the NOx and PM Laws 2. Bring total of natural gas vehicles to 25	1. Administration log compiled, efforts made to improve delivery efficiency 2. Total reached 42	168.0%	⊙	SCM
	(1) Bring-your-own-bag rate 20.0% (end of 3 rd qtr.) 1. TOPVALU product 100-yen discount 2. Reconfirm basic instructions are thoroughly understood 3. Expand sales of My Bags, My Baskets®	Against a target of 20%, the rate of customers bringing their own shopping bags is 15.4%	77.4%	△	Environmental and Social Contribution Dept.
	(2) Lower sales losses from discarding products to 1% or less of overall sales	Against a target of 1%, the reduction 1.3%	130.0%	△	Sales loss task force, ISO office
	(3) 28% food waste recycling rate 1. Promote use of food waste recyclers 2. Promote recycling of fish scraps 3. Improve utilization rate of existing food waste treatment devices	28.4% recycling rate for food waste	101.4%	⊙	General Affairs Div. Facility Management Group
	(4) Using Yamato-Tsuruma Store waste measurement experiment results, revise contracts with waste treatment businesses to those stipulating weight-based payments, and introduce these at other stores as well	Measured over a year, waste figures differed little from those reported by businesses, and contracts could not be switched to weight-based contracts or introduced to other stores	—	△	ISO office
	(5) Reduce deliveries in Styrofoam containers (Aim for 50 products delivered in cardboard containers)	Against a target of 50 items, 57 were converted to cardboard	114.0%	⊙	Marine Products Dept.
	(6) Ascertain amount of office paper recycled in FY2004 at stores where recycled amount is counted, and increase number of such stores	From 144 stores in FY2004, the number of stores increased to 172 in FY2005; the identification of actual amount of recycling continues	—	⊙	General Affairs Dept.
	(7) Continue to promote reduced paper usage 1. Expansion of the campaign to other stores 2. Introduction of search tool linked to electronic archives 3. Make use of Internet for business systems	Efforts in 1, 2 and 3 continue	—	⊙	Store Operations Div.
Cut CO ₂ emissions	(1) Formulate Mid-term Global Warming Prevention Plan (change target to mid-FY2005)	Mid-term Global Warming Prevention Plan (CO ₂ reduction, etc.) formulated	—	⊙	Corporate Citizenship Dept.
Promote green purchasing	(1) Revise AEON green purchasing standards and formulate new standards	New standards including those for environmentally considerate paper; included; new standards compiled	—	⊙	Indirect Material Procurement Group ISO office
	(2) Use of 10% or more of specific materials acquired through green procurement (7 items) in green-purchasing GMS stores opened in FY2005	10% or more of specific materials acquired through green procurement (7 items) used in new GMS stores	—	⊙	Construction Dept.
Promote tree planting with local customers	(1) Plant 428,000 trees in 79 locations as part of the AEON Hometown Forests Program	528,000 trees planted in 59 locations	123.4%	⊙	Corporate Citizenship Dept.
Compliance	(1) Continue to deal with soil contamination issue 1. Research which underutilized properties can be sold 2. Provide information to group companies about how AEON is dealing with the soil contamination issue	Research conducted into which underutilized properties can be sold	—	⊙	Real Estate Management Dept.

Group companies other than AEON Co., Ltd. have environmental policies, targets and objectives, and are working to achieve them. *Targets and performance for FY2005 are contrasted on the same scale



AEON's Objectives
Caring for Your Family
Hand-in-hand with the Community
A Better Earth
Environment for the Future
AEON and the Environment
Third-party Evaluation

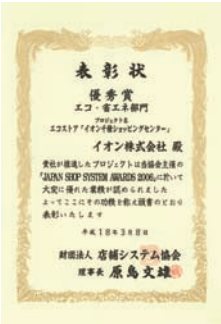
Environmental Accounting Report

ISO14001 achievements: Eco Stores

We at AEON have worked hard to list all of the effects that traditional shopping centers have had on their local economies, communities and environments, and used our combined knowledge to create an image of the ideal shopping center for the future. The result: the Eco Store. Eco Stores are indeed wide ranging: they aim to energize local communities with new jobs and trade; act as a community forum for working, learning and interaction; make aggressive use of environmentally considerate technologies, materials and systems; minimize all negative economic, environmental and social aspects (as in the GRI guidelines) and maximize the positive aspects. Eco Stores are not just built; they are “achieved” by incorporating three environmental concepts and eight perspectives in two categories, i.e., stores' tangible aspects (buildings) and their intangible aspects (environmental efforts). We intend to transplant the technologies and other successful aspects of Eco Stores into existing stores at every opportunity.



AEON Chikusa Shopping Center



AEON received the Eco & Energy Conservation Award of Excellence at the Japan Shop System Awards 2006.

Three concepts and eight perspectives of Eco Stores



AEON Chikusa Shopping Center CO2 reductions (July - November 2005)

CO2 reduction efforts		Annual reduction plan	5-month reduction	Progress rate
New efforts	Solar power generation	5,745	1,107	—
	Wind power generation	1,541	41	—
	Light well	8,474	9,182	—
	Hyper GHP (in air-conditioning systems)	—	14,166	—
	Wooden loopers and reflective film	12,254	1,396	—
	Automatic operation of escalators	23,473	17,356	—
	Automatic operation of chilled cases	—	54,121	—
	Eco-reflect	—	1,832	—
	Others	1,186	494	—
Subtotal		52,673	99,695	189%
Standard specifications	Air-conditioning systems	706,284	228,495	—
	Light control systems	21,158	34,719	—
	Daylight sensors	10,425	1,741	—
	Hf fluorescent lights	6,008	2,503	—
	Subtotal	743,875	267,458	36%
Total		796,548	367,154	46%

* Performance figure source: energy management system data for July - November 2005

	Energy used		CO2 use reduced (kg)
	Electricity use reduced (kWh)	Gas use reduced (m³)	
Annual plan	516,337	221,941	796,548
5-month performance*	219,796	115,519	367,154

* Performance figure combined source: energy management system data for July - November 2005 and data regarding reductions through greening and use of eco-friendly materials apportioned for five-month period.

- FY2005 environmental accounting**
- (1) The figures are from a total of seven companies, as mentioned below.
 - (2) Figures for these individual companies are available from the Website below.
 - (3) The items are categorized according to the environmental targets of ISO14001 on page 41, 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 participating companies within the group.

FY2005 environmental accounting calculation standards

[Accounting period] February 21, 2005 to February 20, 2006
*For Maxvalu Chubu Co., Ltd. from April 1, 2005 to March 31, 2006
[Companies covered] AEON Co., Ltd., Ryukyus 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		Standards for posting economic effects	
(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.	(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).
(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) 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.
(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) 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.)
(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) Income from in-store recycling activities	Income from sales of valuable materials (milk cartons and aluminum cans) derived from in-store recycling activities.
(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.		

Objectives and Targets for FY2005			Investment	Expenses	Economic effect
Provision of environmentally friendly products	Development and sales of environmentally friendly products		0	1,821	0
	Development and sales of TOPVALU Green Eye products		0	55,685	0
	Development of Eco Stores, SELF+SERVICE stores		0	131,777	0
	Subtotal		0	189,283	0
Initiatives for energy and resource conservation	Reduction in electricity consumption		386,446	0	104,932
	Reduction in water consumption		68,933	0	40,682
	Reduction in photocopy, OA paper use		0	0	659
	Increase in the number of customers who bring their own shopping bags		0	639,476	66,149
	Reduction in use of plastic shopping bags		0	0	0
	Increase in distribution system efficiency		0	0	5,733
Subtotal		455,379	639,476	218,155	
Initiatives for waste reduction and reutilization	Promotion of waste separation	Promote recycling by installing food waste compost	9,923	16,128	1,700
		Promote recycling by installing Styrofoam compactors	2,500	0	22,428
		Recycling waste material	0	470,000	0
		Costs for recycling fluorescent bulbs	0	26,499	0
	Subtotal		12,423	512,627	24,128
	Reduced use of cardboard boxes at stores	Reduce use of cardboard boxes by utilizing returnable containers	0	88,114	352,860
		Reduce use of cardboard boxes by delivering garments on reusable hangers	300	0	6,146
		Subtotal	300	88,114	359,006
	Promotion of in-store recycling activities		3,513	206,621	66,313
	Subtotal		16,236	807,362	449,447
Green purchasing	Formulation and implementation of green purchasing standards		110,352	0	0
	Subtotal		110,352	0	0
Tree planting activities	Continued implementation of AEON Hometown Forest Program		0	206,968	0
	Subtotal		0	206,968	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	1,423,070	0
	Treat municipal waste from business operations properly		0	3,795,170	0
	Treat industrial waste properly using the manifest system		0	1,371,130	0
	Subtotal		0	6,589,370	0
Voluntary measures for pollution prevention			536,991	448,541	98
Community-based environmental communication activities	Carry out activities to protect nature and improve and maintain scenery		124,758	7,311	0
	Carry out environmental activities with customers in the local community		0	8,586	0
	Disclose environmental information		19,470	433,407	0
	Provide donations to environmental protection organizations and support their activities		0	85,271	0
	Subtotal		144,228	534,575	0
Maintenance and management costs for environmental conservation activities	Provide employees with environmental education		0	6,439	0
	Maintain and administer the environmental management system		0	22,008	0
	Cover personnel expenses for administering environmental conservation activities		0	343,002	0
	Subtotal		0	371,449	0
Cost for rehabilitating environmental damage			0	8,800	0
Total costs			1,263,186	9,795,824	667,700

More Info

Third-party Evaluation of the Aeon Environmental and Social Report 2006



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

Eco Store Aeon Chikusa Shopping Center

I visited the Aeon Chikusa Shopping Center in Nagoya, which was opened in May 2005 as the first Eco Store. The term "Eco Store" covers a range of things. In terms of buildings and facilities, it means that the shopping center has energy and resource conservation equipment that previous centers lacked, and it means that the shopping center was designed to be considerate of the environment and landscape. Perhaps more importantly, the stores' business activities, namely the sale of goods, take the Aeon philosophy to more advanced levels by providing customers with safe, environmentally conscious products, and engaging and offering information to the local communities in the store's vicinity, thus promoting the concept of Aeon and its customers joining together to create a recycling community. In short, the Eco Store represents a concept that goes beyond the realm of traditional distribution and sales, which in the past has simply meant selling things to people. Instead the Eco Store presents a forward-thinking strategy aimed at establishing a community-based business model for the 21st century.

The Chikusa Eco Store was constructed as part of a redevelopment plan for an area of town that combines long-standing urban areas with precincts of apartments and office buildings in a large block where broad roads intersect that was part of a postwar urban development plan for the area. The front of the massive building, which is set on a 30,000m² site, features solar energy generation panels, and almost the entire area of the left and right walls is rendered verdant with shrubbery, while part of the rooftop parking lot is also taken up by a greening facility. Near the front-side rooftop area are three small upright wind power generators. Even the in-store lighting and floor materials are environmentally considerate, and there is an exhibition space in the center of the store featuring panels that give simple explanations about these new energy devices. The outward appearance of the store is striking, designed to arouse curiosity in people, and inside customers can find safe and environmentally conscious TOPVALU products, recycling plans and all sorts of eco-themed information. The effect is that Aeon helps deepen customers' environmental understanding subconsciously as they shop. With such an approach, I believe it would be beneficial for Aeon to provide easy-to-understand (especially for children) information about the flooring materials and lumber harvested from thinning (as opposed to all-out forest clearing) used in stores.

Apparently Aeon has conducted a number of events in conjunction with Nagoya City life-long learning groups as part of its Eco Store intangible efforts, but as only 10 months have passed since the store opened, they reported that their cooperative relationship with local citizens is still in its infancy. Aeon declared its enthusiasm for holding regular events in the community, and I wish the company every success in its new, community-based endeavors.



Mr. Toshihiko Goto
Chief Executive
GRI Forum Japan

The Aeon Basic Principles place the customer firmly at their center; the perennial Aeon corporate mission is to make valid contributions to customers; and "peace, people and community" are their three key words. Based on these concepts, Aeon has prepared a report on the community and the environment founded on three themes: "Caring for your family", "Hand-in-hand with the community" and "A better Earth environment for the future." I find the editorial direction unique, but it is rather difficult to follow for people used to reading other companies' reports, so perhaps a table detailing comparisons with GRI guidelines would be useful.

Recently, combined use of reports and the Internet allow for access to comprehensive report information, so the focus of the reports themselves has tended to be on including information based on the principle of materiality. Personally, I see information based on the principle of materiality as a sort of "2+1" matter. The two refers to prevention of global warming and biodiversity; the one refers to the aspect of the reporting company's relationship with the community, which it places the most importance on. The Aeon Group report prioritizes the customer and also offers ample information about global warming prevention. However, while Aeon works at biodiversity through tree planting and other such efforts, there is no obvious direction that I can discern.

Large, global retailers' supply chain management is an issue of the utmost importance for the eradication of poverty in developing nations, as well as for environmental protection and the upholding of human rights. The CSR-considerate procurement stance taken by Aeon is a laudable effort on this front, and some progress can be seen, but I hope that the company will expand this stance to encompass all of its products. It would be nice to see some examples of CSR-considerate procurement in developing countries in addition to Fair Trade.

While it is somewhat unavoidable that reports contain a substantial volume of qualitative entries, and information regarding the acquisition of independent certification such as SQF2000, ISMS, SA8000, ISO9000s and ISO14001 goes some way towards filling in the gaps of qualitative information, it would be preferable that Aeon endeavor to compile reports using quantitative data. For instance, while Aeon details frankly the issue of support for women in the workplace, I would have liked to have seen some quantitative information about measures to address the problem.

Retailers in direct contact with customers. Seeking a new approach to HR development.



常盤敏時

Toshiji Tokiwa

Chairman
Aeon Co., Ltd.

(Scheduled to be appointed Advisor on May 12, 2006)

Three years since the Corporate Governance Reforms

Three years have passed since Aeon Co., Ltd. established its committee governance structure, and I feel that the system has steadily taken root throughout the company. Certainly, the excellent pre-implementation design model provided a firm base from which the committee governance structure could permeate through the company, but one of the major factors in its successful rollout was the profound understanding of our external directors regarding Aeon's internal structures and our goals in setting up the new system. The opinions of external directors are those of objective people with business management experience, and as such they are meaningful, of a high standard and carry the weight of an undistorted view of the company from outside—very valuable indeed. I also feel the three committees have achieved their initial missions, which I attribute to the organic support from the Strategy Division, Management Auditing Division and other relevant departments. Given that, I think that the pre-implementation goal of auditing and supervision of management has been achieved on a basic level. As for the streamlining of management execution, another pre-implementation goal, the force of recent changes to the business management environment has affected performance in this area. I do have praise for the way in which Aeon worked hard towards this goal, but I feel it is necessary to formulate some specific methods of evaluating that streamlining.

Steady progress in the process of in-house reforms

If Aeon is to attain the goal it sets forth in its Global 10 vision for 2010, i.e., to be one of the top 10 companies in the world, not only in terms of economic indices such as sales and market share but also in the eyes of the community, then reform is vital. The changes that have occurred within the company as part of the wide-ranging reforms in the five years that have passed since it announced the vision, efforts such as Aeon 21 and the Customer Deputy Store Manager plan, appear to be becoming well established. The creation of the Code of Conduct was very well timed, as was the parallel upgrading of environmental management. It is necessary for companies to recognize environmental issues as being closely connected with business—like two sides of the same coin. In light of that, Aeon's environmental management drive in the middle of a period of sudden expansion in terms of corporate organization meant it was simpler to achieve companywide penetration, and the environment was one subject that made it easy for employees to feel proud of the company's CSR achievements.

Towards companywide improvements and HR development

We live in an age where the management environment is undergoing radical change, and it is against that backdrop that I have two requests for Aeon management. Firstly, I would like to see management lead the company—and, indeed, the industry—positively and with resolute purpose in order to strengthen the company organization, improve its performance and raise its level of CSR even further so that Aeon may one day be recognized as one of the world's leading companies. As it says in the Code of Conduct, I want management to personally take on the challenge unflinchingly, because if the energy that we channel into self-improvement is greater than that of our competitors, then Aeon will undoubtedly stand superior to others. Secondly, I would like management to address human resource development. The education of staff is of the utmost importance, particularly for those who interact directly with our customers and the community. To achieve good HR development, it is essential that the heads of the various Aeon businesses and store managers improve their management skills. Let us consider communication for a moment; I am concerned by the trend of taking communication lightly. If Aeon is to really achieve a transformation into an all-round customer satisfaction business, the first thing it must do is achieve employee satisfaction and provide an enjoyable working environment. The more Aeon workers are satisfied with their jobs, the higher the degree to which they will be able to implement the Aeon principle of putting the customer first.



Editorial Board for **ÆON Environmental and Social Report 2006**

Yoshinori Okuno (Maxvalu Chubu Co., Ltd.), Megumi Sugiyama (ÆON Credit Service Co., Ltd.), Masako Matsui (ÆON Mall Co., Ltd.), Takako Tanaka (MYCAL Corporation), Yoshitaka Moriide (Ministop Co., Ltd.), Kikuko Fujita (ÆON Forest Co., Ltd.), Seiichi Ueyama, Masakazu Nakatani, Daisuke Ninomiya, Kazumi Saimen, Junko Abe (ÆON Co., Ltd.)

Please use the contact information below for any inquiries 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 2006