

Chairman's Statement



Marching towards 2002 a Global Enterprise

Toshiji TOKIWA, Chairman

2001 was a tough year for retailers as the retail market worldwide was undergoing a consolidation and restructuring process. Yet, as one of the market leaders in the retail business, JUSCO Stores (Hong Kong) Co., Limited thrived the harsh economic environment and recorded satisfactory results during the review year. Turnover has risen 9.6% reaching HK\$3,721 million for the year under review. However, because of the increase in income tax expenses which amounted to HK\$32 million, profit attributable to shareholders recorded a fall from last year's HK\$92 million to this year's HK\$77 million.

Being a core member of AEON Group, JUSCO Stores (Hong Kong) Co., Limited will continue to strive for satisfactory performance in 2002 and beyond, aiming to become the best retailer in the South China region. By adhering to AEON Group's fundamental philosophy, "Customer First", we are confident that JUSCO Stores (Hong Kong) Co., Limited will achieve this goal in the foreseeable future.

With today's accelerated globalisation, all industries and companies need to do businesses from a global perspective as the ability to realise quality management at the global standard is the sole key for survival. Thus, in face of this challenge, it is essential for our Group to continue to strive for excellence, further consolidate our foundation, and have ceaseless passion for reforms.

To realise our vision of becoming "one of the world's top 10 enterprises", it is necessary for AEON Group to restructure business models, strengthen the financial structure, establish corporate morality and roll out a brand strategy.

Companies succeeding in building an innovative business model with low-cost and low price structure are the ones to flourish in the increasingly globalised economy. To achieve this, AEON Group has to undergo a cost structural reform to lower product sourcing costs as well as sales and administrative expenses. In 2001, through screening and focusing, AEON Group has already restructured and unified some businesses and companies, which tremendously helped save expenses. Rent for land and stores also went down during the review year, which succeeded in lowering our costs further.

Strengthening our financial structure will also be a crucial step for AEON to become one of the top 10 enterprises in the world. In the years to come, it will be one of the core tasks of our management to enhance AEON Group's long-term loan position, reduce interest-bearing loans, generate more operating cashflow and further enhance profitability. These targets will be achieved through prudent selection of investment and financing projects as well as stringent inventory control. Besides, we will also adopt business strategies incorporating proactive tactics so as to react swiftly to the ever-changing needs of the market.

To realise the Group's vision and achieve business targets, it is essential for us to establish corporate morality which helps extend and cultivate the AEON corporate culture of "Innovation", "Corporate Citizenship" and "Customer First". By doing so, we will certainly make a big step forward towards our goal of establishing AEON as an internationally renowned brand.

The ability to match concepts with practices is most vital in successfully establishing a brand. As AEON is a business that involves extensive and daily direct contact with customers, we believe by instilling the moral principle in the organisation, all AEON staff will be able to bring the AEON philosophy of "Customer First" into practice in a unified way. Last year, through organising the "AEON 21 Campaign", we received numerous comments from our patrons. This encouraging response is extremely valuable to us, as it is a proof of the trustful relations we have built up along the way and the comments all express customers' further expectation on AEON.

In the 21st century, intangible assets such as brand name and knowledge are important sources for competitiveness. To effectively increase public recognition of the AEON brand, the image of AEON logo has been rearranged and its rules of use have been formulated. As the implementation of brand strategy is essential for unifying the whole AEON Group, we will continue to push it further, which I believe, is tremendously important for the growth of our Group.

In conclusion, the AEON Group will continue to innovate itself from the viewpoint of customers and commit itself to the "Customer First" principle. Entering Year 2002, we will strive hard to increase our tempo and power to march towards our goal of becoming one of the top 10 enterprises in the world. To accomplish this, I sincerely look forward to the participation of our shareholders, business patrons and staff whose support is always the founding stone for our success.



Toshiji TOKIWA

Chairman

Hong Kong, 10 May 2002