



C H A I R M A N ' S   S T A T E M E N T



# Chairman's Statement

I am pleased to announce that AEON Stores (Hong Kong) Limited ("AEON Stores" or the "Company") and its subsidiaries (the "Group") achieved satisfactory results in 2005. The retail industry of Hong Kong saw the return of local consumption desire during the year with the economy reviving and the city welcomed more tourists, especially from Mainland China. Against that encouraging backdrop, the Group's Hong Kong operation achieved remarkable performance. Besides seeking to make the best of the favourable market sentiment in Hong Kong, we continued to invest resources in our China operation laying the foundation we need to make inroads in this vast market in the years to come.

The term "shopping experience" has taken on a new meaning for consumer in recent years. Shopping used to be functional - one needed something and went to the shop to get it. Today, consumers expect shops to offer varieties of merchandise, great customer service and an environment that makes shopping a satisfying and pleasant experience, and stores that cannot meet these requirements will find thriving hard.

We know because we have come from a country acclaimed for going the extra mile in giving consumers exceptional shopping experiences. AEON Co., Ltd. ("AEON Co."), the parent Company of AEON Stores, has been doing it well in Japan in the past years. Knowing consumers' needs like the back of its hands, AEON Co. provides its customers only the best quality merchandise and services in the most comfortable shopping environment. Seeing good prospects for growing its business in southern



**TOKIWA Toshiji**  
Chairman

China, AEON Co. introduced its different proven business models in Japan heeding the specific characteristics of the different markets in the area. Step-by-step and from strength-to-strength it has been deepening its foothold in the region with a brand synonymous to quality and dedication to satisfying customers' needs.

On the solid base provided by its General Merchandise Stores (GMS) and JUSCO \$10 Plaza operations in Hong Kong, AEON Stores brought to southern China two new business models from Japan this year. We launched the first JUSCO Supermarket, an independent supermarket detached from our GMS in Hong Kong. It agrees with Hong Kong, which has limited land supply, and is located strategically to target those customers who seek not only convenience but also tastes matching their lifestyles. Once this business model is proven viable, we will roll out the expansion plan.

The other new operational mode we will introduce befits the developing China retail market. Spotting the growing appeal of large-scale shopping malls to Chinese consumers, we invested in one. We believe this business mode will take root fast on Mainland China braced by rapid urbanisation and shifting of the population, consumers gaining affluence and changing their purchasing habits, and more people driving giving significance to park and shop convenience. With little space constraint and the government encouraging infrastructure development to support economic growth and businesses, the Group has strong reasons to be optimistic about the new operation model. Scheduled to open by the end of 2006, the shopping mall in Shunde, Guangdong Province, is expected to draw high consumer traffic as a new landmark in the district. The shopping mall, which will tenant shops of different kinds and a GMS and be equipped with plenty of parking spaces, will not only provide one-stop shopping convenience to consumers, but also help to raise the profile of the JUSCO brand in southern China.

With the Chinese economy growing steadily and persistently in recent years, we see China as a major growth driver for our business in the future. AEON Co. will actively involve in the business development in southern China to accelerate its growth in the market. Drawing from our retail experiences gained in the region and the invaluable learning and knowledge of AEON Co. through exchange of expertise, we will devise expansion strategies to effect steady growth of our business in the region. With a strengthening grip on the market braced by our proven business models, experience

and dedication to be the best in the retail industry, AEON Stores is poised to capture the immense potential in the southern China retail market.

The long-term goal of AEON Co. is to make it into the "Global TOP 10" retail group. To achieve this goal, we will continue to expand our store networks in Japan and overseas. I am confident that our solid foundation, carefully mapped out growth strategy, premium brand, extensive choices of quality merchandise and comprehensive customer services that mirror our motto "everything we do, we do for our customers" will see us make strides towards a bright future.

I thank my fellow board members for their guidance in AEON Stores' pursuit of strategic development the past year, the management for making sure growth strategies were effectively administered and our staff for their diligence in delivering services that impressed our customers and keep them coming back, which is the ultimate reward for a retailer with the customers at heart.



**TOKIWA Toshiji**

*Chairman*

Hong Kong, 24 March 2006