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Toshiji TOKIWA
Chairman

The AEON goal is to become a “Global top-10” retail group. As we move toward this target, we seek to maximise group synergies through the sharing of best practices and other strategies. We are also working to raise customer satisfaction by offering quality merchandise that matches local needs and by enhancing our services. After more than 30 years of sustained effort, we are now established as the largest retail group in Asia.

In 1987, after establishing AEON Stores (Hong Kong) Co., Limited (“AEON Stores” or “the Group”), the first JUSCO Hong Kong store was established. After many years of continued expansion, the Group now has in total 7 General Merchandise Stores (GMS) and “JUSCO” is widely recognised as a symbol of quality and lifestyle fulfillment for people in Hong Kong. In recent years, due to space limitations, AEON Stores explore and establish new business models - JUSCO \$10 Plaza and JUSCO Supermarket. We believe that all our new business operations are on track to make contributions

and increase our share of the Hong Kong retail market.

Based on this solid foundation, AEON Stores acts as the initiating driving force in support of our expansion into South China. AEON was one of the first retail pioneers to extend its business arm into the South China region. Our professionalism in the retail industry and our rich expertise as well as well trained human resources in Hong Kong are crucial elements in the development of the South China market.

Building on our successful business models in Hong Kong, our first store in Guangzhou was established in 1996, and since then we have expanded our footprints to other cities in Guangdong Province and Shenzhen Special Economic Zone, with a current total of 8 GMS. Our achievements and flourishing business in the PRC are largely due to our sound branding, quality service, wide array of merchandise and comfortable shopping environment. These demonstrate that the GMS business concept, offering daily-necessity merchandise, is very well received by Chinese customers.

AEON Stores now has three subsidiaries in South China. Each of them is pushing ahead aggressively to open new stores. In 2004, AEON Stores established a wholly owned subsidiary, AEON (China) Co., Ltd., in Shenzhen. The new company is now focused on opening new stores and developing a central procurement and logistics centre. Its operations echo the AEON strategy - to share best practices and maximise group synergies.

The expanding network of our stores in South China is evidence that overseas markets will become one of AEON's major revenue streams. This continuous expansion contributes not only brand development but also has a positive impact in terms of profit. AEON will also continue to localise the management of its overseas operations while working to secure the support of local communities and shoppers.

As AEON works toward its "Global top-10" vision, we will continue to expand our store networks in Japan and overseas. We are committed to putting the "AEON Code of Conduct" into practice as a way of ensuring that our behaviour continues to reflect the unchanging principles of our corporate philosophy - "Everything we do, we do for our customers". In this regard, we are also reviewing our approach to community-focused management. We now strive to enhance our reputation by ensuring that AEON always heeds the wishes of its customers, and thereby becomes the best possible local retailer.

A handwritten signature in black ink, appearing to read 'T. Tokiwa', with a long horizontal stroke extending to the right.

Toshiji TOKIWA
Chairman

Hong Kong, 24 March 2005