

Organizing local supply chain

- Reports on applying
Globalgap option 2 certification

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Outline of Aeon Group

Operating results

(Fiscal year ended February 2009, consolidated)

Total revenues 5,230 billions of yen

Operating profit 189 billions of yen

Number of Companies

182 companies

Number of Stores and Settlement Report*1

Number of stores	FY2008	FY2007
General merchandise stores (GMS)**2	966	942
Supermarkets	1,059	1,001
Supercenters	16	14
Department stores	1	1
Home centers	80	69
Convenience stores**3	3,270	3,082
Specialty stores	4,748	4,518
Financial services	395	233
Food services	505	533
Services	1,116	1,069
Drugstores**4	2,342	1,730



Contents

- 1. Application of GAP in Japan**
- 2. Our expectations on Globapgap execution**

Circumstances for agricultural industry in Japan

- Operation size of agricultural industry in Japan is small, and a number of farmers is large.

Country	Japan	Europe	UK	France	U.S.A.
Average operating farm land (ha)	2.1	18.7	67.7	42.0	176.5

Item	Number
Agricultural organization	252 million
Agricultural workforce	290 million

For the Gap execution, the following issues need to be overcome.

- An education system for covering a various number of farmers needs to be established.
- Certification cost needs to be reduced.

Promotion of GAP in Japan

- MAFF(The Ministry of Agriculture, Forestry and Fisheries) promotes GAP introduction with a focus on the food safety and environmental sustainability, and another for worker's safety, production cost reduction, and the quality management.
- Policy target: 2,000 producer's groups (by 2011)
- MAFF promotes GAP by using 「Primary GAP※」 and 「Introduction Manual」.
- MAFF supports leader's training and GAP introduction into producer's groups. (financial support)
- ※ GAP squeezed to check point with high generality. The kind is 7 (rice, wheat, soy beans, vegetables, fruits, green tea, and flower.)

Challenging issues for GAP application in Japan

- Existence of various GAP impose producers on various procedure.
- There is needs for high level GAP based on scientific knowledge and on demand of consumers and retailers.



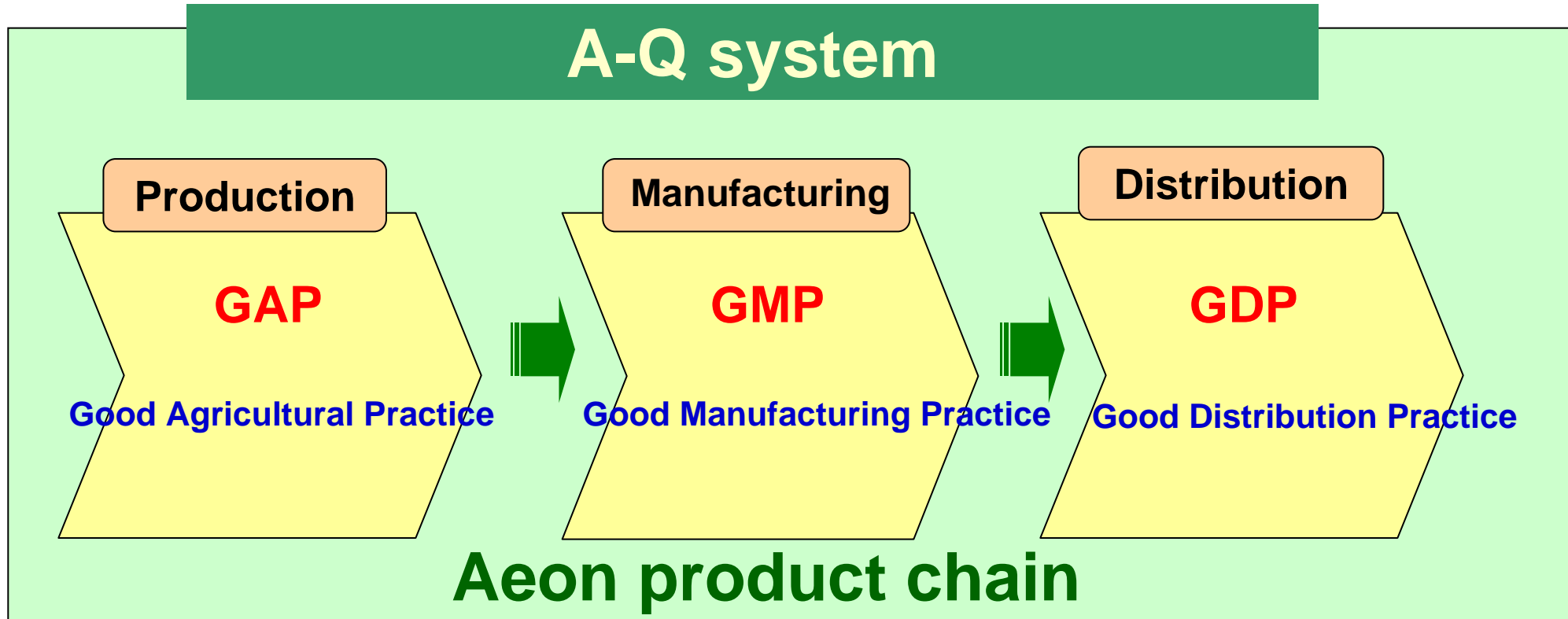
- MAFF is holding the study committee for making GAP Guideline for food safety, environmental sustainability, and worker's safety.
- It is necessary to expand supports for leader's training and GAP introduction into producer's groups.



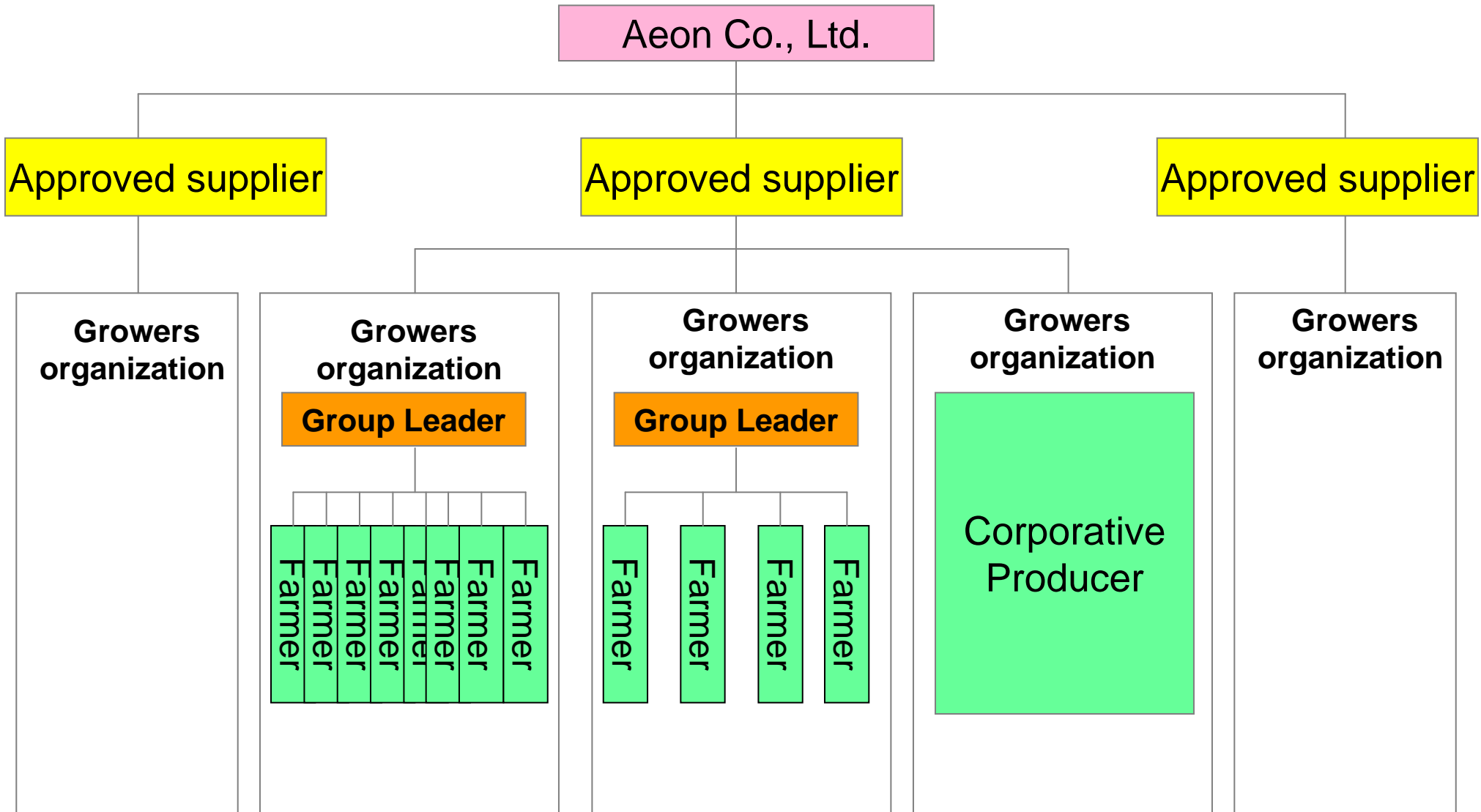
To get confidence of the consumer, MAFF guides to producers to upgrade their GAP.

Aeon Management system for agricultural products

- We have “A-Q system” applying for our private brand agricultural products through partnership with our producers.
- “A-Q system” is designed for acting on the followings issues:
 1. Food safety
 2. Environmental concerns
 3. Welfare and health of workers



Organization structure for GAP activities



Our expectations on Globalgap certification option2

- Reducing the certification cost
- Suitable for the group distribution operation by small farmers

What is Globalgap Certification option?

- Option 1:** Individual farmer applying for certification
(may have more than one farm/area or products)
- Option 2:** Group of farmers applying for certification, under the control of the groups management structure. Internal audits of all farms and QMS system, externals audits of the QMS system and a minimum 10% of the total number of farmers in the group.

Receipt of Globalgap option 2 certifications

Three organizations (19 members as total) executing our GAP have recently received Globalgap option 2 certifications.



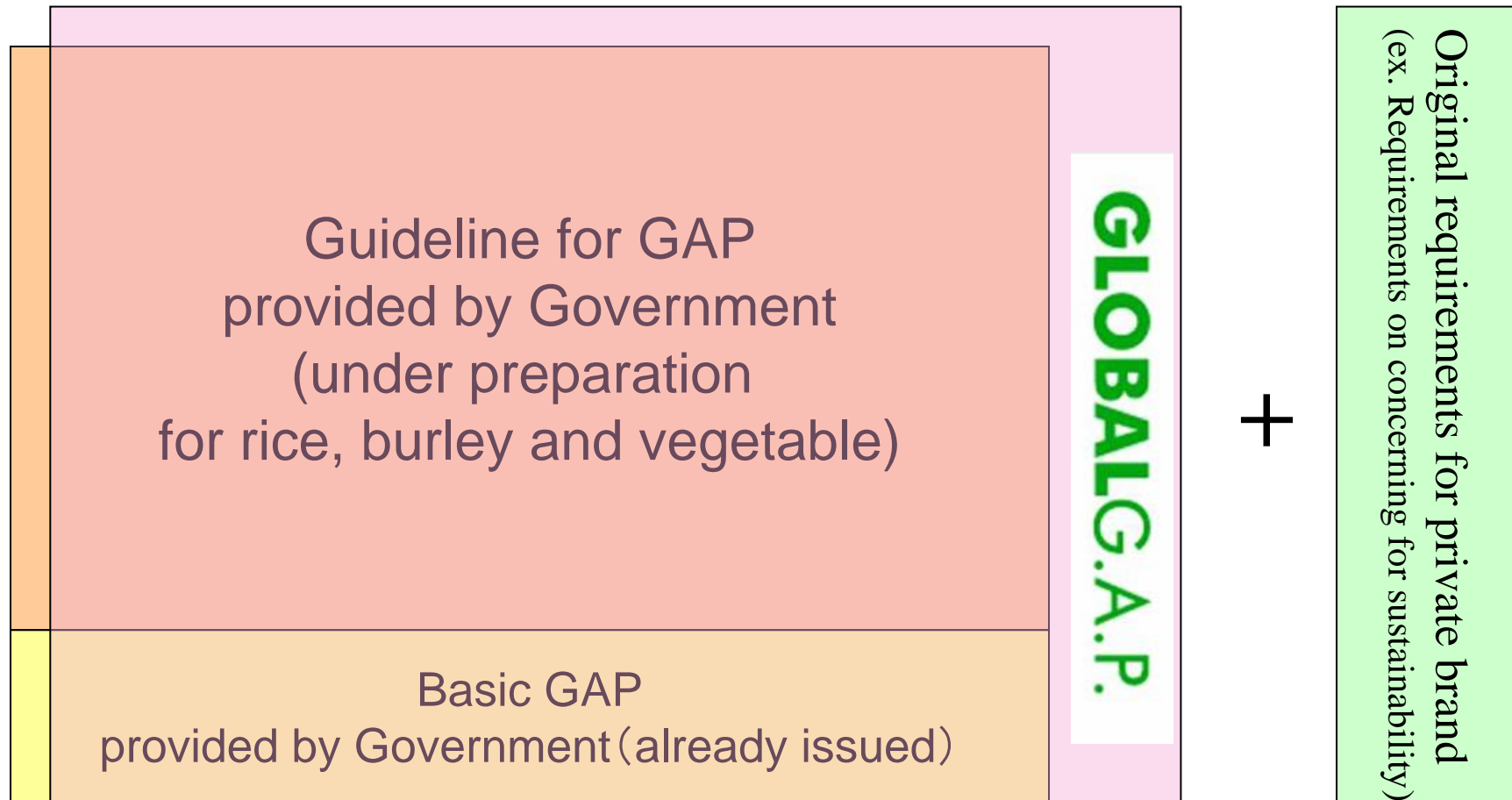
Oketo Organic Farmers



JA Touyako

Strategy of Gap execution for Aeon private brand

For our private brand agricultural products, we have the strategy for applying Global level GAP.



Key issues for executing GAP

1. Support to provide know-how and tool

- Sharing ideal and philosophy for agriculture and food culture. (Private brand concept)
- Providing information
Market trend / Consumers' mind /
Incidents & accidents
- Bringing benefits
through business aspects



Our Gap learning tool

2. Follow up for individual farmers

3. Cooperation with local governments

Thank you!