



We strive to meet each and every customer's needs as a "Life Base" of local communities.

Ito-Yokado operates a network of 176 supermarkets across Japan (as of February 29, 2008), offering a wide-range of daily products from food to apparel and household goods.

In addition to our traditional mainstay of general merchandise stores targeting highly populated markets, we have recently focused on opening different types of stores in order to meet diversifying customer needs.

Such new store formats include "Ario" comprehensive shopping stores in large trading areas, which consist of Ito-Yokado stores (anchor stores) and a wide range of specialty stores; and "neighborhood shopping centers" in smaller trading areas, which mainly offer food products.

We will continue exploring optimal styles of our stores, best suited to locations, trading areas and local needs.

Three formats of Ito-Yokado stores

Comprehensive shopping centers

Mall-styled stores featuring various retailing and amusement facilities



General merchandising stores

Large-scale stores covering a full range of daily products, including food, apparel and household goods, to meet consumer needs in highly populated urban areas



Neighborhood shopping centers

Food supermarkets and specialty stores to meet consumer needs in smaller commercial areas



Our CSR focus

● Bolstering quality and safety control

As most of the merchandise at Ito-Yokado stores, including food, apparel and household goods, has direct impact on customers' health and safety, we believe executing rigorous quality and safety control is the basic, yet the most important responsibility of ours. We therefore are stepping up our efforts to this end with a particular focus on food products in response to many recent fraudulent origin labeling and quality-related incidents in Japan. For instance, we have expanded our KAOGA-MIERU-SHOKUJIN fresh food products, whose places of origin, production methods and distribution processes can be traced and disclosed. We have also started to sell more local produce, which can maintain freshness and quality more easily.

● Reducing CO₂ emissions by installing energy-efficient equipment and taking many other actions, while increasing store sizes

To prevent our focus on opening larger shopping centers from leading to the increase in our total environmental

impact, we have been introducing energy-saving equipment in many stores, such as ice thermal storage systems and small-sized, gas-powered cogeneration water heaters.

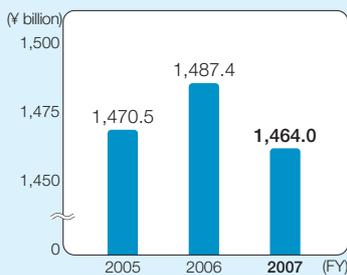
● Active dialogues to become a welcomed neighbor

As a community-based business, we have been engaged in active dialogues with local communities. When planning to open a new store, key employees of the store relocate to the intended area approximately one year in advance, develop a store plan catering to local needs and characteristics, and meet and talk with neighboring residents. As we position our stores as a Life Base of local communities, many Ito-Yokado stores operate the Maternity and Children's Education Centers and the Reliable Support Shops to help local parents and seniors.

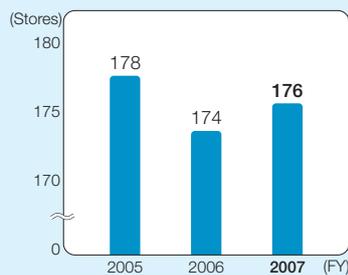
Corporate profile (as of February 29, 2008)

Establishment:	April 1, 1958	Paid-in capital:	¥40.0 billion
Headquarters:	8-8, Nibancho, Chiyoda-ku, Tokyo 102-8450, Japan	Total sales:	¥1,464.0 billion
Nature of business:	Operation of superstores selling food, apparel and household products	Number of employees:	43,013
		Number of stores:	176

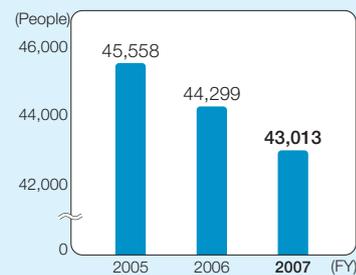
Total sales



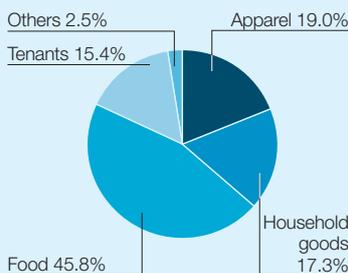
Number of stores



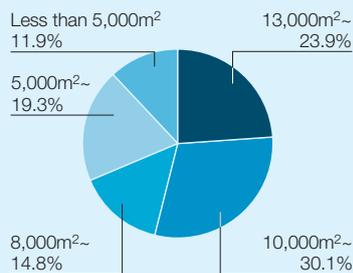
Number of employees



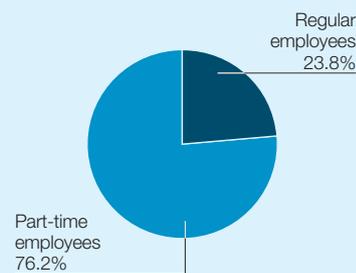
Sales by product category



Stores by floor size



Employees by type



Offering Safe and Reliable Products

Q I hope food safety is the first priority of my daily grocery store.

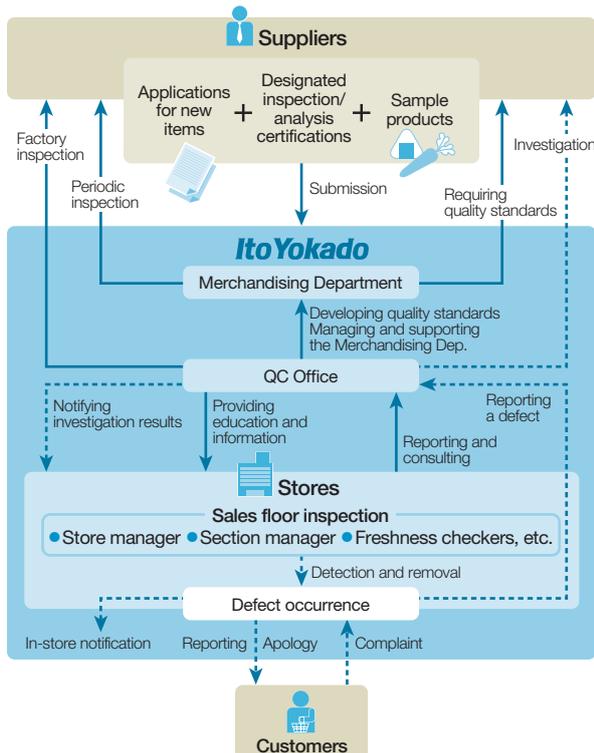
A We implement strict quality and safety controls of our products, while paying careful attention to their ingredients, origins, manufacturing process, and many other elements.

Rigorous quality and safety control throughout the processes from sourcing, displaying to selling

Ito-Yokado is committed to offering safe, quality food to customers. At the time of signing deals for purchase, we require suppliers to submit inspection and analysis certifications or their equivalents which prove the ingredients and additives concerned are properly controlled and meet our quality standards. To ensure the quality of new items, we may conduct on-site inspections, if necessary, at suppliers' factories in Japan and abroad.

On the store level, Freshness Checkers keep their eyes on their relevant food sections. In addition, Freshness Checking Patrols, consisting of non-food section employees, were organized in February 2007 to scrutinize the merchandise from the customers' viewpoint. We have also focused on key employee training to make these systems function effectively. Store managers and assistant store managers learned about our rules on expiry date management and on product labeling in February and May 2008, respectively.

Food management system



Expanded "KAOGA-MIERU-SHOKUHIN" items that can trace product origins and production processes

We responded to customers' growing demand for more reliable food by launching a house brand of "KAOGA-MIERU-SHOKUHIN" in FY 2002. The items of this brand are selected with a particular focus on the places of origin, production processes and traceability. Expanding its lineup year by year, the brand now covers all fresh food categories: vegetables, fruit, meat, eggs and fish.

We aim to build customers' trust and confidence in this brand through: (1) standardized production methods and quality requirements, (2) credibility through independent audits, and (3) open relationships through information disclosure.

For transparent disclosure, we have created an exclusive page of this house brand on Ito-Yokado's website. The main features include product origin information, Ito-Yokado staff's journal on visits to producing farms, and recipes using the brand items.

We also strive to increase the reliability of the brand and its products. The farms and the processing facilities as well as Ito-Yokado are subject to annual audits by third-party certification organizations. In FY 2007, a total of 108 audits were conducted.

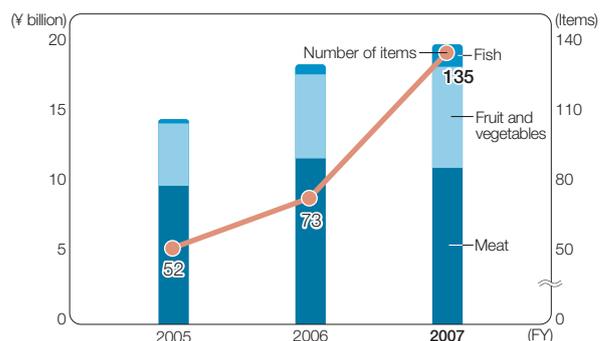


KAOGA-MIERU-SHOKUHIN webpage



KAOGA-MIERU-SHOKUHIN section

Sales and lineup of the KAOGA-MIERU-SHOKUHIN



Working more closely with neighboring farmers to expand the lineup of locally grown products

Agricultural products are crucially important in that their freshness and quality can be a defining factor of the store's reputation. In recent years, the popularity of fresh local produce is growing, partly due to increasing interest in "food miles," i.e., the distance needed to deliver the food to the stores. To meet such demand, we have signed contracts with local farmers (including farming groups and corporations) and offer fresh fruit and vegetables from the neighboring farms.

We place emphasis on close communication with the local producers and support them in producing quality products in a well-planned manner for continuous and stable sourcing.

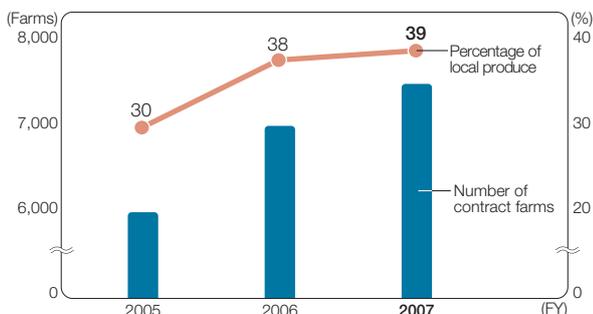
We also work to raise the appeal of locally grown produce to customers. Organizing harvest tours is among such examples. Major tours during the FY 2007 include: a tour to the Tsumagoi area, Gunma; a cucumber picking tour to the Tatebayashi area, Gunma; and a joint tour with JA Irumano, Saitama to harvest taro tubers.

As a result, the sales of locally grown produce increased, accounting for about 39% of the total vegetable sales in our fresh produce department as of February 29, 2008. We will continue working with the local producers to broaden the lineup. We are also planning to develop new items, such as locally produced gift fruits.



Harvest tour

Transactions of locally grown produce



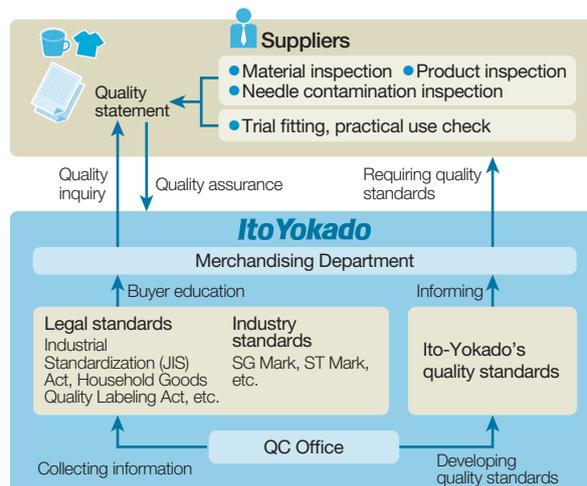
Stringent controls on apparel and household products under our quality standards

To deliver easy-to-wear comfortable clothes, and safe and convenient household products, we implement rigorous quality control before and while the products are displayed on our shelves, and willingly improve product quality based on customers' feedback.

Many product-related incidents during FY 2007, typified by a social issue of lead-tainted toys, provide a stark reminder of the importance of quality control on apparel and household products. Even before these problems were surfaced, we at Ito-Yokado had established our quality standards (materials, appearance, functions, labeling, etc.) applicable to all the sourcing transactions, whether with Japanese or overseas suppliers. New items need to go through an even stricter process. Before starting business with us, the suppliers are required to submit a quality statement with a verification document prepared by a designated inspection organization. With regard to our store brand products, all the items are subject to third-party quality inspections.

In FY 2007, we improved our factory checklist which is applicable to all the factories producing our house brand products. The revised list consists of 115 items, including new CSR and environment-related requirements, together with existing basic items, such as on production process and quality control. During the year, we also conducted site visits to 44 overseas factories which manufacture our directly imported products. In addition, our apparel and household products departments separately held the semiannual Quality Improvement Conferences in spring and fall. Many suppliers attended the meetings to discuss how we should work together toward better quality and fewer product defects. The meetings also provided an opportunity to communicate customers' feedback, including requests and complaints, to our business partners.

Apparel and household products management system



Combating Global Warming

Q I wonder if larger store sizes have led to an increased environmental impact.

A We take many actions to improve the environmental efficiency of our store operations, such as installation of energy-saving equipment and periodic facility maintenance.

Installing appropriate energy-efficient equipment catering to individual store conditions

In 2008, the first commitment period under the Kyoto Protocol finally commenced, calling for a 6% average reduction of green house gas emissions from 1990 levels by 2012. Our industry organization, Japan Chain Stores Association, has also established its target of a 4% improvement of energy consumption per unit from FY 1996 levels by FY 2010.

To achieve these targets, we at Ito-Yokado have been working to curb our environmental impact. We have opened large mall-styled shopping centers—typically consisting of our own floors and 100-200 tenant stores—at an aggressive pace since FY 2005, to meet diversifying customer needs. To prevent such expansion in floor area and store numbers from increasing our environmental impact, we have taken many steps such as installation of energy-efficient equipment and periodic maintenance of store facilities.

As a result, our CO₂ emissions in FY 2007 decreased 1.8% from the previous year to 700,535 tonnes. Our emissions per basic unit (operating hours x total floor areas) were also reduced about 1%.

We have also started other new green initiatives. In Ario Otori opened in March 2008, for example, we introduced solar panels, and low-power, long-life LED lights.

Through the installation of such energy-saving equipment in a growing number of our stores, we aim to reduce the impact of our operations on the environment.

Ice thermal storage system using nocturnal electricity

To reduce the energy use for air-conditioning, we have introduced “ice thermal storage” air-conditioners in Ario Kawaguchi opened in November 2005 and other Ario stores opened since then. Using ice made during off-peak night hours when a lower percentage of electricity is generated from fossil fuel, these devices emit approximately 5% less CO₂ per year than the air conditioners in other stores.

Currently, the equipment is available at five Ario stores and will be installed in newly opening stores.



Ice thermal storage system

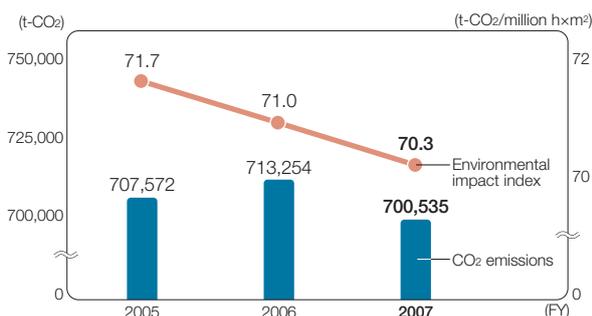
Small, natural gas-fueled cogeneration unit providing electricity and hot water

We have started to install a small-sized cogeneration unit called “Gene-Light” in our stores since FY 2006. The system generates electricity with a natural gas-powered engine and recovers the exhaust heat to provide hot water. Providing both electricity and hot water from a single source, Gene-Light is highly energy- and cost-efficient. Compared with an electricity-powered water heater, it is estimated to emit approximately 15% less CO₂. By the end of FY 2007, the cogeneration system had been installed in 23 stores.



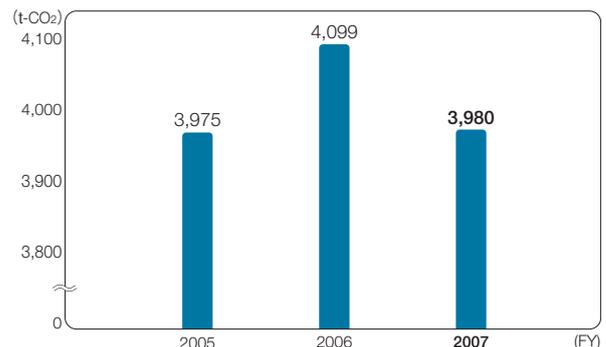
Small cogeneration water-heating system

CO₂ emissions and environmental impact index*



* Total CO₂ emissions/ (total floor areas x operating hours)

CO₂ emissions per store



● **Heat pump water heaters using natural refrigerant**

Our Yokodai and Kofu-Showa Stores have been using heat pump water heaters since August 2006. These devices apply the principle that when air is compressed, its temperature will rise, and vice versa. Using the natural refrigerant of air, the equipment can convert electrical energy to three times more heat energy. The introduction of this system has enabled Kofu-Showa Store to reduce annual CO₂ emissions by some 190 tonnes.

● **On-site electric generator using natural gas**

Our large stores have been supplied electricity from power companies via high-voltage electric transformers. This method has some disadvantages, such as substantial installation costs and space.

To address these problems, we introduced an on-site electric generator in our Akashi Store in September 2004. Compared with a conventional special high-voltage transformer, this natural gas-based system reduces not only installation costs but CO₂ emissions. Currently, such an in-house power generator is available in Akashi, Utsunomiya, Omori and Misato Stores.

● **Continuously adjusting lighting equipment correcting uneven brightness**

We at Ito-Yokado have taken many steps to minimize the electricity use in our store operations. For example, store layout as well as windows' sizes and locations are designed to admit maximum natural light, and light intensity standards are established on a section-by-section basis (e.g., 1,000 lx for apparel section; 1,200 lx for food section). We have also reduced the lighting level and the number of lamps in store backrooms to avoid unnecessary brightness.

In addition, all new stores opened in and after June 2000 use "continuously adjusting lighting equipment," which automatically adjusts light levels on the sales floor. This new equipment has allowed us to slash electricity use by lighting fixtures by 30% on average. We are planning to install this energy-efficient system in new stores on an ongoing basis.



Continuously adjusting lighting equipment

● **LED lights**

In Ario Otori opened in March 2008, low-power, long-life LED lights are installed in its customer restrooms and in-store displays. By using LED lights, rather than conventional lighting equipment, we can reduce electricity consumption in the store by 83,625 kWh and CO₂ emissions by 29 tonnes each year.

Other highly efficient lamps are also introduced in the store, such as 50W lamps that are equivalent to conventional 70W

ceramic metal halide lamps (113,880 kWh less electricity consumption and 40 tonnes less CO₂ emissions each year), and 100-watt lamps that are equivalent to conventional FHT42W-4 fluorescent lamps (116,100 kWh less electricity consumption and 41 tonnes less CO₂ emissions each year).



LED lights

● **Solar panels generating electricity from sunlight**

In the outdoor parking lot of Ario Otori, we have installed solar panels to use a natural energy source for in-store lighting. The system produces electric output of 6.24 kW, generates roughly 7,000 kWh a year, and reduces CO₂ emissions by two tonnes.



Solar panels in the parking lot

Availability of energy-efficient equipment

Type of equipment	Stores	
Ice thermal storage system	Ario Kawaguchi, Ario Kameari, Ario Yao, Ario Nishiarai, Ario Otori	
Heat pump water heaters	Yokodai, Kofu-Showa	
Cogeneration systems	Natural gas-based	Chitose, Yachiyo
	Energy supply (Natural gas or heavy oil)	Akashi, Utsunomiya, Omori, Misato, Ario Sapporo
	Gene-Light	Tsurumi, Yokohama-Bessho, Musashisakai-East Bldg., Omiya-Miyahara, Omiya, Hachioji, Kasai, Nokendai, Nishikicho, Higashiyamato, Tateba, Yamato-Tsuruma, Shonandai, Makuhari, Kokuryo, Higashimurayama, Shinurayasu, Takenozuka, Kawasaki-Minatocho, Espa Kawasaki, Ario Soga, Tama-Plaza, Kaminagaya
NaS batteries	Koga, Oyama, Maebashi, Wako, Mishima, Ario Kawaguchi, Ario Kameari, Ario Nishiarai	
LED lights	Ario Otori	
Solar panels	Ario Otori	
Continuously adjusting lighting equipment	All stores opened in and after June 2000	



Q I hope to see reduced use of transportation vehicles, while maintaining your broad product assortment.

A Through our “logistics reform,” we are reducing the number of distribution vehicles in use and CO₂ emissions.

Reduced environmental impact and greater product assortment through leaner logistics

To simultaneously ensure that our stores offer wide-ranging products which can meet customers various needs and that these products are distributed with less environmental impact, we at Ito-Yokado have been reforming our logistics operations aggressively.

Examples of such reform include the establishment of “Category Centers” starting in FY 1997, where shipments from suppliers (processed food, apparel and household merchandise) are consolidated, sorted out and packed according to store and floor section destinations, and shipped directly to designated sales floors. These distribution centers are operated in 77 locations across Japan (as of February 29, 2008). We also work to reduce the number of distribution trips to stores. For instance, we operate temperature-specific distribution centers across the nation and consolidate shipments in local areas by practicing combined distributions.

In addition, we have been working to use fewer cardboard boxes, and saved 54.5 million boxes in FY 2007. To reduce the consumption, most products are shipped in reusable plastic containers; certain apparel items that are hung up in store are shipped on hangers; footwear items are transported in carts rather than individually boxed; and Japanese-style bedding is shipped in special reusable bags.



Merchandise shipped in reusable plastic containers

● New distribution centers

To reduce logistics-related CO₂ emissions, we are aiming at: (1) fewer distribution vehicles in use and shorter travel distance by implementing combined distribution, (2) shorter travel distance and time by decentralizing distribution centers and (3) fewer distribution vehicles in use by introducing multi-temperature trucks.

During FY 2007, we opened our new fresh produce distribution centers in Ota district, Tokyo in June; Kawagoe City, Saitama in July; and Edogawa district, Tokyo in September. Using these distribution centers that centrally purchase products from markets allows us to reduce annual travel distance by 85,045 km.

● Eco-friendly driving with in-vehicle terminals

Aiming for safe and more fuel-efficient logistic operations, we started to install in-vehicle recorders in our delivery trucks and use the obtained driving data to train our drivers.

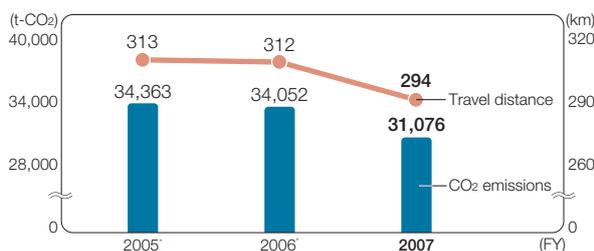
We also held a seminar to encourage “eco-friendly driving” in November 2007, focusing on CO₂ reductions and safe driving. As a result of these efforts, fuel efficiency of our delivery vehicles improved 5% in February 2008 from six months earlier.

Furthermore, we launched the Environmental Task Force with our distribution center operators and contract distribution companies in April 2008 to strengthen our green logistics efforts.



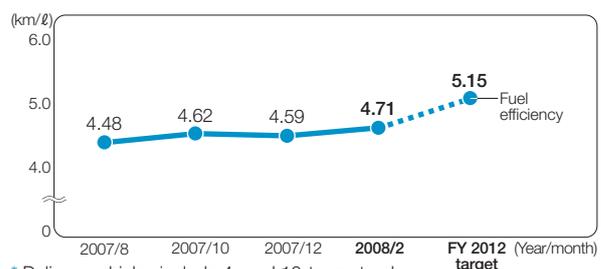
Eco-friendly driving seminar

Distribution-related CO₂ emissions and travel distance per store



* Calculations of the FY 2005 and FY 2006 figures are based on the FY 2007 actual fuel efficiency of 4.18 km/L.

Fuel efficiency of delivery vehicles*



* Delivery vehicles include 4- and 10-tonne trucks.

Waste Reduction

Q How do you dispose of unsold food products?

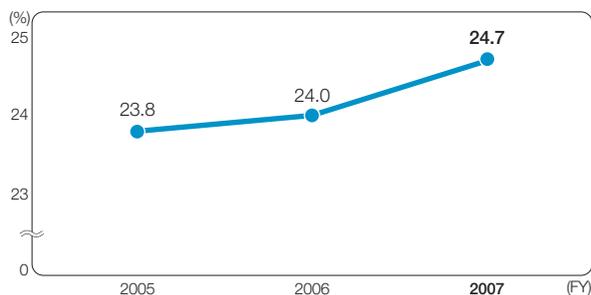
A Together with our contract waste management companies, we recycle them to make compost and livestock feed.

Reducing and recycling food waste to achieve a recycling target of 45%

Under the Food Waste Recycling Law revised in December 2007, food retailers need to achieve a food waste recycling rate of 45% by 2012. Ito-Yokado believes achieving this legal target and making contributions to creating a recycling society is a part of our important responsibilities. We thus have been working to generate less, and recycle more, food waste.

We have established food waste recycling systems in 32 stores (as of February 29, 2008), where unsold food products are used to make compost and livestock feed, or treated by using accelerated biodegradation methods (liquefaction, volume reduction). Our food waste recycling rate in FY 2007 improved 0.7 percentage

Food waste recycling rate



points from FY 2006 to 24.7%.

We are planning to expand the food waste recycling system to a greater number of our stores, especially in the Kanto region.

● Food Waste Recycling Financial Support Program covering part of recycling costs

To promote food waste recycling, we have offered the Food Waste Recycling Financial Support Program from FY 2002. In this program, we cover a part of recycling costs incurred by our contract food waste disposal companies. A total of 23 stores used this system as of February 29, 2008.

● Reduced cooking oil usage by prepared food section

Our prepared food section offers various in-store cooked items, including deep fried food. The section strives to reduce cooking oil consumption by developing and following its own rules, which specify how to use fryers and control cooking oil quality and temperature, and so on.

During FY 2007, we also improved the method of straining the used oil and adopted narrower fryers that use less oil. These actions helped us to reduce cooking oil consumption by 600 tonnes from the previous year to 2,890 tonnes, and waste cooking oil disposal by 396 tonnes.

TOPICS

Offering fresh, safe and reliable vegetables grown in a “recycling loop”

Ito-Yokado is working to develop a recycling loop to help reduce food waste and create a recycling society. In this system, food waste generated by our stores is used to make compost. The compost is then applied to soil to grow vegetables, which come back to our stores as products.

In July 2007, in cooperation with contract waste management companies, we started to make compost from food waste collected from our selected stores in Chiba, i.e., Anesaki, Ichihara, Makuhari, Usui, Yotsukaido and Yachiyo Stores, and sell cabbage and corn grown with this compost in our Anesaki and Ichihara Stores. Vegetables grown in such a process are popular among local customers because these locally produced products are reliable and farm-fresh.

In FY 2008, we are expanding this recycling loop network even further, e.g., inclusion of Odawara Store in Kanagawa in the participating stores, and launch of our agricultural production corporation (p.17).



Vegetables produced in a recycling loop

Eco-friendly Products and Service

Q How can I make a difference for the environment through my daily life?

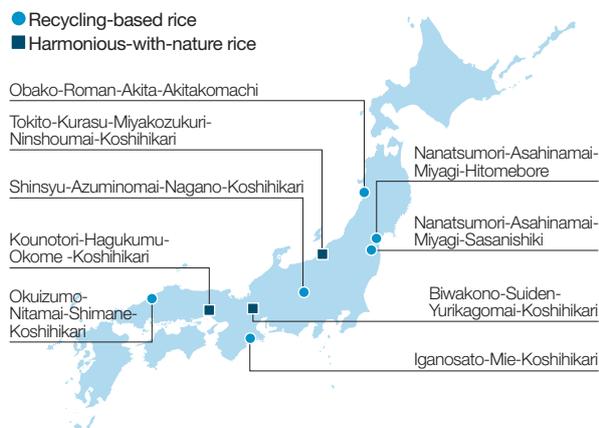
A We offer a variety of products that have low environmental impact and contribute to natural conservation.

Safe, eco-friendly rice grown by using recycling-based and biodiversity-conscious farming methods

Our house brand rice *Atataka* offers safe and quality choice to our customers. Since October 2006, new items have been added to this brand: rice grown in a recycling-based agricultural method. To cultivate such rice, compost and livestock feed made from rice straw and bran are used to grow vegetable and raise cattle, and then cattle manure and vegetable scraps are used to make organic, fully mature compost, which is applied to rice paddies.

From September 2008, we offer additional eco-friendly rice products sequentially. These new products

Location of “recycling-based” and “harmonious with nature” rice farming



are produced in a “harmonious way with nature.” The cultivation not only uses less pesticide and chemical fertilizer but also aims to conserve biodiversity by using rice fields which can be wildlife habitats. Part of the proceeds from these products will be used to improve the environment of the rice-producing regions.

Fair trade and eco-friendly products

We actively promote environmentally friendly products to meet growing customers’ awareness of environmental issues. Examples of such products include Rainforest Alliance Certified coffee, which have been offered in our stores since FY 2007. Rainforest Alliance is a New York-based nonprofit organization, which certifies coffee, bananas and other agricultural products grown in rainforests that satisfy its standards, such as appropriate payment to the producers and nature-friendly farming. Selling such products will help consumers’ contribution to rainforest protection and Fair Trade promotion. We also offer Bird Friendly Coffee, another certified coffee brand aiming for environmental conservation.

To support our customers’ purchase decision, we also created an organic food section in the food department of selected stores (16 stores as of September 30, 2008), where various organic food items, including coffee, juice, jam, sugar, black pepper and other condiments, are available.

TOPICS

“ecoRIBBON” campaign for collaborative green efforts with customers and local communities

From FY 2008, Ito-Yokado’s environmental activities are called ecoRIBBON campaign, aiming to take our environmental activities across our operations—including product and service offering, store equipment and operations, and logistics—to the next level.

The word “ribbon” in ecoRIBBON represents connection. Connected with customers, we aim to promote “environmental activities in our daily lives.” In line with this policy, ecoRIBBON label is marked on our products and activities that meet the standards we have established in consultation with three external advisors (experts in consumer affairs, CSR, environmental issues). The first ecoRIBBON products were organic cotton T-shirts and casual shirts, available in our stores from April to July 2008. Part of the proceeds from these shirts are donated to an environmental nonprofit organization named Fujisan Club. We have also prepared booklets of ecoRIBBON for customers and employees respectively to introduce ideas of eco-friendly daily lives and provide environmental education.



Q Have your plastic bag reduction efforts been making progress?

A We are encouraging our customers to bring their own shopping bags to save resources and prevent global warming.

Introduction of paid-for bags and other various steps to reduce plastic bag use

Among retailers' environmental agenda, the reduction of plastic bag consumption is a particular focus of public attention. To this end, the Japan Chain Stores Association has set an industry-wide target, i.e., a 30% plastic bag refusal rate by the end of FY 2010.

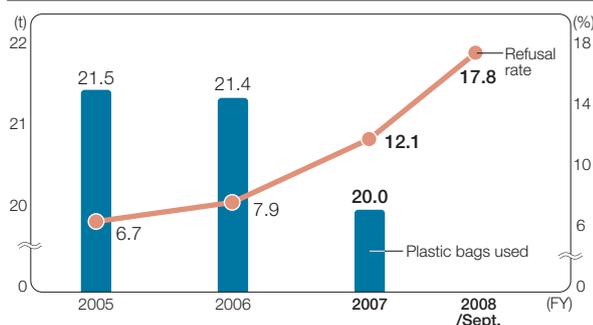
We at Ito-Yokado have been taking various steps toward this goal. For instance, we established and follow our detailed criteria for plastic bag distribution. We offer "No Plastic Bags" cards at checkout stands and a "stamp card" program, where a card with 20 accumulated points (each purchase without receiving plastic bags earns one point) can be used as a shopping certificate. We also sell our original reusable shopping bags in our stores.

Furthermore, we experimentally started to charge fees for plastic bags in Wakabadai Store in Yokohama City in June 2007, which has currently been expanded to 14 stores (as of October 2008). These experiments have proven that charging a fee is a very effective approach; average refusal rates in the test stores have been somewhere between 80 to 85%.

We also work to give back to local communities through these experiments. In the Wakabadai Store, we purchased environmental education materials with the proceeds from the plastic bag fee and donated them to local elementary schools.

As a result of all these efforts, our plastic bag consumption in FY 2007 was reduced by 263 tonnes from a year earlier to 3,576 tonnes. Customers' refusal rate of plastic bags has also improved to 17.8% (as of September 30, 2008).

Plastic bag refusal rate (food section) and consumption per store



Material and application improvement to reduce food packaging consumption

Our reduction efforts are not limited to plastic bags. We have worked to consume less packaging materials that are used for prepared boxed meals and side dishes, fresh food, and other food items. Through the adoption of thinner containers and the promotion of unpackaged or sell-by-weight sales, our food packaging materials usage in FY 2007 was reduced by 34 tonnes from FY 2006 to 2,298 tonnes.

Meanwhile, we have been using more paper containers, which have less impact on the environment than plastic ones. In FY 2008, we aim to reduce our total food packaging consumption by another 5%.

● Food trays with "detachable" surface film

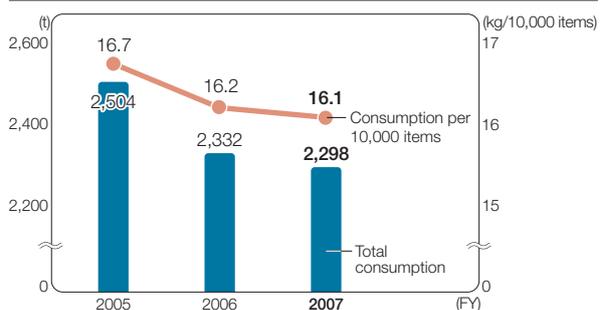
We have adopted "Hagaseru (detachable) trays" since FY 2001 to improve our recycling rate of food trays. The surface film of the trays, usually with color and patterns, is easy to detach.

Introduction of such trays to 22 food items (as of February 29, 2008) has allowed us to recycle 83% of the trays we use in our stores, including plain white ones.



Hagaseru tray
An eco-friendly tray whose surface laminate film is easy to detach. The resulting white tray can be recycled.

Food packaging consumption



Safe and Comfortable Stores

Q I hope your stores provide a comfortable shopping experience to everyone.

A We have incorporated many universal design principles as well as safety measures into our store facilities.

Preventing escalator-related accidents and keeping stores injury-free

We strive to maintain a safe store environment to protect our customers from any injuries in our stores.

In FY 2007, we strengthened safety measures for escalators in response to many escalator-related accidents occurred in commercial facilities in Japan. All escalators in our stores are now equipped with a device to prevent riders' heads and other body parts from getting caught. We also alert customers to the danger of riding escalators wearing certain types of sandals by posting signs and playing PA announcements. In addition, escalators in eight stores operate at a slower speed (as of March 31, 2008), based on the findings and recommendations of the Tokyo Fire Department's study group report regarding the prevention of escalator-related accidents in March 2005.

Furthermore, our annual safety measure training provides opportunities for all the employees of our stores and their tenants to reinforced their understanding of our escalator safety rules, such as how to make an emergency stop; where the sensor is located; the necessity to advise children to stop playing around the escalator; and employee's regular safety inspections by using the escalators during store hours.



Escalator safety training

Universal Design Project to increase safety and convenience of our stores

Ito-Yokado welcomes various customers to our stores every day. To provide a comfortable shopping experience to all customers, our newly opened and remodeled stores have been introducing barrier-free elements since 1994, including wheelchair-accessible parking space and fitting rooms, and Braille signage. Aiming for the next level, our Kiba Store opened in November 2000 and subsequent new stores have incorporated universal design (UD) features into their store facilities, equipment and fixtures.

Ario Otori, opened in March 2008, has promoted UD elements through a cross-sectional project team, representing the department responsible for store equipment and fixtures and each of the other departments. With advice from a UD expert, many UD facilities are introduced in the store, such as intercom systems for universal use, wheelchair-only car parking spots, and multi-use and audio-guided restrooms.

To communicate our UD efforts to, and receive feedback from, local communities, we also invite senior and disabled neighbors to our new stores before their official launch.



Multi-use restroom

TOPICS

Communicating the importance of the environment and universal design through the special exhibition section in Ario Otori

Shoppers in Ario Otori can visit the "Eco and UD (Universal Design) Section," created on the theme of "becoming earth-friendly and people-friendly." In addition to presenting Ito-Yokado's related activities, this exhibition section offers educational experiences. In October 2008, four hands-on study events for local elementary school students were held in partnership with Sakai City's Board of Education. The students learned about environmental protection and universal design through a booklet and our explanation on related facilities and equipment in the store.



Hands-on study event for local elementary school students

Giving Back to Our Communities

Q As well as merchandise, I would like to receive useful everyday life information and service.

A We have created exclusive sections of maternity and parenting consultation service and of senior customers' products and service in our stores.

Listening to future neighbors from a planning phase to contribute to the communities' further growth

When planning to open a new store, Ito-Yokado has the store manager and key employees of the store relocate to the intended area approximately one year in advance of the scheduled opening. By listening to local residents and conducting market research, we develop our store plan catering to local needs and characteristics. We also meet with local residents, in accordance with the Large-scale Retail Store Location Law, to explain the overview of the new store and planned measures to address possible concerns, such as traffic, noise and waste. Received feedback at the meetings is incorporated in our store plan, through which we aim to become a welcomed new member of the community.

In the explanatory meeting for Ario Otori opened in March 2008, many neighbors voiced their concern about traffic congestion and crime. In response, we have developed and implemented our traffic control plan (e.g., new road construction and alleviated opening hours congestion by our traffic controlling and guarding program) under guidance from the local government and police, to facilitate the convenience and safety of local traffic systems. A police patrol office was also established in the store front to guard the local community.

The opening of Ario Otori is more than just an addition to our store network: it contributes to community revitalization and renewal. The neighboring area, adjacent to the south of Sakai Otori Station, is among designated areas of the nation's urban redevelopment program. The launch of the store was proposed and implemented in this context. Within the area, a range of city facilities have also been newly developed, or are under development, such as a park with emergency response facilities, a nursery, housing facilities for senior citizens, and three condominium towers.



Ario Otori



Police patrol office

Maternity and Children's Education Centers supporting local parents

A growing number of parents feel they don't have someone nearby to ask for parenting advice, reflecting social changes, such as the increase in the percentage of nuclear families and declining birthrate. Overload of child raising information also makes it difficult for many parents to decide which advice to follow. We reach out to such parents at our Maternity and Children's Education Centers, which have been operated within our stores' Baby Rooms since FY 1975.

Customers can casually drop by the center during their shopping trips to receive complimentary consultation from our qualified counselors, who offer 2-9 advisory sessions on prenatal health care and parenting each month. During FY 2007, a total of 310,769 visits were paid in 133 stores.

The Centers also provide parenting classes and socializing forums for parents. During FY 2007, aggregated 6,700 families participated in 876 events on various themes, including potty training (one of the major headaches for parents), and touch therapy and baby exercise to learn about the importance of touching and physical contact between parents and babies.

In addition, our counselors visit local governments regularly to promote the Centers' activities, and receive updates on public service for parents and children to be used for future advice. These visits have helped the Center to earn greater recognition and trust from the local communities. Some customers came to us for counseling or body measurement with referrals from public health centers and other public authorities.

Our efforts through the Centers were recognized by the Ashitano Nihon-wo Tsukuru Kyokai foundation with its FY 2008 community contribution award program. Ito-Yokado received the Chief Cabinet Secretary Award in the corporate citizenship section of the program.



Reliable Support Shops developed from senior customers' feedback

According to the Cabinet Office's FY 2008 white paper on Japan's aging society, the elderly population aged 65 and older in the nation was 27.46 million people as of October 1, 2007, which is the highest ever. This age bracket accounted for over 21.5% of the total population. A total of 4.251 million people or 16% of the senior citizens were registered as "those who need nursing care and support," as of December 31, 2004.

As these figures indicate, Japan's population is aging rapidly. Given this, supporting seniors is one of our important responsibilities at Ito-Yokado in that we aim to serve as a Life Base of local communities. In line with this belief, we launched a senior care product section in our Oimachi Store in 1997. However, subsequent communication with customers taught us that there was room for improvement in this section, including: (1) the section offered senior care products only, thus did not meet the needs of many senior customers, who face declining physical abilities but do not need nursing care, (2) many customers were unsatisfied with the products' style, such as color, pattern and design, and (3) many seniors sought someone to consult with, for example someone who can explain how to use senior care products.

Based on such feedback, we opened "Reliable Support Shops" within our stores in August 2004, offering not only senior care products but apparel, household and food items that can satisfy style-conscious senior customers. In the shops, two to three qualified employees, who passed the governmental certification program on senior care products, listen to and talk with customers to assist their shopping (the availability depends on time of the day).

Reliable Support Shops are located within our 101 stores across Japan (as of February 29, 2008).



Reliable Support Shop

Health Care Stations supporting customers' health management

In recent years, Japan's health care systems have been revised dramatically in response to increasing number of patients with lifestyle-related disease, and the aging society. The latest changes include the introduction of a new health checkup and guidance program for 40 to 74 year-old insurance policy holders in April 2008. The program, subject to medical insurance coverage, is designed to early detect existing and soon-to-be patients of metabolic syndrome and to encourage balanced diet and regular exercise. Against this backdrop, we support our customers' health management at our Health Care Stations in selected stores (Matsudo, Inuyama and Ichihara Stores), where customers can check their body condition, e.g., blood pressure and body fat, and receive dietary consultation.



Health Care Station

Health and Comfort Reliable Support Shop supporting seniors' lives both by products and service

Leveraging on our experience in the Reliable Support Shops and the Health Care Stations, we started an innovative section to meet a wide range of needs of senior customers and society, named "Health and Comfort Reliable Support Shop," within our Ichihara Store in March 2008.

The shop aims to provide a place of holistic support for seniors, primarily through the sales of senior care products, operation of a fitness facility, information provision of local nursing care service, and health check and dietary consultation. Restroom equipment for ostomates and wheelchair-accessible fitting rooms are also available within the Shop.



Fitness facility for seniors



Dietary consultation counter



We are building and maintaining good relationships with part-timers who are roughly 80% of our employees, and with approximately 6,500 business partners.

Career Promotion Choice Program enabling flexible working styles

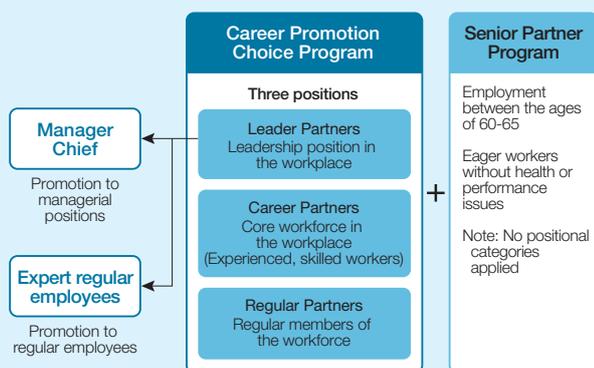
At Ito-Yokado, part-timers account for approximately 80% of the total workforce (as of February 29, 2008) and increasingly play important roles in overall store operations, from sales and customer service to employee education and management. At the same time, part-time employees have wider-ranging objectives, needs and availability with regard to their jobs. Therefore, developing a HR system that can accommodate these facts is important for us.

Given this, we have a new HR system in place from March 2007. Key changes in the new system include: (1) part-time employees can select their working styles through the “Career Promotion Choice Program,” (2) employees are evaluated and rewarded in a more performance-based manner, and (3) employees can continue working until the age of 65 through the “Senior Partner Program.”

Under the Career Promotion Choice Program, part-time employees assume one of three positions—“Regular,” “Career” or “Leader”—depending on their roles, job nature, and required skills and experience. Promotion is available for those who apply. Employees can therefore choose to opt out of promotion if they wish.

Using this new program, approximately 250 part-timers had become regular employees (“Experts”), and about 1,650 and 2,400 part-time employees had been promoted to Leader Partners and Career Partners, respectively, by March 1, 2008.

Career Promotion Choice Program and Senior Partner Program



Skill Contest for Perishable Department Part-Time Employees to nurture higher skill levels

At Ito-Yokado, we actively support our employees’ voluntary efforts to enhance their professional skills and mindset.

In the perishable department, where improved staff skills directly contribute to greater product competitiveness, we have conducted the Annual Skill Contest since 2005 for the part-time employees working in the sections of meat, fish, sushi, and prepared food. Finalists, selected as a result of store-level screening and regional zone-level preliminaries, compete with each other, demonstrating their food preparation skills by actually making their major products in the Contest.

In line with this event, we also focus on employee training, mainly on skill development. Various training opportunities are provided, such as on-the-job training under the guidance of managers, on-site education by our trainers who travel around stores, and group training based on skill levels. Approximately 1,900 employees participated in these training programs during FY 2007.

Fair Trade Committee for fair working relationships with business partners

As declared in our corporate creed, Ito-Yokado aims to be a “sincere company that our business partners trust.” Therefore, we strive to ensure fair business, and develop and maintain trusting relationships with business partners, under the leadership of the Fair Trade (FT) Committee and the FT Committee Office, created in 1999.

The FT Committee Office regularly inspect our trading practices to see if there is any abuse of dominant bargaining positions, such as improper demands for product returns/discounts and personnel dispatch, refusal to receive ordered products, and purchases at unreasonably low prices. This organization also focuses on training of Buyers (sourcing representatives) and Distributors (personnel responsible for product assortment propositions, inventory level decisions, and distribution). Other initiatives by the Office include the development and distribution of easy-to-understand guidebooks on regulatory requirements regarding fair purchase and sales practices.

