

Peace, Prosperity and Retailing

Founder and Honorary Chairman of
Aeon Co.,Ltd.

Takuya Okada

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Nikkei Publishing Inc.



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Recent photograph of the author



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Foreword

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AEON announced its future strategy in 2010, stating that it aimed to address the issues of aging society, declining birth rates, and urbanization in Japan, and to focus its overseas expansion on China and ASEAN countries.

In March 2004, I was asked to write in a column “Watashi no Rireki-sho” (My Résumé) in the Nikkei Shimbun. Then in March 2005, I was given an opportunity to revise the manuscript and publish it as a book titled *Prosperity of the Retail Industry is a Symbol of Peace*. Seven years have passed since, during which time, we have seen the globalization of the retail industry progressing far more rapidly than expected.

I am now working with the AEON Environmental Foundation and the AEON 1% Club. In the course of my duties, I have often traveled to ASEAN countries and met with many leaders in various fields. At such times, I could not but feel that I wanted them to have a better understanding of me and of AEON, and I thought that a good way to do this might be to translate

the aforementioned book into English. I therefore made a request to the Nihon Keizai Shimbun, and thanks to their cooperation, the publication was realized.

Twenty-seven years ago in 1985, we opened our first overseas store in Malaysia. I take pride in knowing that I have contributed, even if a little, to modernizing the Malaysian retail industry, as personally requested by the former Prime Minister Mahathir. We have since proceeded with our overseas strategy and expanded into Thailand, Hong Kong, Guangdong, Shandong, Beijing and Tianjin. We have seen an especially significant growth in ASEAN countries, and I hope that AEON will actively continue to develop stores in the future, with the firm belief that the modernization of the retail industry brings peace and better life to the people in the communities.

Lastly, I would like to thank the Nikkei, Ms. Mieko Nakajima, Timo Associates, Inc., and Mr. Yoshihiro Sano, advisor to AEON Co., Ltd., for their efforts in publishing this book.

Takuya Okada

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Chapter 1

Attaching Wheels to the Central Pillar

Showing Gratitude by Reforestation in Japan and Asia

I love the season when tree buds burst open. Come the end of March, cherry trees will be blooming in Okazaki Park and along the Iga riverbanks, drawing thousands of citizens outside for cherry-viewing.

I have a special place in my heart for Okazaki City in Aichi Prefecture. It is the city where Okadaya, which began operations in Yokkaichi, first opened a store outside Mie Prefecture. That was February of 1965, and we commemorated the event by planting seven hundred cherry tree saplings in the city's parks and riverbanks. The saplings have now grown into fine trees. This gave rise to the current "AEON Hometown Forest Program," our tree-planting activities in Japan and Asia.

I was born in 1925 as the seventh generation successor of Okadaya, a kimono store which was founded in Yokkaichi over two hundred years ago. I took over as President soon after the Second World War, and through several tie-ups and mergers, established JUSCO. I later succeeded in list-

ing twenty companies on the stock markets in Japan and abroad, including JUSCO, AEON Credit Service Co., Ltd., MINISTOP Co., Ltd., and a U.S. women's apparel store, The Talbots, Inc. We now have the pleasure of serving several million customers every day, and our consolidated sales exceed five trillion yen.

Cherry blossoms disappear gracefully. I'd often heard many founders say how difficult it was to disengage from the business they'd built, because it was so much a part of themselves. So I began thinking about my retirement early on, soon after turning 50.

In 1984, when I was 58, I retired as President of JUSCO. Then in 2000, just before the beginning of the 21st century, I withdrew from all my executive posts within the group at the age of 75. I'd already decided that in 2001, I would change the name of the company to AEON as a symbol of our determination to change. Born in the 14th year of the Taisho era (1912-1926), I aged along with the Showa era (1926-1989). I was an executive of the 20th century.

Now at 86, I have lived beyond the average life expectancy for Japanese men. However I would like to maintain my relationship with the retail industry that I dearly love, and do what I can to show my gratitude to the people of Mie and all over Japan for supporting us and making us what we are today.

Back when I was born, there were fields of canola flowers covering the foothills of the Suzuka Mountains. It was a beautiful sight, just as described in "Nanohana doki made" (Till Canola Flowers Blossom) a novel set in Yokkaichi, the hometown of the author, Fumio Niwa. I also remember well a speech that was delivered not long after the war by Hideaki Ishikawa, a professor of Waseda University, in which he fervently expressed his concern and cautioned that Yokkaichi should never be allowed to become the second

Shimizu Harbor. He had stressed the importance of achieving both economic development and environmental protection.

And yet after the war, during the rapid economic growth period, Yokkaichi changed. Beaches of white sand and beautiful green pine trees became industrial complexes fuming with smoke. I saw the transition with my own eyes. At my house, five kilometers from the beach, nandina growing in the garden stopped bearing fruit. Magnolia ceased to flower and cedar trees died. It wasn't only trees, grasses and flowers that suffered. People began to develop asthma. The term "pollution" came into being and raised awareness of the need for its prevention. This is why I have made environmental protection my life's work. "Human civilization flourishes where there is water and greenery. It then dies eating everything away." These words by the philosopher, Takeshi Umehara, still remain ingrained in my heart.

I began to take action in places close to home. In 1991, we started planting trees with the people in the community every time we opened a new shopping center. We also went overseas and planted trees in such places as the Great Wall. We have planted over 9.5 million trees with a total of five hundred thousand participants who, like me, eagerly await the budding of trees every year.

In 1992, I participated in the Earth Summit (United Nations Conference on Environment and Development) held in Rio de Janeiro, of Brazil, as a representative of an NGO (non-governmental organization). On my way, I stopped by Santos, the place where immigrants from Japan first set foot in Brazil. The city was prospering from the petrochemical industry, but a look from a different perspective made me see that Santos, with its gray skies, polluted rivers, masses of garbage and stench in the air, was very much like Yokkaichi of old times. At the conference, I felt indeed that the "global environment issues are urgent problems that need to be addressed right away."

AEON is currently conducting fund-raising programs at approximately eight thousand stores and offices, and donates funds to NGOs that work to preserve the environment and to make contributions to society. Our stores give us a great advantage, as they enable us to seek contribution from many people. Through various foundations, we have steadily moved forward with our community service activities, including the building of schools in developing countries.

There is something I am concerned with just as much as I am with the environment, and that is war. War has now become the biggest factor of environmental destruction. War devastates not only the environment, but also the culture and the heart and soul of human beings.

Those of us who have experienced war know how precious peace is. It is only in times of peace that people can live happily at ease. Retail business is an industry that can thrive only in peace. It is a symbol of peace. This is why I have strived to create a world in which the retail industry can grow. This has been my path.

My Father, the Sixth Soemon, and His Meeting with Eiichi Shibusawa, the “Grand Old Man of Japan”

I don't know my father, the Sixth Soemon, and I don't have much memory of my mother, Tazu. My father died of a valvular disease of the heart when I was two, and my mother died of tuberculosis when I was ten. When I was born in September of 1925, I had five older sisters but by 1945, I'd lost two of them to illness.

Still, I didn't feel too lonesome. My other sisters and employees of Okadaya were always around to play with me, and through them, I learned



My father, the Sixth Soemon

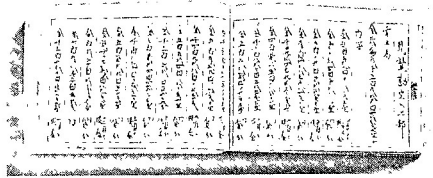
about my father and the history of Okadaya. For example, they said they could tell the economic conditions in the Yokkaichi area by the number of customers lined up for the New Year sale at Okadaya. One of the major industries of Yokkaichi at the time was the refining of canola oil. If a long line formed on the eve of the sale, this meant that canola oil prices were up and times were good for the farming communities. On the other hand, a short line meant that oil prices were low and that times were bad. It was also said that girls from farming communities who bought grab bags at Okadaya during its New Year sale would become good hard-working wives.

Okadaya was established in 1758, and for generations, peddled cotton and linen yard goods and daily commodities in the Yokkaichi area, carrying their wares on shoulder poles. The person who greatly changed the method of selling was my grandfather, the Fifth Soemon. Around 1900, he

introduced the concept of selling merchandise at fixed prices. Till then, merchandise had codes on them called *fucho* that signified their purchasing cost. The seller decided on the selling price of each item referring to this code, while the buyer came up with this and that method to try to get the seller to reduce the price. This bargaining between the seller and the buyer was, in a sense, the fun of trading. However selling in this manner created unfairness, for it meant there were different prices for regular and first time customers. My grandfather wanted to be fair, so he decided to implement a method that would give everyone the chance of buying merchandise at the same price. He also used a double-entry bookkeeping method incorporating the ideas of balance sheet and profit and loss statement, which was at the time, very innovative.

In the summer of 1920, the post-World War I investment fever suddenly died down, and the prices of cotton and silk threads fell drastically. By this time, the Fifth Soemon was often feeling ill, and the sixth generation successor, Soichiro, was managing the business. However, unable to come up with a workable idea to deal with the falling market prices, he sought his father's advice. It is said that Soemon responded without hesitation. "Consider all the merchandise in stock to have no monetary value." Giving up hope of making any profit, Soichiro sold off his inventory at extremely low prices. Then with the money from the sales, he stocked the store with goods whose prices had fallen and resold them for profit. He repeated this procedure. From this experience came the family precept, "make profits when prices are falling, not when they are rising."

In 1926, Soichiro, who had succeeded his father to become the Sixth Soemon, made a big decision. Using profits from the sales as capital, he restructured the family business as a joint stock company and established Okadaya Kimono Fabric Store. There were other retailers who had estab-

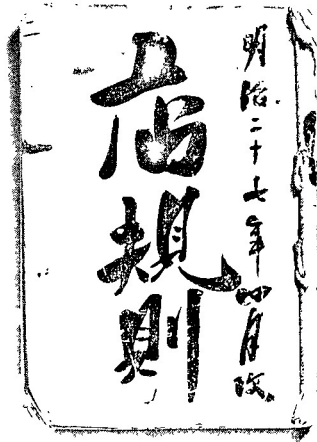


Account books (using a method similar to the present day double entry accounting)

lished joint stock companies, but they were long-standing department stores like Mitsukoshi and Daimaru. I believe Okadaya was the first local retailer to implement a modern management system. The company faces its 87th anniversary as a stock company in 2012. We also changed our business from a kimono specialty store and expanded our line of products to include Western clothing, for there was clearly a need as modernization took hold of Japan. In order to sell Western clothing, it was necessary to offer underclothes and shirts as well. My father had them made at a sewing shop that he had business with, requesting that they be made according to Okadaya specifications.

Of course, these are things I have only read about in the history records of Okadaya. I never really knew what my father was like. My grandfather, too, had already passed away before I was born.

It was only after the war and by coincidence that I learned these things about my father. When I was demobilized in September 1945, I went home to find that the air raid that struck the city of Yokkaichi in June had burned



Store Regulations (includes employment regulations, compensation regulations, accounting rules and procedures, good employee practices)

the Okadaya store and our house to the ground. But miraculously, our mud-walled warehouse had escaped destruction. I was looking through the warehouse when I came across my father's diary and Okadaya's books and store regulations.

I read through his diary. There was a lot written about his younger days when he was about my age.

My father attended Yokkaichi Commercial School (current Yokkaichi Commercial High School) and followed a training course in door-to-door sales. In 1902, he decided, along with five of his friends, to go see Eiichi Shibusawa, the "Grand Old Man of Japan," who established the basis for Japan's capitalism, and who was at the time, Chairman of the Tokyo Chamber of Commerce (current Japan Chamber of Commerce and Industry).

Six students from the countryside, aged 16 and 17, headed east along

the Tokaido route to Tokyo, selling products from Yokkaichi and Kuwana along the way to earn money to travel further east. On the eleventh day after leaving Yokkaichi, they met with Mr. Shibusawa at the Tokyo Chamber of Commerce.

Mr. Shibusawa was President of the Daiichi Bank (First National Bank) who orchestrated the merger between Osaka Boseki (cotton spinning company) and Mie Boseki headquartered in Yokkaichi to establish Toyobo. Perhaps the meeting took place because of this connection he had with Yokkaichi. The meeting was short, lasting only two minutes, and most likely, everyone only got a handshake from the great man. Even so, my father described the meeting as an event “so moving I could never find words to express it.”

There is no doubt that the meeting with Mr. Shibusawa had a great influence in Okadaya’s decision to incorporate modern management methods. I read over my father’s diary and thought I too must have a goal in life.

Proudly Going to School Carrying a School Bag

Born after five girls, I was the son my parents had long waited for. As I was to be his successor, my father wanted to choose a good name for me.

He first asked a friend, a priest of a local Suwa Shrine who had a degree in philosophy, to give me a name. However, he refused saying that the task of naming the eldest son was too much for him, and my father ended up seeking the help of a famous master in Tokyo. The name the master gave me was “Takuya Okada.” He said it was a perfect name, that according to his fortune telling, the number of strokes required to write out my name would bring me much luck and prosperity.



Author in grade school

Later, when I was a young man working at Showa Denko K.K. in Yokohama under the government's labor mobilization plan, I went out to Isezakicho to have some fun. I happened to see a fortune-teller and when I consulted him, he told me that with such a name and surname, I would be safe even if I became a soldier and went to war. That was reassuring. Whenever I felt worried or anxious, all I had to do was remind myself that I was lucky.

When I was small, the household consisted only of women, and it seems I referred to myself as *watashi*, as soon as I began to speak. There are several ways of saying "I" in Japanese, and since *watashi* is a rather feminine word, my family was concerned. But when I started to practice baseball with the Okadaya baseball club at the age of five, I began to call myself *ore*, a casual word used by men, putting everyone's fears at rest.

In 1932, right before I entered Yokkaichi Daiichi Jinjo Koto Shogakko



At a grade school sumo tournament (The author is second from the left)

(current Chubu Nishi Elementary School), a shiny black school bag was sent to me from Manchuria. The sender was Hirojiro Ishizaki, one of my father's friends from Yokkaichi Commercial School who went with him to see Mr. Shibusawa. After graduating from the commercial school, Mr. Ishizaki went to Toa Dobun Shoin University in Shanghai, and established a trading firm in Manchuria called Ishizaki Yoko. He later became Chairman of the Changchun Chamber of Commerce.

Back in those days, we went to school in kimonos, and the only children who had school bags were boys whose fathers were bank managers. I loved my school bag and proudly carried it to school for six years.

Soon after I started school, my mother moved for recuperation to our second house by the beach in Tomidahama, Yokkaichi. Every Saturday evening, a young employee at the store put me on the back of a red bicycle that was used for out-of-store sales, and drove me there to see her. I stayed at the

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