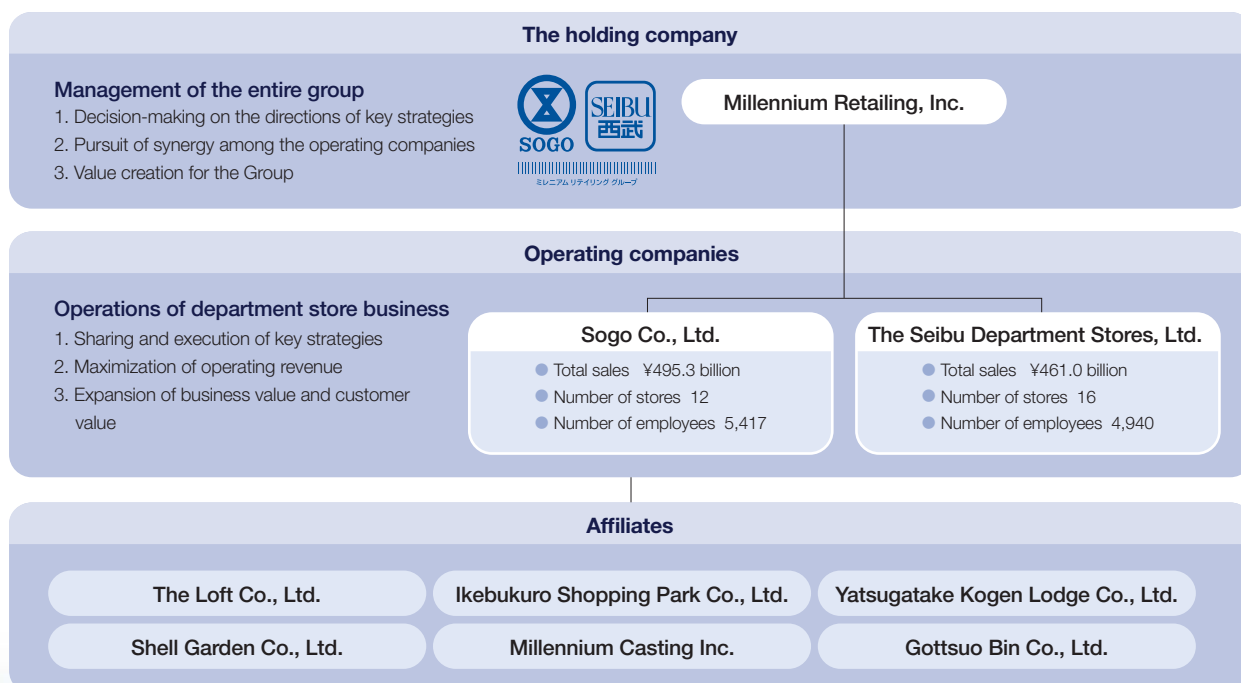


With a wide selection of quality merchandise meeting customers' expectations, we strive to satisfy each and every customer's needs.

Millennium Retailing Group was created in June 2003 as a result of the integration of Millennium Retailing, Inc. (formerly, Sogo, Inc.), Sogo Co., Ltd. ("Sogo"), and The Seibu Department Stores, Ltd. ("Seibu"). Within this new department store group, Millennium Retailing functions as the headquarters of the entire group, while Sogo and Seibu, operating companies, are engaged in

department store business.

As a one-stop consumer goods retailer group who delivers delight and satisfaction to customers, Millennium Retailing Group addresses diversified customers' needs with a wide assortment of quality merchandise that builds and retains brand loyalty of Sogo and Seibu, and caters to local and store-specific characteristics.



Our CSR focus

● Delivering differentiated, department-store-specific value through our merchandise

We offer wide-ranging merchandise, from apparel to home design products and food, in Sogo and Seibu stores. We examine the quality of these products using various methods in order to ensure all our products deliver appropriate value that meets customers' expectations. We take heed to food safety in particular as the issue is of growing public concern. We voluntarily inspect our food products against our hygiene control standards, which are stricter than regulatory requirements. In addition, we receive external inspections by a third party to check the sanitation levels of all our stores' food-related facilities. Furthermore, we hold relevant explanatory meetings for business partners to ensure their appropriate hygiene control practices in our stores.

● Offering a safe, comfortable shopping experience with enhanced facilities and customer service

Many Sogo and Seibu stores are adjacent to train station facilities, and various types of customers visit our stores

every day. To make sure all customers enjoy a safe, comfortable shopping experience, we have started to adopt barrier-free facilities and Automated External Defibrillators (AEDs) in our stores. Universal design approach can be found in our customer service too. For instance, our store staff are encouraged to become qualified "Customer Care Advisors" to deliver better shopping assistance.

● Rigorous personal information management

Managing personal information appropriately to prevent its leakage, theft and misplacement is one of our key priorities, especially given that many customers use their membership cards and credit cards in our stores. As a part of our efforts to this end, we established "Seven Prohibited Actions" with regard to employees' personal information treatment, and ensure our employees' compliance with these rules. We also work to ensure appropriate information management by business partners by providing related training and requiring the submission of "commitment statements."

Corporate profile (as of February 29, 2008)

Establishment: July 1952 (as the founding entity of former Sogo, Inc. The current group was established in June 2003)

Headquarters: 1-30, 2-chome, Kudan-Minami, Chiyoda-ku, Tokyo 102-0074, Japan

Nature of business: Supervision of, and auxiliary activities pertaining to, the operating companies, including department stores.

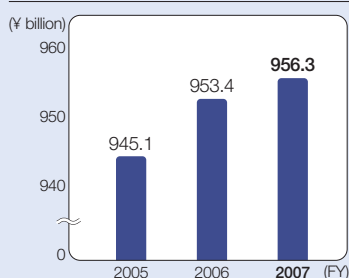
Paid-in capital: ¥37.7 billion

Total sales: Sogo: ¥495.3 billion; Seibu: ¥461.0 billion

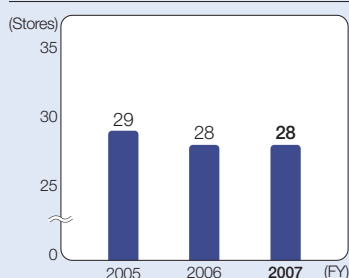
Number of employees: Sogo: 5,417; Seibu: 4,940

Number of stores: Sogo: 12; Seibu: 16

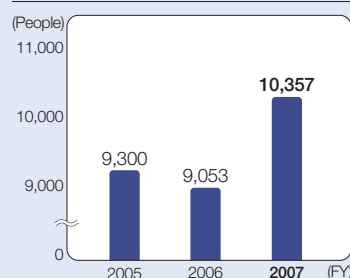
Total sales



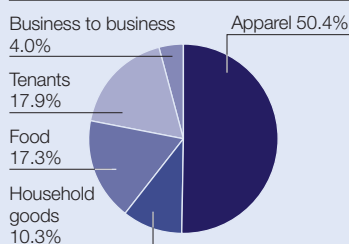
Number of stores



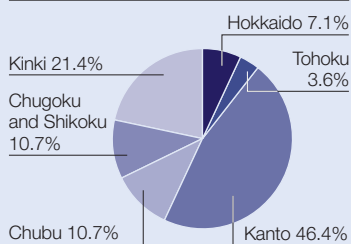
Number of employees



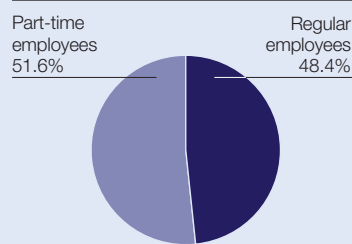
Sales by product category



Stores by region



Employees by type



Note: The graphs above represent aggregate figures of Sogo and Seibu.

Offering Safe and Reliable Products

Q As department stores offer wide-ranging merchandise, I wonder how thorough your quality control is.

A Together with our business partners, we have strengthened quality control systems to offer safe products.

Quality Control Committees for further rigorous labeling, hygiene and quality control

We regret to report that our FY 2007 year-end gift shopping catalog included a piece of incorrect product information.* The incident spurred us to strengthen our quality control system. In March 2008, we created the Millennium Retailing Quality Control Committee in our headquarters and the Store Quality Control Committees in our stores. The missions of these organizations are to ensure all the stores consider and practice appropriate labeling, food hygiene and quality control from a customer standpoint, and make such controls part of the stores' normal activities. Specifically, the committees are working to: 1) ensure the entire Millennium Retailing group and each individual store always implement appropriate product labeling and sanitation control, 2) review and improve, if needed, our business partner management, product information presentation and merchandise selection, and 3) build a mechanism to ensure legally compliant operations.

The Millennium Retailing Quality Control Committee meets quarterly and the Store Quality Control Committees meet monthly to report the status of ongoing activities, share identified issues and discuss rectifying measures.

To reinforce such quality control systems, we have also provided employee training on store-level food hygiene management, and similar seminars for business partners since FY 2008.

* Chinese pasteurized (disinfected at low temperatures) caviar was labeled as Russian fresh caviar.

Quality control system



Employee education and enhanced inspection to ensure appropriate labeling

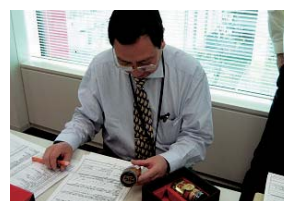
To avoid a recurrence of any inappropriate labeling, we are focusing on employee education to increase their knowledge of appropriate labeling, product information presentation and expression, as well as on establishing a strong system to inspect actual labeling, presentation and expression in our catalogs and products.

For instance, our employees attended our food hygiene management training from April to May 2008 (p.57), to learn about improper labeling examples and other related information regarding the Act against Unjustifiable Premiums and Misleading Representation. A total of 519 employees, including Store Quality Control Committees' members, and managerial staff overseeing the food section and tenant restaurants, took the courses. We are planning to provide further specialized training in the future.

To implement more rigorous labeling inspections, we have also taken the following three steps:

- (1) Additional proofreader: The Administrative Department's product and quality control personnel, together with existing reviewers of the Sales and Planning Department's Advertising and Planning Manager and the Merchandising Department, check the drafts of catalogs and other communication media;
- (2) "Merchandise Inspection Meetings" for gift products: We examine labeling, appearance, volumes and other elements of gift products, including farm direct products' origin certificates ;
- (3) Improved data accessibility: Product origin data is made available at all our seasonally available gift sections, which has enabled quick responses to inquiries from customers.

By making such efforts steadily and consistently, we aim to provide appropriate, reliable product information to our customers.



Merchandise Inspection Meeting for gift items

Internal and third-party inspections as part of strict food hygiene management

While many food-related incidents occurred, including fraudulent labeling of product origin, we at Millennium Retailing have been working to improve our food hygiene management system. Our stores voluntarily inspect their hygiene conditions against our control standards. In addition, we periodically receive third-party examination, and focus on employee education. Having gained momentum by the creation of the Quality Control Committees in March 2008, we are aiming for further strengthened hygiene control systems in FY 2008.

● Voluntary inspection and management based on our Hygiene Control Standards

We manage the temperatures of refrigerators, showcases, and other equipment in our stores' food floors and kitchens, as well as product information presented by following the Hygiene Control Standards formulated in June 2003. These internal standards are more stringent than statutory requirements.

● Third-party hygiene inspection and guidance

Our food sections are also subject to external quarterly inspections by BML Food Science Solutions, Inc. ("BML") to verify the appropriateness of our stores' internal inspections and management. If noncompliance is found, we promptly tell relevant employees to correct the situation and provide related training, as well as inspecting and providing guidance to suppliers and manufacturers. When our store holds a food-related event, the store also receives external sanitation control inspections on the first day of the event and takes corrective actions, if necessary.

● Special food hygiene inspection

We made unannounced visits to six Sogo and six Seibu stores from July 23 to August 6, 2008 to inspect the hygiene control levels (both staff and facilities) of their kitchens.

BML and Millennium Retailing's Quality Control Manager and the Food Department's buyers jointly checked the store kitchens before opening hours. Inspection results, as well as corrective measure requests, if relevant, were reported to our business partners, which subsequently reported back to us with corrective actions taken and the resulting status.



Special inspection

● Food hygiene training for employees and business partners

We provide regular employee training on food hygiene to increase their attention. The training in FY 2008 took place from April to May at 12 Sogo stores and 15 Seibu stores. In total, 2,877 employees—consisting of the Store Quality Control Committees' members, related departments' managerial staff and food sections' personnel—learned about necessary hygiene considerations in daily operations, together with real life examples of food incidents and their causes, from merchandise and quality control staff of Millennium Retailing's Administrative Department.

We also held two "Business Partner Conventions on Food Quality Control" in July 2008 to ensure the same levels of understanding and commitment to sanitation control by explaining the legal and regulatory requirements applicable to our food sections and so on. In total, 237 people from 197 firms participated in the seminars.



Food hygiene control training

Quality control of apparel and household products under category-specific standards

At Millennium Retailing, the quality of apparel and household products is also strictly controlled. The Merchandise and Quality Control Division has primary responsibility in this area, and works with the Merchandising Department to examine products. Business partners are required to take corrective actions if a defect is found in their products.

Quality inspections of apparel include the testing of color permanence, durability and wash-fastness, as well as checking sewing quality against our category-specific standards (e.g., suits, business shirts and sweaters). In addition, BML visits our fashion floors to check products' quality. When it comes to household merchandise, monthly quality inspection is conducted on a sampling basis by BML. Products subject to the Product Liability Act and formaldehyde-related legislation are the main targets of such external examination.

In addition to these regular activities, we immediately conduct rigorous inspection of the products, about which customers brought up issues. The Merchandising Department informs our stores and relevant business partners of the inspection results and identified issues and asks for improvement.



Thorough quality control of apparel products

Combating Global Warming

Q How are your department stores reducing CO₂ emissions?

A In addition to more efficient use of lighting and air-conditioning equipment, we started to introduce garden roof systems to make the most of our spacious facilities.

Aiming to reduce energy use by installing more efficient equipment and reducing the use of air-conditioners and lighting

As a member of the government-led carbon reduction initiative named the “Team Minus 6%,” and of the Japan Department Stores Association (JDSA), which aims to achieve its voluntary environmental action plan, Millennium Retailing is working to reduce CO₂ emissions by installing energy-efficient equipment and taking many other actions.

We particularly focus on the reduction of electricity consumption, which accounts for roughly 90% of our total energy use. To facilitate extensive, detailed electricity management, we have set criteria for electricity consumption management, and daily

consumption targets for all stores. We have requested some of our tenants to work toward our consumption targets.

In FY 2007, Sogo used electricity of 268.0 GWh (99.0% of the FY 2006 level) and Seibu consumed 267.7 GWh (102.0%). Sogo emitted CO₂ of 163,222 tonnes (101.9%) and Seibu emitted 143,883 tonnes (105.8%). Extraordinary hot summer and increased lighting use due to nocturnal construction work for large-scale remodeling affected these results.

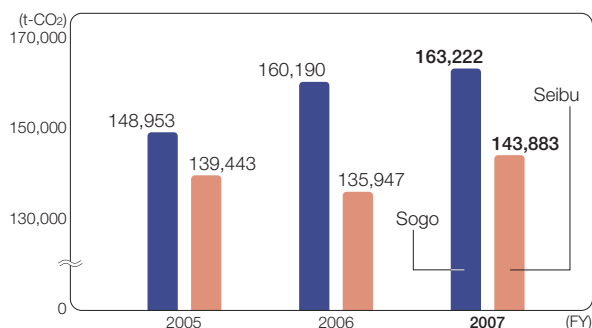
● Facility improvement at Seibu Ikebukuro Main Store

In Seibu Ikebukuro Main Store, substantial improvement of its electricity-related facilities (e.g., generators) and heat source facilities (e.g., freezers and boilers) is scheduled as part of its remodeling plan to be completed in 2010. Improved facilities in the remodeled store would consume 27.4% or 48,695 GJ less energy, and emit 2,881 tonnes less CO₂ each year than the existing counterparts.



Replacing with new electric generators

CO₂ emissions



TOPICS

Strengthened environmental management at Sogo

Seibu is one of the first department store operators to acquire the ISO 14001 certifications in April 1999, and has built an advanced environmental management system based on these standards. Using Seibu's system as reference, Sogo started to develop an organizational environmental management system by launching the Environmental Management Committee in June 2008.

From the second half of FY 2008, Sogo will share environmental priorities with Seibu by adopting Seibu's “Four Pillars and Nine Actions.” At the same time, Sogo will set associated numerical targets to make tangible progress. Sogo will also introduce Seibu's regular environmental education programs for all employees from September 2008, aiming to imbue each and every employee in Sogo stores with a sense of environmental responsibility.

Four Pillars and Nine Actions

| Priorities | |
|---|--|
| Four Pillars | Nine Actions |
| Customer communication improvement | Selecting and offering environmentally friendly products |
| | Promoting appropriate levels of wrapping |
| | Organizing and strengthening environmental events |
| Societal and community communication improvement | Harmonious relations with local communities |
| | Harmonious relations with society (Guide dog support projects) |
| Environmentally friendlier operations and environmental conservation activities | Addressing global warming |
| | Promoting a recycling society |
| | Reducing resource usage |
| Compliance and risk management | Intensifying compliance and risk management |

● Improving air-conditioning equipment

Seibu Ikebukuro Main Store has been working to reduce the electricity consumption of its air-conditioning systems. The store therefore installs more efficient equipment at the time of replacement, and uses inverters to slash the electricity requirement of their mounting systems. In addition, a new air-conditioning system has been introduced that keeps the store cool by using outside cool air during spring and fall. We are planning to introduce more similar systems in due course. In FY 2007, four air-conditioning units were replaced with environmentally friendlier ones.

● Setting store thermostats slightly higher

We at Millennium Retailing support and implement the Ministry of the Environment (MOE)'s "COOL BIZ" initiative. In summer 2007, the thermostats of our store air-conditioning units were set at higher temperatures in a "moderate cooling" mode. Like in all other JDSA member stores, the temperatures of our stores and backrooms were maintained at 26°C and 28°C, respectively, during the one month period from July 7 to August 6, 2008. We also sought customers' support for these initiatives through posters and in-store announcements.

● Participation in the "Black Illumination" campaign

Millennium Retailing has participated in the MOE's Black Illumination campaign since its launch in June 2004, aiming to promote greater public awareness of climate change issues. During FY 2008, we turned off the stores lights for two hours on April 9, June 22 and July 7, resulting in reduced power consumption of 1,210 kWh by Sogo and 792 kWh by Seibu.

From September 2008, this electricity saving practice has become a daily practice in most Sogo and Seibu stores. We turn on the lights of store walls and rooftop signs roughly two hours later or turn them off about two hours earlier than before.



Usual lighting



During the Black Illumination campaign

● Switch to energy-efficient lighting equipment

We install energy-efficient lighting equipment, such as compact fluorescent lamps, on the occasion of sales floors' remodeling or light bulb's replacement. Our progress in FY 2007 includes the introduction of compact fluorescent light bulbs in Seibu Tokorozawa and Sogo Hachioji Stores, as well as the installation of eco-friendlier lighting equipment on the ceiling of Seibu Tsukuba Store's escalator sections and in the elevator lobbies of Seibu Higashi-Totsuka Store.

Going forward, we will be introducing low-power, long-life LED lights in remodeled stores. We completed the first LED installation at a 231-m² non-tenant section on the third floor of Seibu Ikebukuro Main Store as part of its remodeling process.



LED lights in Seibu Ikebukuro Main Store



Promoting green walls and roofs, while working with local governments

Greenery in store premises helps mitigate urban heat islands, enhances heat insulation of the building and thus reduces its air-conditioning requirements. Plants in the garden also provide customers with a relaxing and comfortable environment.

With this recognition, we at Millennium Retailing began incorporating green walls and roofs into our stores. Following Seibu Ikebukuro and Funabashi Stores, Sogo Kawaguchi Store opened an approximately 589-m² rooftop garden in October 2008. Using locally developed landscaping technologies, this greenery project was subsidized by Saitama Prefecture. To make the garden a relaxing and recreational place in the local community, we are planning to offer cultural and environmental events there, as well as regular gardening classes in partnership with volunteer gardening groups.



Roof garden of Sogo Kawaguchi Store

Waste Reduction

Q How are your department stores reducing the use of packaging materials?

A We are working toward “Smart Wrapping,” appropriate wrapping levels for intended purpose.

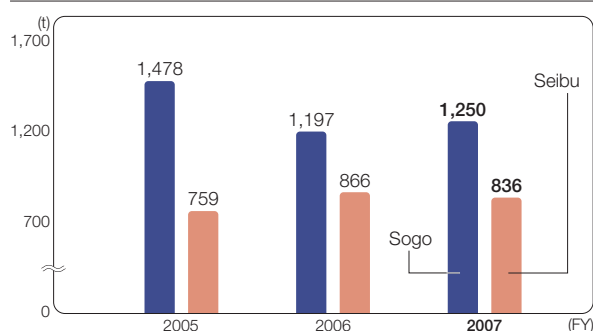
Working with customers to reduce wrapping paper and shopping bag consumption

We are promoting Smart Wrapping to avoid excessive packaging and meet the JDSA's industry target, i.e., a 25% reduction of paper bag and other paper packaging consumption per basic sales unit from 2000 levels by 2010.

At Seibu, Smart Wrapping was a key focus of employee education during FY 2007. Employees have thought about which wrapping levels are appropriate in their respective sections, and translated their findings into practice. We have also worked to reach out to customers—through in-store announcements, posters and signs, as well as sales staff's suggestions at the checkout—for their support and participation in this effort. To help salesperson's smooth suggestion, Seibu has specified how to recommend Smart Wrapping to customers in its basic sales rules, provided related employee training, and made talking point sheets available at checkout counters so that sales personnel can always confirm their understanding.

These efforts led to a 3.5% reduction of Seibu's packaging consumption in FY 2007 from the previous year to 836 tonnes. Sogo's consumption increased slightly by 4.5% to 1,250 tonnes, attributed to increase in food sales. Of this total packaging consumption, paper material usage by Sogo and Seibu was 458 tonnes and 250 tonnes, respectively. During FY 2008, we are continuing our efforts to reduce paper and other packaging consumption.

Packaging consumption



TOPICS

Sogo's initiatives to reduce plastic bag consumption

In July 2008, Sogo started in earnest to work with customers to reduce plastic bag consumption in its 12 stores' food floors.

In the stores, reduced plastic bag use is encouraged through posters, in-store signs, and message badges on cashiers' uniforms. At the checkouts, “No Plastic Bags” cards are also made available and store employees ask customers about the necessity of plastic bags. Looking ahead, Sogo is planning to donate part of the cost savings achieved by these activities to environmental organizations.



Appealing to customers through hanging displays and message badges

Reducing food waste by generating less and recycling more

Food waste reduction at Millennium Retailing is two-faceted: reducing waste generation and increasing recycling.

To reduce waste generation, we are taking many actions, including thorough removal of moisture content from food waste before disposal. We also seek cooperation from business partners, such as food suppliers and restaurant tenants, for instance by introducing disposal fees to raise their attention.

On the recycling front, example actions include the introduction of composting equipment in four Seibu stores (Ikebukuro, Okazaki, Higashi-Totsuka and Akita Stores, as of July 31, 2008) to use their food waste effectively. The Ikebukuro and Akita Stores are taking a step further to build a recycling loop, where compost produced is provided to contract farmers and fresh produce grown using the compost is sold in the stores.

As a result, Sogo and Seibu's food waste recycling rates in FY 2007 improved from the previous year by 6.3 and 5.7 percentage points to 36.6% and 38.3%, respectively.



Composting equipment



Fresh produce grown using compost

Environmental Contributions through Merchandise

Q Eco-friendly features are important, but they should come with style.

A We offer a wide variety of “environmentally fashionable” products, featuring both a stylish look and eco-friendliness.

Offering eco-friendly items with quintessentially stylish looks

We at Millennium Retailing, a trend-setting department store group, deliver environmentally friendly, comfortable and stylish products to our customers.

● Environmentally Friendly Products

We certify and label “Environmentally Friendly Products,” which meet our Criteria for the Selection of Environmentally Friendly Products. As of May 31, 2008, 96 items had such a hallmark, including 14 items added in FY 2007. While the current lineup focuses on food items, such as organic vegetables, soybean paste and soy sauce, non-food organic items have also been expanding. We intend to increase more style-conscious items, such as apparel, in this product group.

● Original “Eco-Bags”

Seibu started to sell its original Eco-bags (reusable shopping bags) in FY 2000, which are now available both in Seibu and Sogo stores. These recycled polyester bags are made from used plastic bottles, and come in many varieties, such as insulated cooler bags and rolling bags. Our Eco-Bag sales in FY 2007 grew 30% from a year earlier, benefitting from brisk sales of mascot bear-featured Eco-Bags introduced in October. We also rolled out “Wrapping Eco-Bags” in May 2008, which are gift-wrapping bags with ribbon strings for fastening the bag and tying a bow. The bags eliminate the use of wrapping paper and the gift recipients can use them as daily shopping bags. The product was developed based on an employee’s design that won the first prize in our internal Smart Wrapping idea contest in October 2007.



Original Eco-Bag



Wrapping Eco-Bag

● “Loving Planet 2008 Stylish Eco Fair” campaign

We carried out the Loving Planet 2008 Stylish Eco Fair campaign from May to June 2008, offering eco-friendly, upscale and stylish lifestyle ideas by our merchandise.

The main features of the campaign in Seibu Ikebukuro, Sogo Yokohama and some other stores included: the “Eco-Beauty Style” sections, offering international environmentally friendly cosmetics; organic clothes boutiques available only during the campaign in collaboration with a fashion magazine; and auction sale of exclusive, environment-inspired *furoshiki* wrapping cloths designed by 11 celebrities from various fields. After the campaign, we donated a total of ¥ 720,595—proceeds from the auction and two percent of the cosmetic sales—to an environmental organization, Creative Conservation Club.* We will continue our fashionable and eco-friendly activities.



Eco-Beauty Style section

* Creative Conservation Club is an organization established by writers to protect and recover natural environment.

● COOL BIZ fashion show

We participated in the “COOL BIZ + Presentation in Tokyo,” an event by the Team Minus 6%, in June 2008. In line with the fashion show’s theme of “adding (+’ in the show’s title represents this meaning) global warming prevention to the roles of fashion,” our COOL BIZ fashion items and folding, reusable shopping bags were showcased on the runway.



COOL BIZ + fashion show

Creating Safe and Comfortable Stores

Q I am a little concerned about an accident or a disaster in a large-scale, highly populated building.

A We strive to create safe and comfortable stores, introducing barrier-free designs and emergency preparedness systems.

Creating considerate stores, adopting universal design ideas in both facilities and customer service

Offering a wide-range of products, from apparel to food, department stores welcome various customers every day. Therefore, we at Millennium Retailing go to great lengths to provide a safe and comfortable shopping experience to each and every customer.

For instance, facilities and equipment in our stores opened in and after 1994 (three stores as of July 31, 2008) have greater usability and accessibility for senior and disabled customers. These stores are recognized as qualified buildings under the Heart Building Law enforced in 1994 that aims to promote considerations for the elderly and people with disabilities in the designs of specified buildings. An increasing number of the remaining stores have also become barrier-free when remodeled.

We have also been focusing on employee training to offer even better shopping assistance. Seibu in FY 2001 and Sogo in FY 2003 started promoting employees' acquisition of Customer Care Advisors certifications, accredited by the Total Wellness Promotion Foundation. In FY 2007, 71 Sogo employees and 82 Seibu employees became certified advisors, totaling 833 Customer Care Advisors to date. We are aiming at roughly 100 new advisors in FY 2008.



Training for Customer Care Advisor certifications

Emergency preparedness, including facility improvements and fire drills, for appropriate actions during a crisis

We are preparing for potential disasters, such as earthquakes and fires, by improving store buildings and practicing emergency drills. Each store has its Crime Prevention and Disaster Preparedness Committee that develops necessary plans, as well as an internal fire prevention team that leads the store's periodical fire drill operations. In addition, we have defined and are duly implementing necessary daily actions, such as emergency route clearance, safety management system inspections, and crime and disaster prevention system

examinations in busy seasons.

To better manage earthquake risk, we have started to evaluate and improve, if needed, our stores' ability to resist earthquake forces since December 1995, when the Earthquake Resistance Improvement Law became effective. We completed all necessary renovation for this purpose, except the improvement of Seibu Ikebukuro Main Store, which is scheduled to be completed around FY 2010 when its remodeling work is finished. We also started to operate earthquake alert distribution systems in April 2008. The Japan Metrological Agency has started to release such information nationwide since October 2007.

As a preparatory step, we conducted a drill in the preceding January to ensure prompt and effective response to an earthquake warning.



Emergency drill

Automated External Defibrillators (AEDs) in all stores for urgent life-saving treatment

If a person collapses due to heart failure, ventricular fibrillation in particular, removing the fibrillation (i.e., defibrillation) is crucially important to their survival.

To provide immediate life-saving treatment in case of such emergency, we installed AEDs in all stores in FY 2006, primarily at disaster control centers and information desks. In addition, we have our staff take AED training courses by local fire departments. In FY 2007, all our employees responsible for emergency response took such training. As a result, a total of 3,284 Sogo and Seibu employees had received AED training by February 29, 2008.

AEDs actually helped save the lives of customers.

In March 2008, customers who shopped in Seibu Okazaki and Yao Stores suffered heart attacks, and survived after CPR with the use of AEDs. Reminded of the importance of immediate life-saving treatment provision, we will continue promoting our employees to take life-saving training courses.



AED in our store

Giving Back to Our Communities

Q What kind of activities are you implementing to contribute to local communities?

A We listen to local residents and draw on our resources and expertise to best contribute to the communities where we operate.

Continuous support for guide dog development projects to create a “normalized” society

To translate our gratitude to society into concrete actions, we at Millennium Retailing started a supportive initiative for guide dog organizations in 2003 when Sogo completed a court-led rehabilitation program. Seibu joined this Sogo’s initiative in 2004. Our support primarily consists of the following four elements: 1) fundraising campaigns in stores; 2) the Millennium Fund, jointly established by the company and the union; 3) “Bow-wow One Coin Club” for internal fundraising; and 4) “Meet Guide Dogs Campaign” in stores.

In FY 2007, Sogo and Seibu’s in-store donations totaling ¥24.17 million were provided to neighboring guide dog organizations. Another ¥20 million was also donated through the Millennium Fund to nine guide dog organizations across Japan. With part of these contributions, the Japan Guide Dog Association bought two wrapped cars for transporting dogs and staff in December 2007.

In addition, all our stores held the Meet Guide Dogs Campaigns in spring and fall. With the cooperation of five local guide dog associations which sent their dogs and trainers to the events, we provided customers with opportunities to raise their awareness of guide dogs through training demonstrations, simulated walk with a guide dog experiences, and many others.

While continuing these activities, we will work to provide greater shopping assistance and other services for customers with disabilities, and to promote wider application of normalization principles in society.



Simulated experience during the Meet Guide Dog Campaign



Donating wrapped cars

Each store’s community contributions to meet local needs and characteristics

At Millennium Retailing, each store conducts community-based social contribution programs as a good

corporate neighbor. Specific activities vary from store to store but share six underlying objectives: (1) community development, (2) community revitalization, such as the promotion of local production for local consumption, together with local businesses, (3) sales promotion of locally produced products, (4) crime prevention and disaster preparedness in the community, (5) community-based environmental protection and beautification, and (6) creation and maintenance of local employment.

Major community contribution programs by Sogo



Kanagawa Yokohama Children Art Award (Yokohama Store)



One-day hands-on work experience by local elementary students (Chiba Store)



Cleaning around Hiroshima Peace Memorial (Hiroshima Store)



Participation in *Seijin-no-Mori* afforestation program along the Arakawa River by Kawaguchi City (Kawaguchi Store)

Major community contribution programs by Seibu



Uchimizu (water-sprinkling) campaign (Otsu Store)



Work experience at the information desk (Funabashi Store)



Donating the proceeds from our mascot bear-featured Eco-Bags to greening projects (Tokorozawa Store)



Joining the 150th anniversary celebration event of the Port of Yokohama (Higashi-Totsuka Store)



Appropriate privacy management to protect customer information is an important responsibility

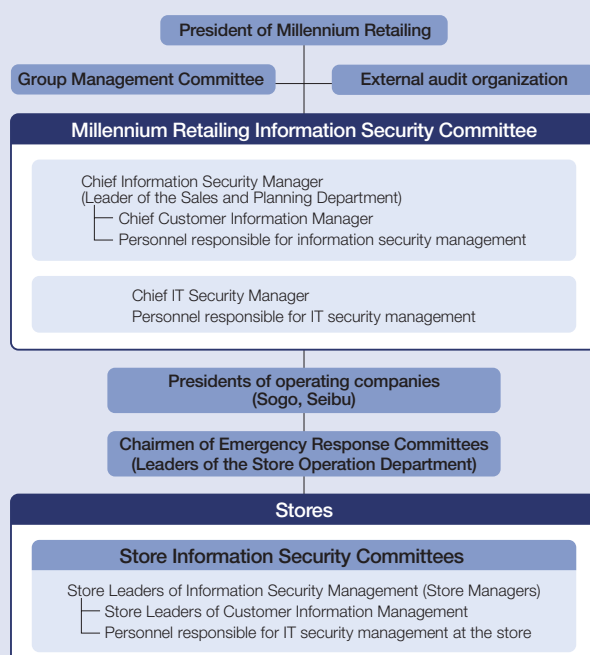
Establishment of “Seven Prohibited Actions,” related training and actions toward appropriate information management

At Millennium Retailing, we pay careful attention to appropriate privacy management, recognizing that personal customer information collected through the processing of purchases with credit cards and membership cards is an important asset of the relevant customers. We have therefore established the Seven Prohibited Actions and taken information security measures toward three major objectives: protection from unauthorized accesses, accurate information and appropriate handling, and development of systems with easily accessible stored information.

Seven Prohibited Actions

1. Sending emails to customers from personal computers
2. Maintaining personal information on personal computers
3. Leaving documents containing personal information unattended
4. Taking personal information outside of the store
5. Maintaining personal information in a location other than designated by the store
6. Sending advertising mails without approval of the Sales Promotion Manager
7. Receiving or delivering personal information without keeping a Personal Information Handling Record

Information Security Committees



● Information security systems

In April 2005, we created organizations to reinforce our information security systems—the Millennium Retailing Information Security Committee in the holding company and the Store Information Security Committees in each store. Each section within a store has also appointed its leader of customer information management. In addition, documents containing personal information are marked with a circled letter P to remind employees of the necessity of careful and appropriate handling.

● Guidance to business partners' employees working in our stores

Ensuring appropriate privacy management means all the staff, including many business partners' employees, working in our stores need to handle personal information carefully. Our efforts to make this happen include: (1) Millennium Retailing and business partners agree in writing on customer information handling, (2) all business partners' employees who deal with our customer information submit their commitments on proper information management, and (3) new business partners' employees working in our stores learn about our information management rules through the orientation programs.

● Managing information security risk under strengthened systems

In February 2007, all our computers were replaced with new ones, which are configured to refuse connection to external mass storage media, except PCs authorized by us. Furthermore, paper-based credit card account number lists sent from credit card companies are now maintained electronically to reduce risk of misplacement and theft.

As a next step, we are planning to beef up our network security to protect our computers and POS systems from unauthorized access, while continuously promoting greater awareness of information security to our employees.



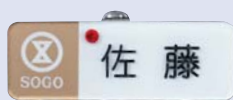
Creating a comfortable workplace for all employees in stores

Internal certification program to honor excellent employees and foster overall employee motivation

We at Millennium Retailing strive to create a motivating workplace for all store staff including regular employees and to create a culture of recognition where everyone is evaluated appropriately. We believe they are important duties and help improve our customer service. Accordingly, Seibu and Sogo launched the “Star Club” membership programs for all store workers, whether regular, part-time, or business partners’ employees, in FY 1997 and FY 2002, respectively.

The membership is granted to store workers who demonstrate outstanding performance, particularly with regard to sales and customer service. Semiannually, high performing sales people are selected based on their sales figures. Among the short-listed candidates who record excellent sales, enjoy great customer confidence, and can serve as role models to other employees, those who are ranked in the top one percent of the relevant section’s sales people across the company are certified as “Corporate Star Club” members; and those who are ranked in the top two percent of the relevant section’s sales people in the store are recognized as “Store Star Club” members.

In FY 2007, Sogo and Seibu had 1,029 and 944 new Star Club members, respectively. Star Club members are identified with a symbolic “star” sign on their name badges. Wearing such special badges provides the employees with a sense of greater responsibility and commitment.



Stars on name badges, a proof of the Star Club membership

Certification ceremonies are held to celebrate new “stars,” attendees of which include senior officials of our business partners. These programs are well-received among these business partners, commenting the certification systems help motivate their employees.

We will continue the Star Club programs, as a key mechanism to motivate and fairly evaluate employees and to build a culture that values customer sales and service.



Certification ceremony

Enhancing and publicizing the parenting support systems to create a parent-friendly workplace

At Millennium Retailing, we started to improve our existing parenting support systems, such as parenting leave and shorter hours, in FY 2007 to build an even more vibrant workplace.

From April 2007, employees can take parenting leave until March 31 immediately preceding the child’s three-year-old birthday, extended from the day before their two-year-old birthday. In addition, employees can divide the entitled leave days to use part of them when children become first graders. Furthermore, from April 2008, employees can opt for shorter working hours until March 31 of the year when the child is in the first grade of elementary school. This shorter-hour program used to be limited to those with pre-elementary school children.

As of March 31, 2008, 43 employees (Sogo: 31 and Seibu: 12) were on parenting leave, and 84 employees (Sogo: 54 and Seibu: 30) were working shorter hours using these systems.

We also prepared and distributed a Parenting Support System Guide Book in September 2008 to promote greater recognition and understanding of these systems.



Parenting support system guidebook