



Overview of Millennium Retailing

Millennium Retailing Group strives to build and retain customers' loyalty by offering an excellent selection of quality products tailored to various customers' 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., and the Seibu Department Stores, Ltd. Within this new department store group, Millennium Retailing functions as the headquarters of the entire group, while Sogo and Seibu Department Stores, 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 offers meticulous customer service 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.

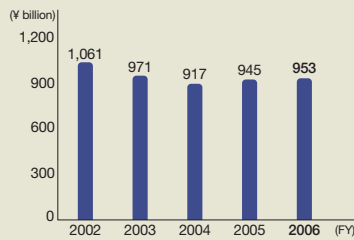


Corporate Profile (as of February 28, 2007)

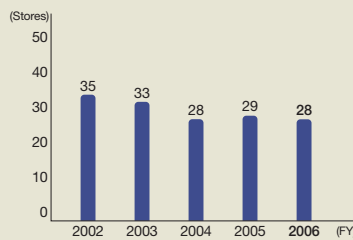
Establishment: July 1952 (as the founding entity of former Sogo, Inc. The current group was established in June 2003)
Headquarters: 1-30, 2-chome, Kudan-Minami, Chiyoda-ku, Tokyo 102-0074, Japan
Nature of Business: Supervision of, and auxiliary activities pertaining to, the operating companies, including department stores.
Paid-in capital: ¥37.733 billion

Total sales: ¥10.1 billion (Sogo: ¥494.3 billion; Seibu Department Stores: ¥459.0 billion)
Number of employees: 415 (Sogo: 4,646; Seibu Department Stores: 4,407)
Number of stores: Sogo: 12; Seibu Department Stores: 16

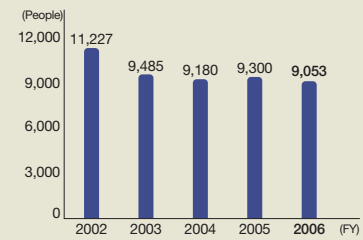
Total sales



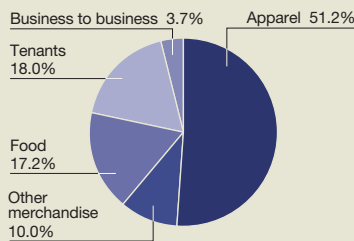
Number of stores



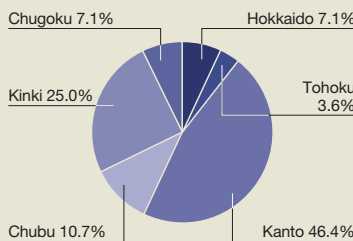
Number of employees



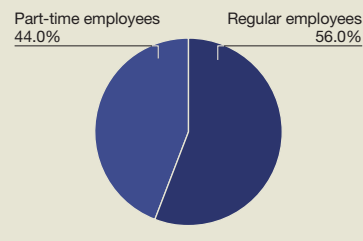
Sales by product category



Stores by region



Employees by type



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

Our CSR focus

- Executing rigorous control on product quality and labeling control at every sales floor
- Functioning as safe, comfortable urban community infrastructure
- Protecting personal information of customers, obtained through membership cards or in the course of sales activities
- Creating a caring workplace for all employees, including those outsourced from business partners

Responsibilities as a department store group that offers quality products and services

Sogo and Seibu Department Stores offer a wide range of department-store-quality products, from apparel to home design products and food. The most important responsibility for us is to ensure that each and every product on our shelves has the quality and value that our customers expect.

Department stores can be characterized by their locations near train stations, a number of customers from distant areas, and roles as urban public facilities. With these natures in mind, Sogo and Seibu Department Stores strive to create store facilities

and offer customers services in such a manner that ensures not only safety and amenity of all visitors but also safety and convenience of those who pass through our premises.

Proper management and rigorous control of personal data which is primarily obtained from customers' membership cards, to prevent leakage or theft; and creation of a workplace that is considerate to all employees, including outsourced workers of our business partners; are also among our key priorities.

To continuously thrive as a trusted and cherished department store group

The department store sector is facing a major turning point, due to the emergence of new, diversified retailing formats and the availability of wider choices to customers. The sector as a whole is now required to step back and think about the purposes, social responsibilities and future directions of department stores.

To discuss these issues, Kazuyoshi Sano, president of Millennium Retailing had a meeting with Mr. Akira Nishimura, an economic commentator and leading expert in marketing.

Differentiating from other retailers by offering department-stores-specific customer delight and satisfaction

Nishimura (N): The department store industry is in the midst of a watershed period. In this day and age, what do you think is the rationale for the existence of department stores?

Sano (S): As today's customers have much greater shopping choices, I believe it is critical for department stores like us to offer unique, unmatched customer delight and satisfaction on an ongoing basis, if we wish to remain as a shopping destination of choice. For this very reason, not just selling goods, but suggesting ideas of quality lifestyles which best suit to each customer, and offering quality merchandise and services that support such lifestyles, are becoming more important than ever.

N: To reinforce capabilities of proposing such lifestyle ideas, it is vital to have staff with excellent expertise on your sales floor.

S: Indeed. That's why our group has the "Star Club" certification program in place. Whether full-time, part-time or outsourced employees, employees who demonstrate excellent

performance, in other words, those who have outstanding sales and customer service skills and build a great reputation among customers, have become certified members of the Star Club. This program helps motivate and nurture employees to become those who have in-depth product knowledge, great proposal skills and hospitality.

To offer carefully tailored services for elder customers and customers with disabilities

N: In this aging society, caring for elder customers is important. Caring for customers with disabilities is also important. These are part of the social responsibilities department stores need to fulfill.

S: I agree. We at department stores are expected to serve each and every customer in a courteous and personal manner. This is what department store services are about. In our group, a growing number of customer service staff members and others have acquired certification of "Heart-Full Advisors" (an accreditation program by Total Wellness Promotion Foundation, a government affiliate organization).



N: That is a program that certifies people who have acquired necessary knowledge and skills to provide assistance to, and communicate with elderly people and people with disabilities, isn't it?

S: Correct. More than 1,000 employees of our group have obtained the certifications during this fiscal year and use their enhanced skills and knowledge when they serve and help customers. Some of our stores offer "porter service" which have our store staff carry customers' luggage to the parking lot, the nearest station or to other designated place, if requested.

N: I see. With such thoughtful services, you strive to deliver a safe and comfortable shopping experience. I've also learned somewhere that Millennium Retailing Group invests in the training of guide dogs.



Kazuyoshi Sano
President

S: That support program started in 2003, when Sogo decided to express their gratitude to society in some tangible ways. Seibu Department Stores joined in 2004. The two department store chains have established a fund, through which charitable contributions made by customers and employees and at in-store fund-raising campaigns are provided to guide dog organizations. Our department stores also organize the "Meet Guide Dogs Campaign" twice a year with local guide dog schools, aiming to increase public understanding of guide dogs. Each campaign attracts a number of participants who watch the demonstration of guide dog training, experience walking with an eye mask on, and interact with actual guide dogs. In Japan, public perception or understanding of guide dogs is far from sufficient. Our group is willing to continue positive contributions to this area.

N: Your program is helpful not only to raise and train guide dogs, but also to improve understanding of people with disabilities by your employees, customers and local communities.

Emphasis on the importance of store security and information security

N: Some of your stores in urban areas, for instance, the Seibu Ikebukuro Store, are directly connected to train station facilities, which makes the stores in substance



Akira Nishimura
Economic commentator

function as part of urban infrastructure, moving beyond its original role as the facilities of a private business. What do you think of safety and amenities of your stores that have such a public nature?

S: In the recognition of such a role as "public facilities," the pursuit of safety, amenities and emergency preparedness is an important theme of our group. Some older stores have complicated structures, as a result of a series of remodeling and expansion. Because of this, their aisles are often narrow and store layouts are confusing. We are planning to refurbish the buildings, relocate the fixtures and equipment, or improve floor guides and displays of these stores. We are also working to become fully prepared for emergencies. We completed the installation of Automated External Defibrillators (AEDs) in all stores in November 2006. And an increasing number of our employees have taken AED training programs, organized by local fire stations.

N: In addition to the security of store facilities, security of information handled on a day-to-day business is another important social responsibility. This issue can be even more relevant to department stores which manage and access a variety of customer information through membership cards and other means.

S: I agree. Protection of customers' personal data is one of the top priorities of our business. We have defined prohibited actions with regard to the treatment of customers' personal information. We rigorously manage information security on a daily basis under these rules, and educate our employees to observe these rules.

N: There may not be such a thing as "absolute safety" in information management. Nevertheless, it is important to take necessary measures steadily and persistently, without cutting corners, to live up to customer expectations.

S: We will continue our assiduous efforts not limited to security issues, but in various other aspects of our store business, including products, customer service, store facilities and community contributions. We aspire to become a department store group that is trusted and loved by as many customers as possible.



Responsibilities to Customers

To ensure credibility and safety of our products

Executing rigorous quality control on all merchandise from apparel to food

Department stores offer a wide range of products, from apparel, home design products, to food. Millennium Retailing implements rigorous quality control on these various types of products under its internal standards, and has regular product inspections by a third-party organization. To reinforce quality management in terms of labeling, all stores of the Group and their business partners share information on how to prevent mislabeling of best-before-date information and other labeling defects.

Rigorous quality control of our apparel products, focusing on durability, functionality and stylishness

Sogo and Seibu Department Stores have a wide selection of apparel products for women, men and children, which (including those sold by tenants) take up more than one third of the all products available on the store shelves. We strictly inspect all these products, in terms of color-permanence, durability and wash-fastness. We have also set up sewing quality standards by apparel category, such as suits, business shirts or sweaters.

To reinforce these internal efforts, our large-scale stores receive monthly independent inspections by BML Food Science Solutions, Inc. ("BML"). Each month, independent inspectors visit stores and examine merchandise displayed on the store shelves to check if there is any inconsistency between products and their labels, or any defects in the products' appearance or sewing quality. Findings of the independent inspection are reported to the MD Division in the headquarters, which then requires relevant personnel or business partners to take immediate actions to rectify any issues identified.



Rigorous inspection of women's clothing and other apparel products

Internal and external inspections to deliver safe and reliable food products

In the wake of a number of food scandals in Japan, such as deceptive labeling on product origin and excessive levels of residual pesticides, securing food safety and quality has become an important issue for department stores.

Millennium Retailing established the Hygiene Control Standards in June 2003, with the objectives of intensifying compliance management, preventing food accidents and implementing proper labeling. Under these standards demanding higher hygiene levels than applicable regulations require, the food sections of our stores strictly monitor the temperature of refrigerators and showcases in the food floors and kitchens, and examine the labeling of food products.

In order to verify the proper conduct of internal inspections, food sections of all stores are examined by the aforementioned external organization, BML, on a quarterly basis. If any noncompliance is found, appropriate measures are taken, including education and training to employees and additional inspections and instruction to relevant tenants, business partners and manufacturers.

We also operate the Food Hygiene Campaign twice a year for all employees working in food sections and restaurants of our stores. This internal awareness raising campaign aims to remind each participant of the importance of their self-motivated hygiene management practice, such as hand-washing, disinfection and management of their own health, which collectively lead to good hygiene of the stores.

To raise the bar of our hygienic practice levels, we are planning to reorganize our quality control team during FY 2007, which will take a leadership role in the improvement of training programs and quality control methodologies.



Quality Control Manuals and Store Hygiene Self-Check Lists



Hygiene inspection in kitchens

Creating a safe and comfortable store

Incorporating Universal Design (“UD”) ideas in both store facilities and customer service

Offering a wide-range of products, from apparel to home design products and food, department stores welcome a wide-range of customers. To provide a safe and comfortable shopping experience to each and every customer, Millennium Retailing has adopted UD approaches in both store buildings and customer service. Growing numbers of our stores are becoming compliant with the Heart Building Law, while increasing numbers of store concierges and qualified Heart-Full Advisors are available on the floor to help customers shop more easily.

Developing store facilities that consider user-friendliness for all customers

As the Heart Building Law* came into effect in February 1995, Seibu Department Stores decided to install facilities and equipment that is easy-to-use by the elderly and people with disabilities in the Higashi-Totsuka Store, which was then in a planning phase and eventually opened in October 1999. Since then, such UD elements have been incorporated into existing stores of the Group over time. Full-scale remodeling of the Yurakucho Store in September 2006 and the Shibuya Store in March 2007 was conducted under the new standard specifications for stores facilities. The two stores feature barrier-free sales floors, wheel-accessible and multi-functional restrooms, and elevators exclusively for wheelchair users.

As many of our stores were built prior to the enactment of the Heart Building Law, we are planning to retrofit other existing stores with UD facilities at the time of remodeling.



A multi-function restroom with UD consideration (Sogo Shinsaibashi Store)



Installation of ramps for customers in wheelchair (Seibu Fukui Store)

***Heart Building Law:**
The shorter form of the Act on the Promotion of Constructing Specified Buildings Enabling Smooth Use by the Elderly and People with Disabilities, etc.

Making a greater number of certified “Heart-Full Advisors” available in stores

Incorporation of UD principles into an increasing number of store facilities has gradually instilled into our employees and their customer service sensitivities to elderly customers and customers with disabilities.

To provide even better service to these customers, Seibu Department Stores and Sogo started promoting the acquisition of Heart-Full Advisors certifications (accredited by the Total Wellness Promotion Foundation) by information desk clerks and store “concierges” in 2001 and 2003, respectively. In FY 2006, 121 Seibu employees and 98 Sogo employees became certified advisors, totaling over 500 Heart-Full Advisors at both Seibu and Sogo. As a result, the two companies received recognition from the Total Wellness Promotion Foundation.

To date, 80% of our information desk clerks and store concierges have already obtained this certification. In FY 2007, therefore, the participants of this program are being extended to 216 employees, mainly in managerial or sales positions, who are aiming to become certified Heart-Full Advisors.



Training for Heart-Full Advisor certification

Completed installation of AEDs in all stores

In Japan, approximately 20,000 to 30,000 people suffer cardiac arrest outside of hospitals each year, and the number of the victims is growing year by year. For the immediate use at the time of such emergency, Automated External Defibrillators (AEDs) are increasingly becoming available at public places and facilities.

Millennium Retailing has completed installing AEDs in all stores, primarily at their disaster control centers and information desks in November 2006. We also have our employees responsible for taking care of customer suffering sudden sickness, and sales clerks on the floors take AED training courses, organized by local fire stations.

By June 2007, a total of 2,800 employees have received AED training, an increase of 600 employees from 2006. We will continue increasing the employees with proper knowledge and training of AEDs, so as to take appropriate actions in case of emergency.



AEDs available at all stores



Protection of personal information

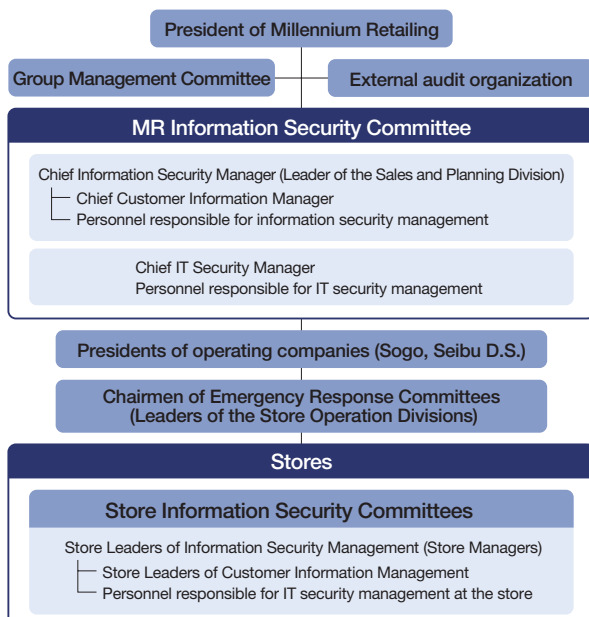
Reinforce security measures to prevent information theft and leakage

As many of our customers use their membership cards and credit cards, each of our floors handles a large volume of customers' personal information. Therefore, information security is among the top priorities for Millennium Retailing Group. To prevent leakage, theft and misplacement of personal data, we have established seven prohibited actions. Observing these rules, we implement strict personal information management in our day-to-day operations and focus on related employee education.

Aiming to achieve zero information accidents at all stores, under the leadership of the Information Security Committee

Information security measures at Millennium Retailing Group have been implemented with three major objectives: protection from unauthorized accesses, appropriate information handling, and developing systems with easily accessible stored information. To reinforce these activities to prevent customers' information from being leaked, stolen, or misplaced, Millennium Retailing launched the MR Information Security Committee within the holding company and the Store Information Security Committees in each store in April 2005, together with designating personnel responsible for customer information management in each floor.

Chart of information security structure



At the MR Information Security Committee, its cross-divisional members discuss and decide group-wide policies and measures to protect personal information, and inform these decisions to operating companies. The Store Information Security Committees are responsible for checking the related management and monitoring at store level, and reporting any identified issues or challenges to the MR Information Security Committee. The Chief Customer Information Manager and the Store Leaders of Customer Information Management are engaged in supervision, guidance provision and leading improvement activities.

In FY 2006, we intensified management of computers that our business partners bring to our stores, by marking these PCs with special stickers, strictly requiring prior applications for bringing in their own computers, and reinforcing reconciliation of the number of PCs requested with those labeled with the stickers. We have also strengthened the management of electronic recording media, in response to new exceptions (related to inventory data) to the prohibition on the use of portable recording media (e.g., CD-Rs and floppy discs).

Implementation of new information leak prevention systems and other improved information security initiatives

Earlier in FY 2007, all computers owned by Millennium Retailing, Sogo and Seibu Department Stores were re-programmed so that any material printed by the corporate computers has employee ID numbers, and printing date and time. In addition, we started to use security-enhanced computers that refuse to connect to external data storage media, such as USB flash drives, to ensure the protection of confidential information.

To further reinforce the security of customer data containing bank account information, special storage boxes exclusively for documents containing customer information were placed at reception desks for membership card registry in August 2007. Installation of the boxes helps prevent misplacement or leakage of customer data by indicating physical locations, and reminding of the importance of proper management, of such important information.



Millennium Card Counter (Sogo Yokohama Store)



Responsibilities to Business Partners

For fair trade practices

Ensuring fair trading practices through improved systems and education

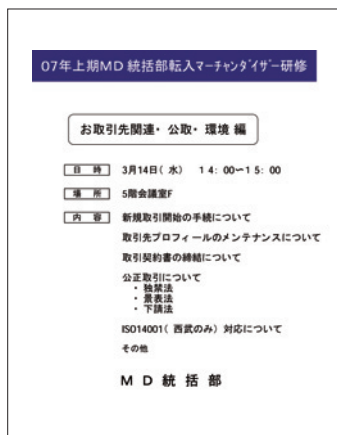
To ensure fair trading practices, Millennium Retailing established the Fair Trade Promotion Committee in June 2003. The Committee is dedicated to fostering increased awareness of fair business among employees by formulating relevant internal rules, and communicating about upcoming regulatory changes and resulting new rules. It also participates in committees and seminars by Japan Department Stores Association, to gather necessary information, and organize explanatory meetings and other forums to listen to business partners at the time of store remodeling or other occasions.

Launch of individual training programs for new merchandisers

Millennium Retailing developed the Voluntary Standards on Fair Trading Practices in February 2003, with the objectives of ensuring all members of the Group have appropriate knowledge of fair trading and act accordingly. All employees can access the text of the Standards via our intranet.

We have also started training programs for new merchandisers since FY 2007, as people in this position interact with business partners more than any other personnel. Participants learn about procedures for starting new transactions and for signing required contracts, and receive precautions to maintain fair business relationships. During the classroom training, the new merchandisers receive a related handout that summarizes the key points of the lectures.

The training also covers the Voluntary Standards on Fair Trading Practices, the text of which is available on the corporate intranet. When the Standards are updated on the occasion of regulatory change, the corresponding parts of the programs also change accordingly.



Handout for new merchandiser training

Concluding contracts for all new relationships to ensure fairness of trading practice across the Group

Millennium Retailing integrated merchandising divisions of Sogo and Seibu Department Stores when the Group started in June 2003, aiming to maintain fair and appropriate relationships, and achieve mutual benefit, with business partners. Any new transactions cannot be executed without entering into required contracts in the uniform format. These documents are reviewed by legal staff of Millennium Retailing to ensure their fairness and legal legitimacy.

As of February 28, 2007, Sogo and Seibu Department Stores were under contracts with 1,505 and 1,690 business partners, respectively.

The current focus is the management of existing legal agreements. We are specifically considering which document formats and systems are most appropriate to manage subsequent changes in terms and conditions of the contracts.

Holding explanatory meetings for business partners on the occasions of store remodeling

When a group store is remodeled, Millennium Retailing holds an explanatory meeting primarily for merchandise suppliers.

On July 26, 2007, such a meeting was held to explain about planned extensive remodeling of the Seibu Tokorozawa Store in the following September. With participation of more than 300 business partners, we provided outlines of the remodeling and then took the opportunity to elicit various comments and requests from them.

Having these forums for dialogues helps us identify issues and room for improvement of our store operations. We will work for even more harmonious store operations by offering a greater number of occasions to communicate with our business partners.



Inviting business partners to the explanatory meeting on the remodeling of the Seibu Tokorozawa Store



Providing outlines of the remodeled store by the store manager, Hitoshi Saito



Responsibilities to Local Communities

Giving back to communities

Expressing our gratitude in the form of various community contribution programs

As a gesture of gratitude to society, Millennium Retailing started a supportive program for guide dog organizations in Japan in 2003. In this program, our stores operate fund-raising campaigns and semi-annual awareness-raising events. As we are “a corporate group that makes positive contributions to communities,” each store carries out its community-based social contribution programs.

Support for guide dog development projects, through our donations and in-store awareness-raising campaigns

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

In FY 2006, a total of ¥20 million was donated to nine guide dog organizations through the Millennium Fund. Another ¥22.07 million contributed by our customers in stores was provided to seven guide dog organizations. Our stores operated Meet Guide Dogs Campaigns in spring and fall, in which customers gained a better understanding of the importance of guide dogs, through simulated visual impairment experiences and guide dog training demonstration.

These activities by Sogo and Seibu Department Stores were recognized by a leading newspaper publisher, the Asahi Shimbun Company, with its Third Asahi Corporate Citizen Award in October 2006.

Applying what we have learned and experienced in these initiatives, we would like to further improve our services for customers with disabilities, such as shopping assistance service.



Simulated experience during the Meet Guide Dog Campaign

Community-based contribution programs by each store

All Sogo and Seibu stores are promoting their respective community-based contribution campaigns, responding to comments and requests from local communities.

Major community contribution programs by Sogo



The Fourth Kanagawa Yokohama Children Art Award (Yokohama Store)



Offering one-day hands-on work experience to 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 Department Stores



Volunteering in assistant service in Asahiya Zoo (Asahikawa Store)



Participation in Akita Eco & Recycling Festival (Akita Store)



Cooperation for Okazaki City Environmental Fair (Okazaki Store)



Participation in the flowerbeds creation in Tsukuba-center Plaza (Tsukuba Store)

Supporting educational and cultural programs in local communities

Supporting educational and cultural programs toward an advanced society

As a department store group that supports brilliant lives of local people, Millennium Retailing is doing more than just offering products and services. We actively support the educational and cultural advancement of local communities through organizing various programs in our stores and our cultural facilities.

Strengthening ties with local communities through educational store tours and work experience programs

Sogo and Seibu Department Stores support work experience programs by local elementary, junior high, and high schools. In these programs, elementary school students join store tours, meeting and asking questions to sales staff, and watching how products are shipped in our backrooms. Junior high and high school students experience sales assistance and gift-wrapping service. In FY 2006, 193 sessions were held in our stores across Japan, and a total of 2,492 students watched or experienced our department store business.

We also receive a growing number of requests from governmental organizations and businesses, to provide opportunities to learn “department store hospitality” by their staff members. Therefore we are considering possible expansion of our programs to cover wider participants.

Teaching the importance of environmental conservation in our “Acorn Campaign”

To let local children learn the importance of environmental conservation, the Seibu Ikebukuro Store has operated a green education program, titled “Nurturing Future Forests with Children—Let’s grow acorns for lovely bears.”

In the program, children receive acorns in the store and grow them to become some 50 cm-tall seedlings, which then are planted by Creative Conservation Club, an environmental NPO.

Employees at Millennium Retailing also volunteer in this tree-planting. Acorns are distributed at the Kids Floor of the Ikebukuro Store every other month.



Acorn Campaign

Offering cultural and art events which make lives of local communities a little more colorful

Sogo Museum of Art features a broad range of programs and exhibitions, from Japanese and international collections, various cultural programs, to exhibitions of children’s works, such as Kanagawa Yokohama Children Art Award. Sogo Theater primarily offers classical music concerts, theater performance, and junior artist development programs. Yatsugatake Kogen Music Hall holds salon concerts by prestigious classical, jazz, and other music players, as well as *kyogen* and other traditional Japanese play performance.

In FY 2006, Sogo Museum of Art attracted 254,000 visitors for 12 programs. Sogo Theater had 57,000 spectators for 295 rounds of performances. Yatsugatake Kogen Music Hall was visited by 3,400 audiences for 19 events.

Going forward, Sogo Museum of Art is planning to increase collaboration with local organizations, such as the boards of education of Kanagawa Prefecture and Yokohama City.

Sogo Theater will continuously keep the door wide open for local performing arts. To this end, the Theater will be working closely with Osaka City and Osaka Cultural Association.



Sogo Theater



Sogo Museum of Art



Yatsugatake Kogen Music Hall



Responsibilities to Employees

To maintain and promote employees' well-being

Creating a healthy and comfortable workplace

Millennium Retailing is working on various employee wellness programs to create a workplace where our group employees in Sogo and Seibu Department Stores can stay in good health and work comfortably. Key focal areas include: 1) facilities improvement, such as renovation of employee facilities, 2) prevention of occupational accidents, 3) management of physical and mental health care, and 4) collaboration with our mutual aid association and our corporate health care insurance society.

Company doctor's advisory and other supportive programs to support employee's wellness

Millennium Retailing conducts annual checkups every spring for all employees, including part-timers, who work at Sogo and Seibu Department Stores. For those whose health issues are identified in the checkup, we urge them to seek medical advice from our company physicians or nurses, and visit a hospital for a reexamination.

In FY 2006, 99.9% of the employees received these checkups, the same rate as in the previous year. These high rates are a result of our efforts to avoid schedule conflict of employees. At each store, HR personnel work with the corporate physicians and nurses to arrange the checkup schedules for store employees, accommodating the availability of each individual.

Our employees can also access a health consultation service via phone or the Internet. This service, "The Family Health Consultation Dial," is a part of our health care insurance society's employee wellness program, offering counseling and advice by experts in various areas available 24/7. To support mental health management, face-to-face or telephone counseling service by clinical psychotherapists is also available.

In FY 2007, Millennium Retailing is aiming to achieve a 100% annual checkup participation rate, while it is working with our health care insurance society to encourage eligible employees to take comprehensive checkups. We are also working to provide an even better health care program for employees, connecting various elements, such as advisory and medical services by our company physicians/nurses, support at workplace by supervisors and the Occupational Safety and Health Committees, external professional services, and health management by employee themselves.

Prevention of occupational accidents by the store-level Occupational Safety and Health Committees

To create a comfortable workplace, each Sogo and Seibu store holds monthly meeting of its Occupational Safety and Health Committee to analyze the causes of accidents and discuss which measures should be taken to prevent them from happening again.

In FY 2006, the Committees mainly discussed the causes of work-related accidents in the previous year, and issues and improvement areas with regard to store environment. Their recommendations were shared at section leaders' meetings and other occasions, and communicated to all employees through floor managers. As a result, we saw a substantial decline in the number of accidents during moving store furniture and fixtures in FY 2006, which was the top reason a year earlier.

Work injuries happening outside of stores have been increasing—20% of all occupational injuries of the Group in FY 2006 happened during commuting—and thus we are taking steps to enhance safety outside of workplace.

Improving store facilities and buildings for a safer and more comfortable workplace

Sogo and Seibu Department Stores focus on continuous improvement of store buildings and facilities to meet customer expectations. For employees, remodeling of store facilities also means remodeling of employee facilities.

The Sogo Yokohama Store had a drastic makeover of the employee cafeteria. It now features a "Gram One" pay-by-weight (1g=¥1) buffet, a famous curry and rice restaurant from Shinjuku, Tokyo, a Sushi corner, and a noodle corner, serving Japanese (*udon*, *soba*), Western (*pasta*), and Chinese (*ramen*) noodles. As the cafeteria is designed to make the most of the ocean view location, employees can enjoy meals in a scenic place and refresh themselves.

The cafeteria was covered by several magazines, as these exceptional meal plans and facilities have attracted public and media attention.



"Gram One (1g=¥1)" buffet cafeteria



Employee cafeteria with a view of the ocean

Creating a motivating workplace

Various programs in place to build motivation in the workplace

To help build motivation of store employees, Millennium Retailing has an employee certification program and a contract-based employment system for talented part-timers. To help achieve a better work-life-balance, we also have supportive programs for employees' maternity, parenting and family nursing care.

The "Star Club" certification program to recognize sales staff with outstanding sales and customer skills

Our Star Club program is to recognize highly-skilled employees (including part-timers and temp agency staff) working sales floors of Sogo and Seibu Department Stores. Originally, it was started in 1998 at Seibu.

Every six months, high performing sales staff are selected based on their sales figures. Among those on the short list, only employees who enjoy great customer confidence and can serve as role models for other employees become certified as Star Club members. The name badges of certified members are marked with a symbolic "star" sign (in red for Sogo, blue for Seibu).

In FY 2006, a total of 1,875 members joined in the Star Club. Attendees of the certification ceremony included top management of our business partners, who congratulated the new members for their performance in the frontline of sales arena and expressed their expectations for continued excellent service.

Through the Star Club, we would like to keep our employees motivated for acquiring greater sales and customer service skills and techniques.



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

Promoting more women to store-level managerial positions

Under the policy of "equitable personnel treatment based on performance and merit," Millennium Retailing has been taking aggressive steps to hire and promote female employees.

As of the end of FY 2006, women accounted for 26.4% of sub-section leaders, 3.6% of section leaders, and 6.6% of division leaders at all stores of Sogo and Seibu combined.

Recognizing that female representation in senior positions needs further improvement, we intend to improve our parenting support programs, introduce community-based working styles, and take many other steps to make our workplace even more female-friendly.

Our "annual program for quasi-regular employees" to attract and retain talented workers

Millennium Retailing has the "Licensed Regular Employee" program in place for wage-based sales staff and leaders on the cosmetics floors and other sections. Qualified individuals can receive a quasi-regular employee benefit package.

This incentive program aims to motivate staff with great sales skills or leadership to maintain aspiring attitude toward work, offering bonus payment, pay raise, and promotion based on the performance evaluation. In July 2007, we had 720 Licensed Regular Employees in our stores.

Internal guidebooks to facilitate greater utilization of employee programs

Sogo and Seibu Department Stores have developed their "Guidebooks for Maternity, Parenting, and Nursing Care Leave and Shorter-Hours," as a part of efforts to create a workplace where staff can take leave for giving birth, parenting, or taking care of sick or aged family members. All employees, including part-timers, have received these booklets, describing how to use applicable leave or short-hour programs and apply for related benefits.



Guidebooks for Maternity, Parenting, and Nursing Care Leave and Shorter-Hours



Responsibilities to the Environment

Global warming prevention

Implementing a two-pronged energy efficiency approach: employees' action and facilities improvement

The majority of energy consumption at Sogo and Seibu Department Stores comes from electricity use. Millennium Retailing is therefore focusing on the reduction of electricity consumption through energy-saving behavior of our staff and improvement of energy efficiency of store facilities. Our stores also hold environmental seminars and educational events for customers and local residents, to promote their understanding of and action for environmental conservation. To nurture public awareness toward the importance of global warming prevention, we are regular and active participants in "Light-Down Campaign" by the Ministry of the Environment, and "Uchimizu Project" by Japan Water Forum.

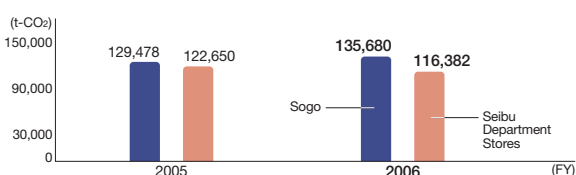
Ensuring energy-efficient store operations at all Sogo and Seibu stores

Each store of Sogo and Seibu Department Stores has an electricity consumption target. To meet the store-specific target, each sales floor promotes "energy-efficient operations," in which higher energy efficiency is targeted by individual employee's awareness and action, including 1) turning on lights only for necessary sections of offices and warehouses, and making sure to turn them off when the rooms/warehouses are not in use; 2) avoiding excess use of lights in backrooms by only lighting to necessary locations; and 3) promoting the "2up-3down Campaign" that encourages using stairs rather than elevators as much as possible.

With some adverse factors, such as opening stores and large scale remodeling projects, Sogo consumed 270,809 MWh of electricity in FY 2006, a 7.7% increase from the previous year, and Seibu Department Stores used 262,542 MWh, a 4.4% reduction.

In FY 2007, we are continuously striving to achieve our reduction target per basic unit (operating hours and operating floors). Together with continued practice of our energy-efficient store operations, we are considering possible installation of energy-efficient equipment, such as air-conditioning systems utilizing outside air.

CO₂ emissions



Note: Increase in Sogo's consumption is due to reopening of the Shinsaibashi Store in Sep. 2005.

Environmental education

Environmental training courses taken by all employees including tenant workers (Seibu Department Stores)

Seibu Department Stores believes that the environmental burden of store operations cannot be reduced without enhanced employee's awareness. At Seibu, therefore, all new staff, including part-timers, staff agent employees, and tenant workers, take an environmental education program. In addition, all existing employees, whether at stores or the headquarters, are required to take "Environmental e-Learning" programs each year, and business partners and store tenants are requested to take similar, but simpler versions.

Helping increase employee awareness through e-learning and other training programs

Seibu Department Stores, a certified ISO 14001 organization, launched "Environmental e-Learning" programs in October 2002, designed to increase each employee's right knowledge and attitude, and to help integrate such acquired knowledge into their daily operations. Topics covered during a given year are determined based primarily on thematic focus of the year and the results of a survey of previous participants. Students of the program need to repeat the course until they score full marks in the final test.

In FY 2006, all employees of Seibu (2,772 members) took the e-learning course—which had a theme of "intensifying green communication with customers"—to learn the importance of not only saving energy and resource in stores, but also increasing customers' environmental awareness by making the most of the characteristics of our consumer-facing store business.

Since February 2004, a simpler version of environmental e-learning program has been implemented for business partners, tenants, and outsourced workers.

Since our stores constantly have new workers, especially at the time of brand or tenant replacement, we will be carrying out various environmental education programs.



Latest e-learning course, focusing on "green communication with customers"

Collaboration with customers

Offering “Ecology Bags” and “Environmentally Friendly Products”

Millennium Retailing believes that offering ideas of environmentally sound lifestyles to customers who shop with us is our responsibility as a leading retail group who interacts with customers every day. With this belief, Sogo and Seibu Department Stores have started selling original Ecology Bags since June 2000 and May 2007, respectively. We also offer a selection of Environmentally Friendly Products which we select and source under our own criteria.

Active promotion of Ecology Bags, with continuous improvement of their functions and designs

Customers can purchase our original reusable “Ecology Bags” in the handbag sections and the food sections of Seibu stores from June 2000, and in the food section of Sogo stores from May 2007.

These eco-friendly bags have a reduced environmental impact because of the use of recycled polyester from old PET bottles. They are also user-friendly and stylish with customers preferences incorporated into design details, such as inner pockets, shoulder strap lengths, and depth of the bags.

Responding to customer requests for insulated cooler bags for their train ride from our store to home, we added insulated cooler bags in September 2002 (in May 2007 in Sogo), and insulated rolling cooler bags in September 2005, to our Ecology Bag offerings.

Sogo and Seibu stores are also implementing Smart Wrapping campaign, an initiative by Japan Department Stores Association promoting appropriate levels of wrapping required for specific purposes.

We will be targeting further reduction of our packaging consumption mainly by promoting greater perception and use of Ecology Bags.



Our insulated rolling cooler bag



Original Ecology Bags

Offering “Environmentally Friendly Products” that meet our selection criteria

In April 1999, when obtaining the ISO 14001 certification, Seibu Department Stores decided to help our customers reduce the environmental impact of their daily living, and rolled-out its Environmentally Friendly Products selection under its own standard.

In selection procedures, potential products are identified in accordance with the internal Criteria for the Selection of Environmentally Friendly Products by merchandisers of MD Division. Then these identified items are reviewed at an internal meeting. Products approved by the meeting are examined by an external organization which provides quality control service for Millennium Retailing. After going through all these processes, our Environmentally Friendly Products can make their debut on store shelves.

To date, most of these green products are in household goods and food categories. As a next step, we would like to phase in Environmentally Friendly Products in our fashion offerings.

Criteria for Selection of Environmentally Friendly Products

1. Products having low environmental impact in their raw material and production processes
2. Products made from recycled materials
3. Products which are recyclable
4. Products which are energy and resource efficient
5. Products that promote environmental conservation
6. Products that display environmental impact information
7. Products manufactured by environmentally conscious corporations



Environmentally Friendly Product, “Shokugen Tanbou” organic green tea and soy sauce



Environmentally Friendly Product, organic cotton baby clothing