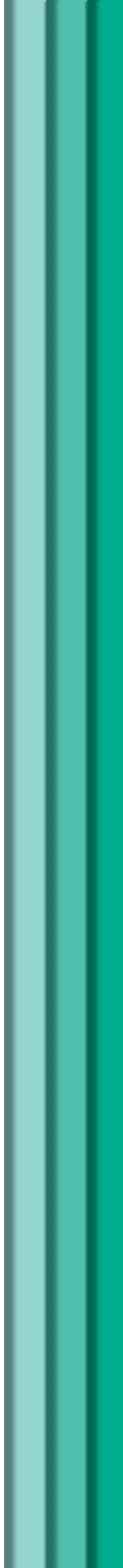


MITSUBISHI
CORPORATION

Corporate Social Responsibility REPORT,
Annual REPORT
2006



Greetings

“Adopting western strengths, we must improve our culture and offer the best services we can. While expecting prosperity for our stores, we must go further and contribute to Japanese society.”

These words come to us from Osuke Hibi, Mitsukoshi's senior managing director 100 years ago, when he issued his “department store proclamation.” The words became a lifelong ambition for him and it is written that Hibi always conducted business with them in mind. The concept also forms the origin of Mitsukoshi's Corporate Social Responsibility (CSR).

Times have changed and society is incomparably more complex today, but this basic philosophy has remained the bedrock of Mitsukoshi's CSR.

While transforming itself from a kimono store to a department store, what values has Mitsukoshi brought to society? And how has Mitsukoshi been evaluated by what we now call our stakeholders encompassing customers, business partners, stockholders, government, community and employees? It is important to try to answer these questions.

In order to remain a corporation that is beneficial to society, we must go back to our roots. Just as Mitsukoshi's corporate activity 100 years ago was based on the principles of CSR, we will continue to fulfill our responsibility to society in the future.

We hope that this report will help you understand Mitsukoshi's CSR, and we will do our best to communicate faithfully with you.

Major Stores and Operation Divisions

Stores

- **Nihonbashi Main Store** 4-1, Nihonbashi Muromachi 1-chome, Chuo-ku, Tokyo 103-8001
Tel: 03-3241-3311 (main switchboard)
- **Shinjuku ALCOTT Store** 29-1, Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-8455
Tel: 03-3354-1111 (main switchboard)
- **Ginza Store** 6-16, Ginza 4-chome, Chuo-ku, Tokyo 104-8212
Tel: 03-3562-1111 (main switchboard)
- **Ikebukuro Store** 5-7, Higashi-Ikebukuro 1-chome, Toshima-ku, Tokyo 170-8439
Tel: 03-3987-1111 (main switchboard)
- **Chiba Store** 6-1, Fujimi 2-chome, Chuo-ku, Chiba 260-8631
Tel: 043-224-3131 (main switchboard)
- **Sendai Store** 8-15, Ichiban-cho, Aoba-ku 4-chome, Sendai 980-8543
Tel: 022-225-7111 (main switchboard)
- **Sapporo Store** 3-8, Minami-Ichijo Nishi, Chuo-ku, Sapporo 060-8666
Tel: 011-271-3311 (main switchboard)
- **Nagoya Sakae Store** 5-1, Sakae 3-chome, Naka-ku, Nagoya 460-8669
Tel: 052-252-1111 (main switchboard)
- **Nagoya Hoshigaoka Store** 14-14, Hoshigaoka Motomachi, Chikusa-ku, Nagoya 464-8661
Tel: 052-783-1111 (main switchboard)
- **Niigata Store** 866, Nishibori-dori Goban-cho, Niigata 951-8530
Tel: 025-227-1111 (main switchboard)
- **Hiroshima Store** 5-1, Ebisu-cho, Naka-ku, Hiroshima 730-8545
Tel: 082-242-3111 (main switchboard)
- **Takamatsu Store** 7-1, Uchi-machi, Takamatsu 760-8639
Tel: 087-851-5151 (main switchboard)
- **Matsuyama Store** 1-1, Ichiban-cho 3-chome, Matsuyama 790-8532
Tel: 089-945-3111 (main switchboard)
- **Fukuoka Store** 1-1, Tenjin 2-chome, Chuo-ku, Fukuoka 810-8544
Tel: 092-724-3111 (main switchboard)
- **Kagoshima Store** 6-5, Gofuku-machi, Kagoshima 892-0826
Tel: 099-225-2111 (main switchboard)

Operation Divisions

- **Specialty Store Operation Division** (Lachic Store, Yebisu Store, Tama Center Store, Sinjuku Alta Store, Sunshine City Alta Store, Sapporo Alta Store, Niigata Alta Store, and more) *Kichijoji Store closed in May 2006.
- **Mail Order Business Division**
- **Corporate Business Division**
- **Small Store Division**

(as of June 30, 2006)

A Brief History and Corporate Profile of Mitsukoshi

1673	Echigo-ya was established.
December 6, 1904	Mitsukoshi Drapery Store Co., Ltd. was founded.
June 1, 1928	The company name was changed to Mitsukoshi, Ltd.
September 1, 2003	The five department store companies were consolidated into the new Mitsukoshi company.

Company name: 株式会社 三越

Company name in English: Mitsukoshi, Ltd.

Established: 1673

Formation of the company: September 1, 2003

Paid-in capital: ¥37,404 million

Number of employees: 6,924*1 (Male: 3,844 Female: 3,080)

Number of stores:

Domestic stores 15*2

Small-scale stores: 65*3

Overseas stores: 24

*1 Employees on loan are not included.

*2 The three stores of Yokohama, Osaka and Kurashiki were closed on May 5, 2005.

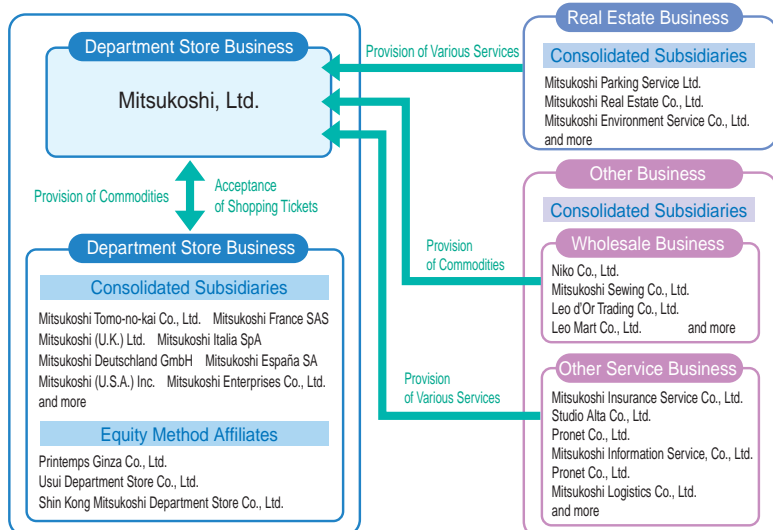
*3 The two small-scale stores of Hirakata (Osaka prefecture) and Kurashikigawa-kan (Okayama prefecture) were closed in May 2005.

(as of February 28, 2006)

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■ Mitsukoshi Group Business Division Chart of the Mitsukoshi Group



(as of June 30, 2006)



Mitsukoshi's Management Philosophy
Contribution to society and prosperity of the company
Innovation beyond tradition
Sincerity and creativity

Mitsukoshi, Ltd.
President
Kunio Ishizuka

Message from the President

Our Mission is to be Helpful to Society.

What is Corporate Social Responsibility (CSR)?

- You've often given talks about CSR. Would you explain again Mitsukoshi's vision for CSR?

Ishizuka:

Before discussing Mitsukoshi's CSR, we should note the premise that corporations cannot survive or grow without contributing to the society of their time. Our main business is retailing and department stores, so it's important that our core businesses help society in some way. Otherwise, we cannot continue to grow in the long term.

Around the time Osuke Hibi announced his "department store proclamation," he thought that Mitsukoshi's mission at that time was "to make western culture known to Japanese society as well as to make Hokkaido's local products known to people in Kyushu." It was while pursuing this mission that Mitsukoshi became recognized as a valued department store by the people. When we apply this basic principle at the individual level, it is of paramount importance that we remain aware of whether our individual daily work and business are

contributing to society and act accordingly. Although this begins from a small step, over time it eventually determines the value of the company's existence.

- Does that mean the key to promoting CSR is to begin with the individual's own awareness?

Ishizuka:

One of Mitsukoshi's roles is to introduce fashions and lifestyles based on our awareness of what our customers want and how we can please them in contemporary life. It is only natural, therefore, that our employees must be aware of this. We are now promoting the "New Mitsukoshi Model", where "new" means that we pause in order to review our core business from this perspective. We are thinking subjectively about whether our business and projects are really in line with what our customers are wanting.

In my New Year's greetings, I talked about returning to the basics of business, work and management. This will lead to our company "being helpful (contributing) to society." By promoting business activities based on our corporate philoso-

phy, we aim to make a company where our customers and staff feel like smiling.

Compliance

- Compliance is an important element in fulfilling our social responsibility. There are various laws and rules governing corporate activities, and compliance with those rules can be crucial to a company's relationship with society. Could you explain this aspect?

Ishizuka:

First of all, compliance is necessary and the basis of corporate activity. The laws are so varied that very few people understand them all. However, if you break the law, ignorance will not allow you to escape punishment. For example, it is not that you try not to break the law because you will be punished if you do, or that you break the law because you are unaware of it. I think that there are more fundamental issues underlying CSR such as how to live life as a human being, and not to go against social rules while living a life that complies with one's conscience and common sense.

Just as each individual has their own personality, corporations have their own character too. A person with a good personality attracts a large following, and the same is true of a corporation. In order to be recognized as a corporation of noble character it is very important, though difficult, always to strive to become such a corporation. I think that the premise of CSR is that the corporation must be willing to comply with its conscience and common sense. This can be compared to the "frame of mind" of individuals.



- I heard that you are currently drawing up the next management plan. How will Mitsukoshi's CSR be outlined in this plan?

Ishizuka:

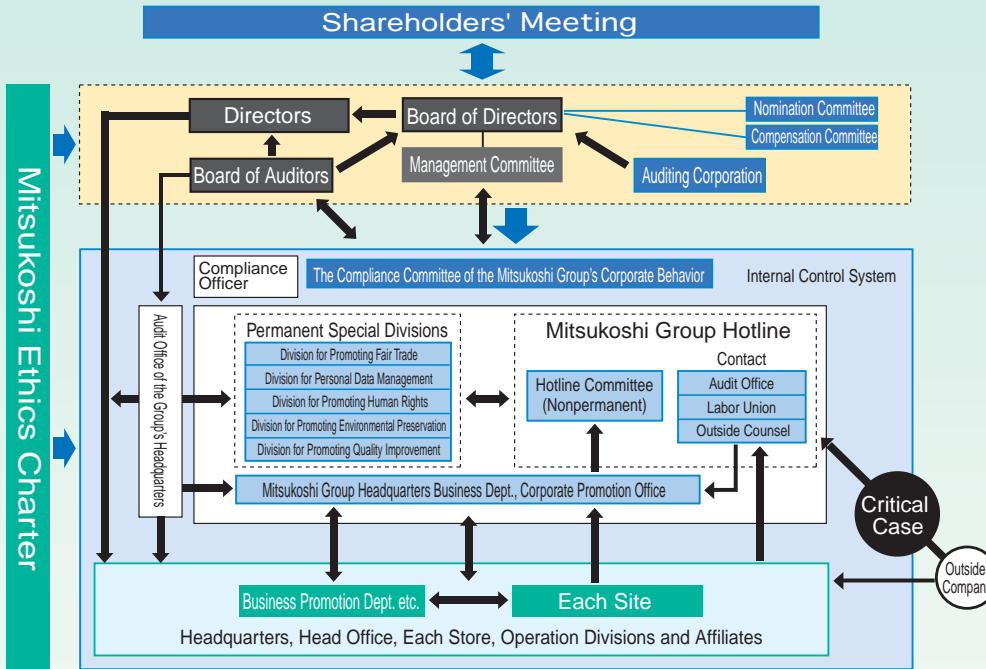
We will likely be able to announce our next management plan this fall, but we still need to confirm our basic corporate definition of what Mitsukoshi is. We need to clarify how we have contributed and will contribute to society. Then we will need to decide where and what products, services and work we should provide our customers with. We need a system in which we can recognize ourselves as being helpful to society. Department stores have already played various roles in society, so I think we should clarify the value of Mitsukoshi's existence by thinking about what Mitsukoshi should be in the future. We would then like to make Mitsukoshi department stores and our company something that people can be proud of. Customer satisfaction becomes our own satisfaction and *raison d'être*. I would like this idea to become our corporate social contribution.

Creating an Open Corporate Climate

- The details of this plan will be contained in the next management plan. How do you intend to promote this plan?

Ishizuka:

In running a corporation, it is important that complaints reach the top management on a daily basis and that the top people share the complaints with each other in order to manage compliance and risk. First of all, these matters affect the corporation's basis for survival. If you look at corporations having problems, they tend to cover up disadvantageous information or not let top management know about it. Moreover the top people themselves tend not to listen to bad news. Unfortunately, it is true that even some Mitsukoshi stores do not consider complaints received by other stores repeatedly, considering it is their own problem. Now we are focusing on complaints because accepting complaints is an indispensable part of improving corporate values. The corporate climate of an open corporation, in which even disadvantageous information reaches the top management, lays the foundation for development. However, because it is impossible for one person to do all the work, we need to communicate with other workers as much as possible while delegating authority to them. And of course the top people themselves must take the initiative and set an example. Starting from the smallest beginnings, we will progressively build an open corporation.



Based on Mitsukoshi's management philosophies, "Contribution to society and prosperity of the company", "Innovation beyond tradition", and "Sincerity and creativity", the Mitsukoshi Group aims to create a healthy and transparent group management and maximize our corporate value. We are now enhancing our corporate governance system and compliance system.

Special Topic

Corporate Governance & Compliance Creating a Healthy and Transparent Management

_ Corporate Governance

In order to enrich corporate governance, Mitsukoshi is working on the following three aspects.

1. Speeding up management decision-making and making the process transparent

Strengthen the directors' auditing function by appointing outside board members (three outside directors out of 10 directors in total). On the other hand, regarding important management policies and business challenges, we hold a management committee twice a month in principle as a preliminary meeting of the board of directors, aiming to speed up the decision-making process.

2. Clarifying standards and processes for the election and dismissal of board members and for decisions regarding their compensation

Set up arbitrary nomination committees and compensation committees as advisory organizations, in which outside board members are appointed as chairpersons. These com-

mittees discuss appointments and dismissals, and the compensation of operating officers and board members, and give advice and proposals to the board of directors.

3. Introducing performance-based pay for board members

We set the director's compensation and operating officer's compensation by clearly separating the roles of director from those of operating officer. For the operating officer's compensation, we are introducing the idea of performance-based compensation, where the compensation is decided based on the evaluation of an officer's success in achieving important issues.

Moreover, by replacing a part of performance-based compensation with stock compensation, we are introducing a system for distributing share warrants called "stock compensation-type stock options." In this way, we aim to boost operating officers' motivation and morale and to increase our corporate value, and to run our corporation by valuing our shareholders.

_ Establishment of Compliance System

We aim to create a corporation that can be trusted by customers, based on the Mitsukoshi Ethics Charter as its basic policy. By focusing on compliance and risk management as the pillars for CSR throughout our various activities, we are strengthening the compliance system. To strengthen it further, we decided at the board of directors' meeting held in May 2006 to establish an internal control system.

_ Compliance Committee for Corporate Behavior and Permanent Special Divisions

In order to establish the compliance system, we appointed compliance officers and set up a compliance committee. Moreover, we set the following five permanent special divisions, which conduct special activities within the compliance committee.

1. Division for Promoting Fair Trade
2. Division for Personal Data Management
3. Division for Promoting Human Rights
4. Division for Promoting Environmental Preservation
5. Division for Promoting Quality Improvement

_ Mitsukoshi Ethics Charter

We have defined the Mitsukoshi Ethics Charter as our fundamental guideline embodying our attitude toward compliance.

Mitsukoshi Ethics Charter

We make the following promises and behave in accordance with common sense.

“I understand the meaning of this charter and shall conduct proper business activities including honest business and fair trade.”

1. Conduct honest business, being committed to “the customer comes first” policy
2. Trade fairly with business partners
3. Protect personal data
4. Preserve the environment
5. Raise awareness of human rights and create a better working environment
6. Disclose information and contribute to society
7. Confront antisocial forces
8. Take disaster prevention measures and ensure the safety of customers
9. Control group companies and communicate our policies to business partners
10. Strengthen the compliance system

_ Division for Promoting Fair Trade

We used to operate this division as the Mitsukoshi committee for promoting fair trade. Following the new establishment of the compliance committee, this division now promotes fair trade as a permanent division. Thus, we tend to review our organization controls and activity conditions.

It is particularly important to improve the transparency and fairness of trade with our business partners in order to fulfill our social responsibility as a retail distributor. In order to practice fair trade based on the Antitrust Act and the Subcontract Act, we have instituted a secretariat as our headquarters and established a committee for promoting fair trade at department store business headquarters, each store and affiliates. We have also raised our awareness of compliance and laws through study sessions.

Moreover, we are promoting the development of internal rules regarding respective items such as returns and money from sponsors. In this way, we confirm the status of implementation by internal auditors.

_ Division for Personal Data Management

We established the division for personal data management within our compliance committee. From our headquarters and head office to each store, operation division and affiliate, the whole group works to protect personal data and has established a control system for protecting personal data.

_ Division for Promoting Human Rights

We established the committee for promoting human rights

in our company in May 1980, and have been working to promote human rights since then. We have now renamed it the division for promoting human rights and relocated it within the compliance committee.

The Mitsukoshi Declaration of Human Rights

The Mitsukoshi Declaration of Human Rights

In accordance with our management philosophy, the Mitsukoshi Group regards human rights to be an important issue. We hereby declare that our whole group is committed to solving existing problems of human rights violations and discrimination and will create a corporate culture that respects human rights.

_ Division for Promoting Environmental Preservation

We promote environmental improvement activities such as the improvement of environmental performance and compliance with laws by utilizing the Environment Management System (ISO 14001), and hold regular meetings of the division for promoting environmental preservation at each store and operation division.

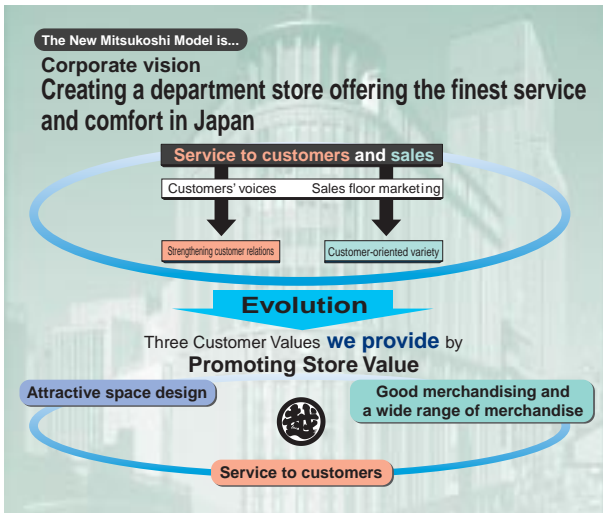
_ Division for Promoting Quality Improvement

To ensure product safety and our customers' peace of mind, we carry out the following ten storewide activities, to maintain proper quality management and labeling practices:

1. Storewide Inspection System
2. Food Sanitation Manager System
3. Food Sanitation Supervisor System
4. Measuring Control Supervisor System
5. Correspondence Course
6. Correspondence Course for Food Sanitation Supervisor
7. Nonconforming Article Record (Quality Control Memo)
8. Periodical Check of Each Store by Itself
9. Labeling Check
10. Meeting of Division for Promoting Quality Improvement (Meeting at each store)

These activities enable our division to promote quality improvement.

Promoting the New Mitsukoshi Model Creating a Department Store Offering the Finest Service and Comfort in Japan



_ Promoting the New Mitsukoshi Model

In order to establish Mitsukoshi's new growth and development model, and mechanisms and work methods that support this new model to embody what Mitsukoshi should be, we have redefined our various operations and management structure from the customers' perspective. We are thus rolling out the New Mitsukoshi Model across the company.

In order to achieve the ideal Mitsukoshi, it is crucial to maintain and improve Mitsukoshi's "brand value". Brand value means the corporate value of Mitsukoshi itself, and is determined by the value of the discriminating taste that we offer our customers. Concepts embodied in the brand value include high quality, hospitality, grace, and warmth toward people. With these words in mind, we have set out to make a New Mitsukoshi Model by defining the corporate vision as: creating a department store that offers the finest service and comfort in Japan.

_ Creating a department store offering the finest service and comfort in Japan

We will improve three customer values: service to customers, attractive space design, and a wide range of excellent merchandise in our department store business, which is the core of the Mitsukoshi group.

We will carry out this project at all stores in order to achieve the New Mitsukoshi Model.

Good merchandising and a wide range of merchandise

In order to change the layout of our sales floors and provide a range of merchandise that matches our customers' needs, we will continue to work on securing good products and improving accuracy.



"New York Runway Next" at Ginza store

Service to customers

Having once again clarified our target standards of service ("Service Standards") and begun to forge a corporate climate that values service ("Smile-up Meetings"), we are now raising the precision of our evaluation systems ("Service Michelin").



"Lady's Shoe" section at Kagoshima store

Attractive space design

We have clarified the target for attractive space design, and are cleaning up sales floors and creating outstanding spaces where customers can shop with ease and in comfort.



A spacious and comfortable entrance area (Sapporo store)

_ Attaining the New Mitsukoshi Brand = To Improve Mitsukoshi's Brand Value

We will increase our brand value by strategically investing to improve sales floor management and establish store strategies.

We are now creating a sales floor management model to define the basis of business processes and standards of behavior for each product group. We are also clarifying the operations and behavior necessary to increase customer satisfaction and implementing it at each sales floor.

We aim to achieve the following three goals by our sales floor management model:

1. To create sales floors that convey Mitsukoshi's intentions clearly and that are attractive to customers.
2. To increase the level of operations by standardizing them.
3. To manage efficient sales floors by clarifying the division of roles.

To attain these goals, we will develop a system to concentrate on refining our three customer values. Moreover, by clarifying issues such as personnel policy, coding scheme and systems, we will build the infrastructure required to assist store sales. Meanwhile, to improve consideration of service to customers, attractive space design, and a wide range of excellent merchandise in each store, we will plot store strategies more precisely.

By combining sales floor management based on the sales floor management model with clarification of the store strategies, we will create stores where customers can appreciate what makes Mitsukoshi special and attractive, and what differentiates it from other department stores.



In 1904, we declared that our department store would be a one-stop place where customers could do all their shopping. We established an art department in the Osaka store in September and another at the Nihonbashi main store in December 1907. At that time, art objects were something that only a few wealthy people and enthusiasts requested directly from the artists and then hoarded. Although somewhat surprised, people welcomed our efforts to display and sell art objects to ordinary people in a public place like a department store.

Special Topic

Mitsukoshi Art

A Hundred Years' Development with Art and Culture.

Early Exhibitions

Upon its establishment, the art department first held an exhibition of Japanese Hansetsu paintings (1907). They exhibited paintings of famous Japanese painters such as Taikan Yokoyama, Kanzan Shimomura, Seihou Takeuchi and Gyokudou Kawai in a special exhibition area that was made to display art in traditional Japanese alcoves, because a hansetsu painting* fits the size of a traditional Japanese alcove. They also prepared picture frames and boxes made of paulownia, on which the painter himself wrote his work's title and signed it in calligraphy. This highly innovative sales method paid off, and the exhibition was a huge success.

*Hansetsu is a type of scroll painting, measuring 136 ¥ 35 cm.

In the field of art crafts, Naojiro Kitamura, manager of the art department in Osaka at that time, proposed holding an exhibition of tea utensils (1923). Ten tea-utensil craftsmen of Senke, a tea master's family, were selected and named as "Senke Jusshoku (Senke's ten craftsmen)." This name is well-known now, but it was actually the Mitsukoshi art department that first brought it to the world's attention.

Art Academy Exhibition and Mitsukoshi

In October 1914, the first exhibition for the restoration of the Japan Art Academy was held at the Nihonbashi main store; until the year before, the art academy exhibitions had lain dormant. However, when Tenshin Okakura passed away, Taikan Yokoyama, Kanzan Shimomura and other artists

decided to revive these exhibitions. Mitsukoshi accepted a request from the Japan Art Academy, which was in decline and facing difficulties, and offered it exhibition space.

Later, at the government's request in the years after the war, Mitsukoshi offered exhibition space for "Japanese Art Academy Exhibition Pieces," organized by Taikan Yokoyama among others, which had long been awaited by Japanese people. The name of the exhibition was later changed to "Spring Art Academy Exhibition," and has been held 61 times to date. The exhibition has become a regular at Mitsukoshi, where many visitors have come to see new works by Ikuo Hirayama, Tamako Katayama and others. The exhibition even travels around several Mitsukoshi stores, starting from the Nihonbashi main store, to Sapporo, Fukuoka, Matsuyama and Hiroshima.



A part of the newly established art department (Osaka store, 1907)



Text of announcement to the public when the art department was established at Osaka store (1907)

Exhibition of Japanese Traditional Art Crafts and Mitsukoshi

After the devastation of World War II, the Cultural Properties Protection Committee, which was established to protect and develop Japanese culture, held the first Japanese traditional art crafts exhibition of intangible cultural treasures at the Nihonbashi main store in 1954. Currently, the Japan Art Crafts Association sponsors and holds this exhibition consisting of public entries at the Nihonbashi main store and other stores across the country. Many of the artists who send their works to this exhibition, such as Jusetsu Miwa, Osamu Suzuki and Kakiemon Sakaida, have been designated as important intangible cultural treasures (“living national treasures”).

Mitsukoshi Art Department’s 100th Anniversary

The Mitsukoshi art department is celebrating its centenary in 2007. We are planning to hold exhibitions such as personal exhibitions of recipients of the Order of Culture and living national treasures, and exhibitions to commemorate 100 years since the founding of the Mitsukoshi art department, thus introducing the best of Japanese culture to many customers. We also offered customers tours such as a tour to Toshodai-ji and Yakushi-ji, to view pictures mounted on partitions by Kaii Higashiyama and Ikuo Hirayama (held in April 2006), and a visit to the famous kilns of the three-Uemons in Arita and Karatsu of Kyushu to look at works of Kakiemon Sakaida, Imaemon Imaizumi, and Tarouemon Nakasato (held in November 2006).

Winning of Mecenat* Grand Prize

*Mecenat, a French word, means supporting culture and art. On November 25, 2005, Mitsukoshi was presented with the Mecenat Grand Prize at the presentation ceremony of the Mecenat Awards 2005 hosted by the Association for Corporate Support of the Arts, Japan and held at Spiral Hall in Aoyama, Tokyo. Mitsukoshi Drapery Store Co., Ltd. was founded in 1904. Mitsukoshi set a basic management policy of serving the public interest, and provides services based on its motto: excellent goods, honest advertising, and customer satisfaction. Mitsukoshi also hosted a cultural exhibition soon after it was established, thus creating the model of a modern department store that offers not only products but also new lifestyles such as entertainment and culture (including Kabuki, Rakugo and Japanese traditional music). Mitsukoshi’s longstanding culture and art activities have been highly evaluated as a pioneer of Mecenat, and led to its winning the Mecenat Grand Prize.

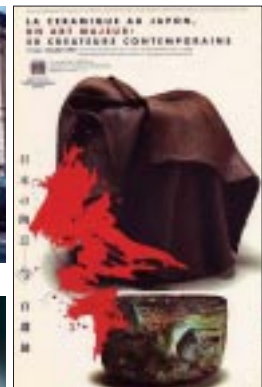
Mitsukoshi Etoile, Paris

Mitsukoshi Etoile, Paris faces Place Charles de Gaulle, where the Arc de Triomphe is located. Since its opening in 1992, Mitsukoshi Etoile has hosted many exhibitions that have conveyed mainly French culture but also the cultures of other countries. So far, as a space for cultural exchange between Japan and France, Mitsukoshi Etoile has held exhibitions of leading artists of Japan and Europe such as Ikuo Hirayama and Andre Bransilier, who have been well received. In 1994, Mitsukoshi Etoile hosted its “Exhibition of Living National Treasures” (sponsored by NHK), which brought together the artworks of 95 Japanese living national

treasures in the field of art crafts. Inspired by Japan’s cultural policies and system of living national treasures, the French government established a French version of living national treasures, “Maitre d’Art (master of art).” Mitsukoshi has thus helped influence France’s cultural policy. Since 2002, Mitsukoshi Etoile has exhibited the “Exhibition of Mitsukoshi and Echigoya Museum of Historical Materials” as a permanent exhibition, where we practice Mecenat activities by exhibiting kimono, design pictures for obi belts and Kabuki costumes. In July 2005, the director of Mitsukoshi Etoile received the silver medal from Medaille de la Ville de Paris, with which the city of Paris honors people who have made a public contribution such as to a city or country, or people who have made a preeminent accomplishment in one of various fields. This shows that Mitsukoshi Etoile has always provided the people of Paris with excellent and high quality services through its culture and art activities, and this contribution to public life in Paris has been highly regarded. Moreover, as many as 30,000 people visit Mitsukoshi Etoile each year, which is almost the same number as those visiting city museums, and 99% of the visitors are French. Many French and Japanese VIPs such as President Chirac have visited it, too.



Mitsukoshi Etoile, Paris



The opening of Mitsukoshi Etoile, Paris

“Exhibition of Japanese ceramic art ‘Ima (Now)’ 100 selections” was held as the opening exhibition of Mitsukoshi Etoile.

Environmental management System

Building Environmental Awareness

Activities for the Environmental management System

Based on our environment policy, which clarifies Mitsukoshi's association with our stakeholders and our targets, we operate an environmental management system by setting targets and purposes for each store and operation division.

Compliance with Environment-Related Laws

Regarding Environment-Related Laws, we have established and maintain a compliance system. However, the level of waste from some stores did not meet the standards set by law. From 2006, we will strengthen our efforts to purify waste by reviewing our steps for cleaning grease traps in kitchens and setting stricter voluntary standards than those stipulated in Environment-Related Laws.

Mitsukoshi Environment Policy

Regarding activities for environmental preservation as our corporate responsibility, Mitsukoshi will work in partnership with our stakeholders to create a sustainable society in which humans and the earth can continue in harmony.

1. We will establish an environmental management system and evaluate the impact of our activities on the environment. By saving energy and resources, reducing waste and promoting recycling, we will help prevent global warming and environmental contamination. We will periodically review and continuously improve these activities.
2. We will propose an "enriched life" by offering environmentally friendly products, services and events.
3. We will comply with applicable laws and voluntary standards that Mitsukoshi agrees to regarding activities, products and services having an effect on the environment.
4. We will contribute to society, by actively participating in the environmental preservation activities of governmental institutions and groups and local communities.
5. We will improve environmental preservation activities through cooperation with each affiliate of the Mitsukoshi Group.
6. We will communicate our environmental activities to all employees and others involved in Mitsukoshi's activities by conducting company training and educational activities and will thus improve their environmental awareness. We will also publish our activities openly outside the company.

September 1, 2005
Mitsukoshi, Ltd.
Kunio Ishizuka, President

Environmental Communications

Creating Interactive Communications

We disclose information through various means to make our environmental and corporate activities widely known and understood by stakeholders such as customers, stockholders and local communities.

Environmental Posters and Advertising

We create posters based on the theme of Mitsukoshi's environmental activities and place advertisements actively. In this way, we encourage people to reduce the environmental burden both inside and outside the company.

Release of Environment Report and Homepage

The Mitsukoshi Environmental and Social Activity Report of 2006 was the tenth issue. We changed its name to CSR Report, and in it we reported widely on our overall CSR activities, including our environmental activities. We have also made this report available on our website.

Internal Communications

We practice educational and advertising activities, mainly by posting information in our house journal, so that all people working for Mitsukoshi are able to engage in environmental activities with self-awareness in their daily work. We also conduct educational activities internally by displaying posters and distributing pocket manuals so that all employees can actively engage in environmental activities.

Team Minus 6%

Suggestion of Lifestyles



The government advertising appeared in a newspaper on May 8, 2006 (10 national newspapers, and 3 regional newspapers)

In April 2005, the Ministry of the Environment established "Team Minus 6%," led by Prime Minister Koizumi. Mitsukoshi was part of this team, and has since continuously engaged in activities throughout our core business based on six activity themes.

_ Development of "Warm Biz and Cool Biz"

To help spread the goal of "Let's set air conditioners to 28 degrees", which is one activity of the Team Minus 6% led by the Ministry of the Environment, we have been developing the "Cool Biz" style, which refers to cool, functional and good-looking business clothes, storewide since 2005.

Cool Biz was the first step in a new lifestyle being promoted



"Cool Biz" section at the Nihonbashi main store



"Warm Biz" section at Niigata store



to help prevent global warming. Boosted by media coverage, Cool Biz is now widely recognized. Mitsukoshi first set internal guidelines and conducted educational and advertising activities at morning meetings and other occasions while back-office employees put them into practice. We then displayed posters and developed VPs in stores. However, at the outset of the project, we received many customer inquiries such as "What style should I wear?" So sales people themselves wore Cool Biz clothes and carried out public relations campaigns, recommending specific items to customers such as a "Cool Biz Plate" which can be attached to one's name tag. As a result, sales of products such as dress shirts, underwear, belts, and other related products such as pocket-squares, increased.

In 2006, the second year of the project, we worked to spread Cool Biz, in view of the problems of the previous year. We displayed products earlier than in the previous year on our sales floors. We also introduced to our business partners visiting Mitsukoshi our policy of recommending the Cool Biz style when they visit our company; this was done by placing signs at the entrance of each store from June 1, the beginning of Environment Month.

_ Black Illumination

At the suggestion of the Ministry of the Environment, A "CO2 Reduction/Lights Out Campaign" was carried out from June 17 to 21, 2006.

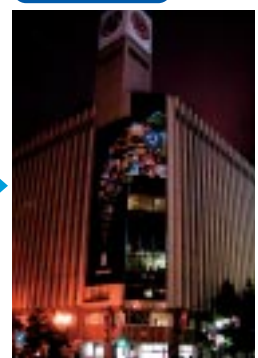
As a part of this campaign, "Black Illumination 2006" was held nationwide on June 18. The country's 39,845 facilities such as Tokyo Tower and the Ferris wheel at Palette Town in Odaiba, Tokyo participated in this event by turning their lights off at the same time from 20 p.m. to 22 p.m. Most Mitsukoshi stores participated in this campaign, thus helping to prevent global warming.

Before lights out



Sapporo store

After lights out



_ Suggestion of Lifestyles

During Environment Month (June 2006), we promoted the Mitsukoshi Bag and the My Bag Campaign, as well as Smart Wrapping by the Japan Department Stores Association. The direction of environmental activities is changing from the conventional "imposing patience" to reducing the environmental burden by reviewing our lifestyles.

We are thus promoting the My Bag Campaign and Smart Wrapping as a new style of shopping.

Store Environment and Advertising Tools Commitment to Materials and Functionality



While suggesting environment-friendly lifestyles as a department store, we also create environment-friendly store environments for our customers to visit and environment-friendly advertising tools in cooperation with our business partners.

_ Store Environment

We organized our pro-environment ideas that we practice for interior finish works as "Guidelines for Mitsukoshi Environment Specifications Concerning Interior Finish Work." These guidelines stipulate an index for store design in terms of environmental preservation, and were designed to comprehensively reduce the environmental burden. We will make checklists in accordance with these guidelines and establish a system for creating the interior finish of the future.

_ In-Store Advertising Tools

We use environment-friendly materials in our advertising tools such as POP ads that show product features and banners.

_ Oseibo Campaign

In our Oseibo (a Japanese custom of "year-end gift-giving") campaign of 2005, we presented a recycling mug and a reusable umbrella bag to customers who made an Oseibo purchase.



A recycling mug and a reusable umbrella bag

_ Mail Order Division

As part of our engagement in the LOHAS market, we published a mail order catalogue called "LOHAS Kids" by collaborating with *Sotokoto*, a comfortable lifestyle magazine for LOHAS consumers, in May 2006.

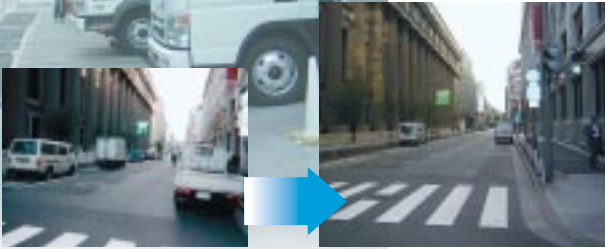
Products featuring in "LOHAS Kids" were selected based on the following criteria: i) something users can cherish and use for a long time, ii) something stylish and comfortable for both kids and adults, and iii) something that parents and children can use together in their daily lives, and LOHAS messages can be delivered from the parents to their children. We aim to build a catalogue that touches a chord with *Sotokoto* readers raising children and people who have a LOHAS attitude.



A mail-order catalogue: "LOHAS Kids"

Work Restructuring

Reducing the Environmental Burden by Improving Mechanisms



Before introducing the System of Delivery of Materials by Appointed Contractor

After introducing the System of Delivery of Materials by Appointed Contractor

Consolidation of Procurement and Distribution Vehicles

In September 2003, we established a "Project for Reforming Procurement and Distribution", in order to promote environment-friendliness, prevent accidents, provide a satisfactory range of products, and improve convenience for our customers. We thus started consolidating the wide-ranging

delivery of materials via appointed delivery deputies. This project evolved into the "Distribution Controlling Section of the Operation Department." We started the consolidation in the metropolitan area in June 2004, and as a result, the number of distribution vehicles at the Nihonbashi main store decreased by 65.9%, from approximately 680 per day before the consolidation to 232 at the end of February 2006. This system for stores in the metropolitan area was rolled out to stores in other areas in four stages from February 2005, and was adopted by all stores by September 2006. At the end of February 2006, the reduction of distribution vehicles at all stores after introducing the system for delivering materials by appointed contractor was 36.1%, and the figure for the metropolitan area was 50.4%. Thus, our collaboration with business partners and delivery contractors has had positive effects.

We will review our systems for overall commodity distribution while reducing the environmental burden by consolidating vehicles in cooperation with all stores for the future.

Resource Conservation

Green Procurement and Reduction of Paper and Packaging Materials

Green Procurement

We developed Standards for Green Procurement in October 2002, and have since promoted green procurement for packaging materials and office supplies.

* Law on Promoting Green Purchasing: A law requiring public institutions such as state organizations to take the initiative in purchasing environment-friendly products, and to provide citizens with information in order to encourage companies and people to purchase environment-friendly products.

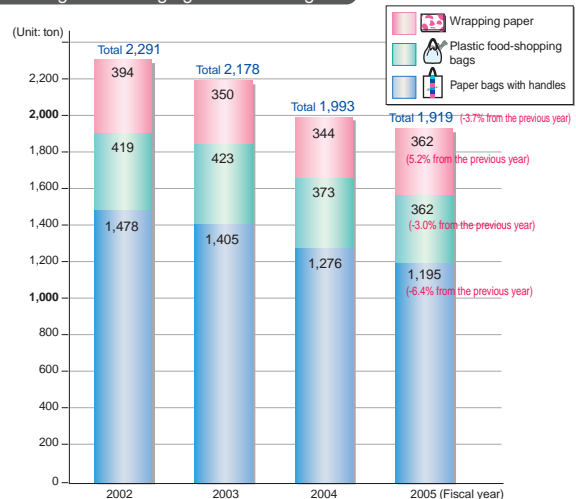
Activities for Reducing Packaging Materials

We use packaging materials such as paper bags with handles, plastic food shopping bags and wrapping paper. We used 1,919 tons of packaging materials in 2005, a decrease of 3.7% from the previous year. We have been actively engaged in a project called "Mitsukoshi Eco Standard for Package Materials: 15 Principles" which was started in 1999. We also practice the "One Word Campaign" ("Do you mind your shopping items being put in a bag together?") with the cooperation of our customers. This helps us to reduce the use of packaging materials.

Activities for Reducing Use of Office Paper

We are reducing the use of office paper companywide, particularly in the back-office. Mitsukoshi's usage of office paper in 2005 decreased by 1.6% from the previous year, achieved by making photocopies using both sides of paper,

Change of Packaging Material Usage



recycling one-side printed paper, and reviewing meeting styles. We have also computerized ledger sheets and upgraded our systems. Such improvements have reduced the use of office paper.



A meeting style in which paper is not used

Energy and Water Conservation

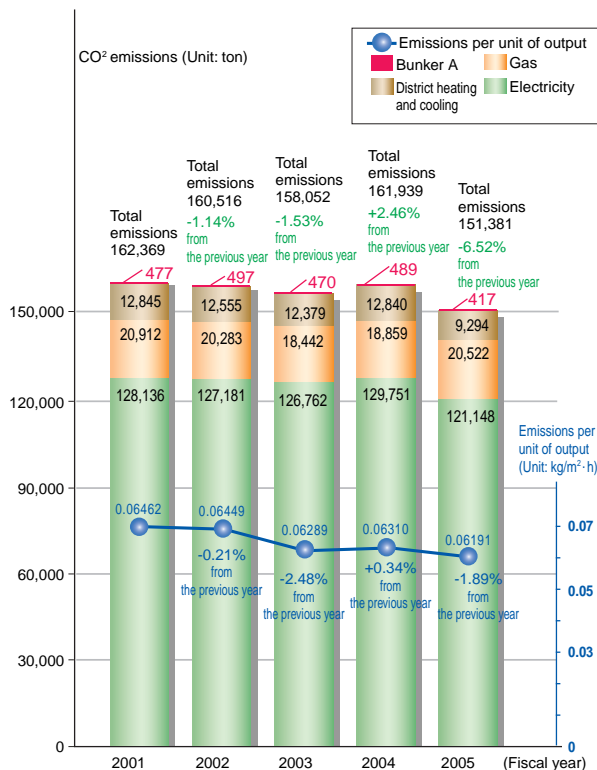
Activities Focusing on Daily Operations and Management

Energy Conservation

Mitsukoshi's total energy usage converted into specific energy consumption for 2005 (electricity, gas, district heating and cooling, and fuel oil) was down 1.65% from the previous year. This energy reduction was partly because the average temperature for the year was lower than the previous year nationally. In addition, energy was saved by upgrading facilities at the Hoshigaoka store and Niigata store, in addition to power-saving operations for ISO activities at the Takamatsu store and others.

In 2005, thanks to reductions in energy usage, the emissions of greenhouse gases such as carbon dioxide also decreased.

Change in CO₂ emissions and CO₂ emissions per unit of output

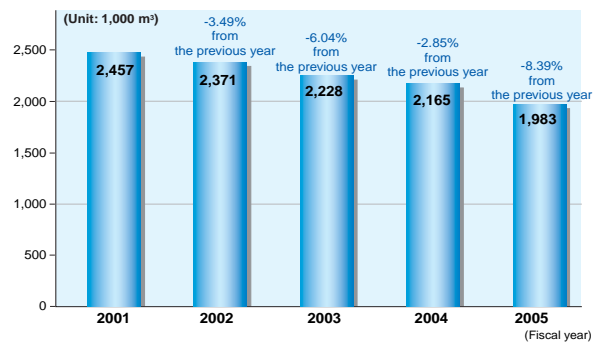


* Under revisions to the "Law Concerning the Rationalization of Energy Use" and the "Law Concerning the Promotion of Measures to Cope with Global Warming," the energy conversion factor and CO₂ emission coefficient have changed. Thus, the data above are different from the official data that appeared in reports before 2004. Moreover, in order to grasp the change in energy usage and CO₂ emissions, we use the revised factor and coefficient for calculation of those past years. For the CO₂ emission coefficient, we use the value stipulated by the "Law Concerning the Rationalization of Energy Use."

Water Conservation

Mitsukoshi's total water usage for 2005 (clean water, intermediary water, well water and spring water) was 8.39% lower than the previous year. Even excluding the three stores of Yokohama, Osaka and Kurashiki which closed in May 2005, the reduction was 3.66%. Despite the increase in water usage at Nihonbashi main store's new annex (opened in October, 2004), our total water usage has significantly decreased as a result of introducing a water-saving device to female lavatories and progressive control of water consumption at hand-wash sinks.

Change in total water usage



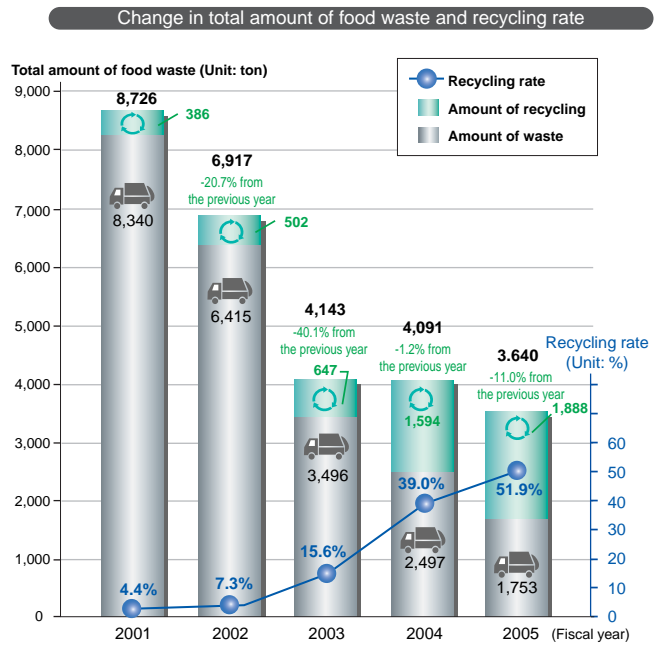
* The data above are different from the official data that appeared in reports before 2004 because we added spring water to other types such as clean water, intermediary water and well water from this time and for data back to the past years as well.

Waste Reduction and Recycling

Activities Focusing on Recycling

Waste Reduction and Recycling

Mitsukoshi's total waste for 2005 decreased by 4.7% from the previous year as a result of waste reduction at 13 of 15 stores, excluding the 3 stores that closed.



Major Stores

Mitsukoshi has developed a nationwide network that extends from Hokkaido to Kyushu.



Nihonbashi Main Store (Main Building)



Nihonbashi Main Store (New Annex)



Shinjuku ALCOTT Store



Ginza Store



Ikebukuro Store



Chiba Store



Niigata Store



Sendai Store



Sapporo Store



Nagoya Sakae Store



Nagoya Hoshigaoka Store



Hiroshima Store



Takamatsu Store



Matsuyama Store



Fukuoka Store



Kagoshima Store

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Inquiries

If you have any questions or comments
concerning this report, please contact
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