

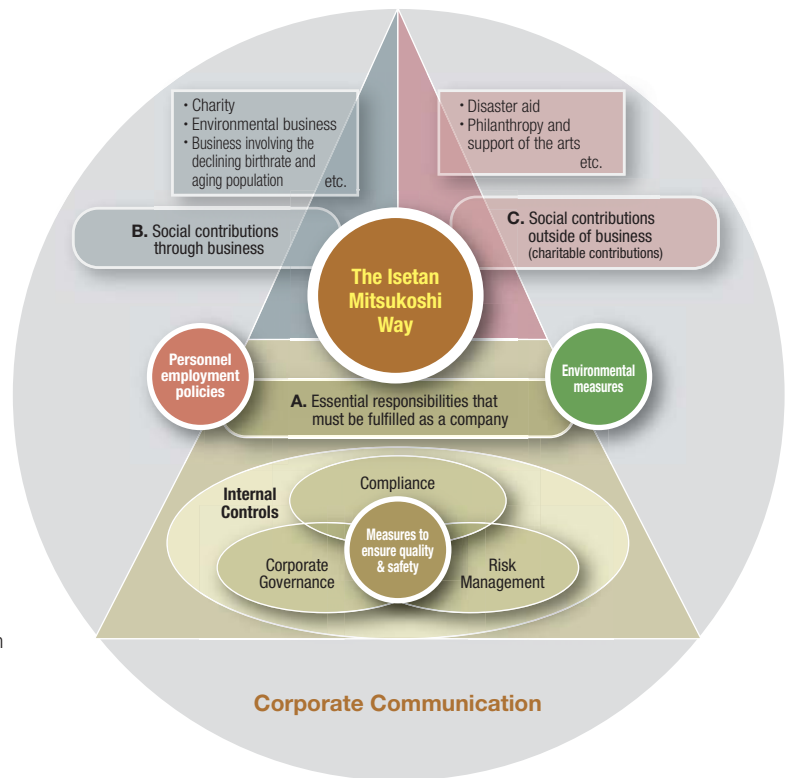
CSR Policy of the Isetan Mitsukoshi Group

Basic CSR Philosophy

The Isetan Mitsukoshi Group believes in our responsibility as a corporate citizen to play a part in realizing a sustainable society and seeks to gain the understanding and trust from all stakeholders in business activities directed toward achieving this goal. Our basic stance is that “implementing the corporate principles of the Group is synonymous with CSR activities,” as detailed below.

[Definition] Corporate social responsibility (CSR) activities refer to activities undertaken in line with the corporate principles of the Group that seek to ensure a prosperous future for all stakeholders by helping to find solutions to various social issues.

[Desired Stance] Become the world’s foremost solution provider in the CSR field through implementation of the corporate principles of the Group.



Specific Initiatives

Specific initiatives as a Group that reflect our CSR philosophy can be broadly divided into two categories.

The first concerns initiatives that we are obliged to perform as a company. These include the need to establish a minimum of rules to ensure legal compliance and adherence to corporate ethics, as well as preconditions such as the disclosure of business conditions and accountability.

The second concerns initiatives to meet the expectations of society by fulfilling our social responsibilities. The Isetan Mitsukoshi Group takes a unique approach that leverages our collective strengths to accomplish this objective. Our social action program embodies the distinctive styles of Mitsukoshi and Isetan to increase corporate value. The program includes various charitable activities and proposals for new environmentally friendly lifestyles, and encourages customer participation at stores.

To ensure the company’s survival, it is imperative that we build relationships of trust with all stakeholders, including customers, employees, shareholders, suppliers and local communities, by undertaking CSR activities on a daily basis and contributing to society. We have set the following three areas as priority challenges.

(1) Environmental Improvements

Initiatives to curb global warming and preserve the environment

(2) Quality & Safety

Initiatives to ensure safety and reassurance, which form the basis of relationships of trust with customers

(3) Employment & Human Resources

Initiatives to create comfortable working conditions and maximize the potential of human resources

Promotion of CSR Activities to Achieve Desired Stance

Going forward, we will expand CSR activities throughout the Group centered on these three priority challenges.

In addition to setting standards to evaluate progress and results, we will introduce a PDCA (Plan, Do, Check, Action) cycle over

the medium to long term to gauge opinion, assess activities and promote communication both inside and outside the organization that will lead to future initiatives.

Donation to Green Santa Foundation

In December 2009, the Isetan Mitsukoshi Group held the “Merry Green Christmas Charity Campaign” The campaign encourages customers to purchase products with the Green Santa® character, which is promoted as the environmental goodwill ambassador of Denmark, aimed at sharing a vision of the environment and the future with all people. A portion of the proceeds is donated to the Green Santa Foundation.

The Isetan Group started the initiative in 2006. In the fourth year, a total of 32 stores, including Isetan and Mitsukoshi branches, and affiliated stores, sold original phone straps from BE@RBRICK for ¥300 (tax inclusive). The donations, which totaled ¥19,932,000, are being used to provide local wooden products to children and support tree-planting projects.

We will continue implementing social action programs with initiatives unique to the Isetan Mitsukoshi Group.



President Ishizuka (left) presents donation to the Green Santa Foundation.

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<Green Santa Foundation>

Established in 2006, the Green Santa Foundation contributes to social causes using donations from companies, such as cultivating forests and giving local wooden products to children, with the aim of providing a lush, green future for children. The “Green Santa®” character embodying the foundation is promoted as the environmental goodwill ambassador of Denmark.

Corporate Governance

■ Basic Philosophy Concerning Corporate Governance

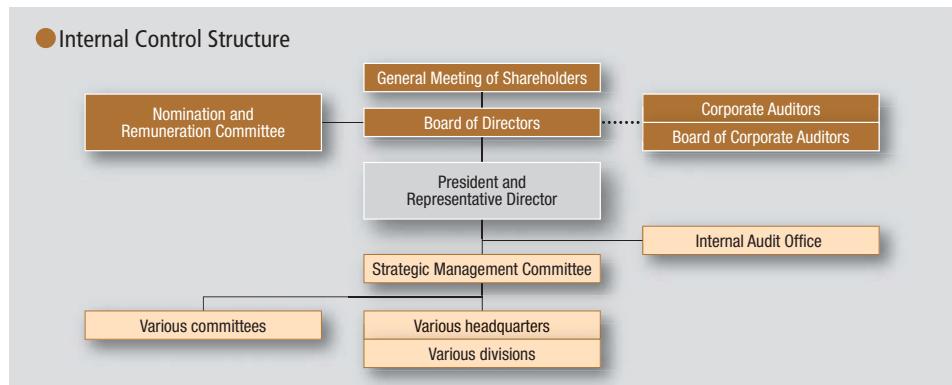
The Isetan Mitsukoshi Group endeavors to build favorable relationships with customers, employees, shareholders, suppliers, local communities and all other stakeholders. To this end, we are promoting corporate governance reforms in tandem with business structure reforms, and developing and strengthening legal functions and systems that include a general meeting of shareholders, a board of directors, a board of corporate auditors and an accounting

auditor. In addition, we aim to be a business group trusted by stakeholders through enhanced transparency in corporate activities and compliance management in which we fulfill our social responsibilities. To achieve these goals, we will continue striving to accelerate management decision-making, reinforce management oversight functions and enhance internal control systems.

Progress in Development of Corporate Organizational Structure and Internal Controls

Isetan Mitsukoshi Holdings has adopted the format of a company with an established Board of Corporate Auditors. A Nomination and Remuneration Committee has been established which consists mainly of external directors and serves as the advisory body to the Board of Directors. This ensures transparency in governance. The

Group also employs an executive officer system and has established a Strategic Management Committee, which in principle convenes once a week, to promote the efficient execution of business and to accelerate decision-making. This committee devises business strategy and allocates management resources appropriately for the Group.



Compliance

We are creating a framework for ensuring that employees comply with laws and the articles of incorporation in the conduct of business. A regular board of directors' meeting is held once a month in accordance with the Rules Pertaining to the Board of Directors. This ensures the mutual understanding of opinions and allows mutual oversight over the conduct of duties and the prevention of acts in violation of the laws and articles of incorporation before they occur.

The position of the persons in charge of overseeing compliance has also been established in the Administration Headquarters of Isetan Mitsukoshi Holdings. The persons in this position work to

maintain and improve the system of internal controls and legal compliance. The Internal Audit Division has been established independently to audit the lawfulness and appropriateness of the conduct of business while maintaining communication with each division.

We have also established the Isetan Mitsukoshi Group Hotline as the contact point for internal reporting and consultation, and take corrective action and introduce measures to prevent recurrence in response to reports and consultation from Group employees from the viewpoint of internal Group compliance.

Risk Management

A supervisory department and persons in charge of risk management have been established in the Administration Headquarters, working closely with the risk management divisions of both Mitsukoshi and Isetan and developing a risk management system for the entire Group.

We strive to eliminate risk across-the-board in our daily activities by evaluating and selecting the risks that should be addressed first. For each of these risks, we formulate and implement preventive measures in order to eliminate them before they occur or minimize exposure. We have established a lateral internal corporate management structure and information coordination system to

enable swift response when risks materialize. We are also working to prevent or minimize expansion of the damage and secondary harm, as well as to prevent recurrence through the formulation of concrete response plans for high-priority risks, and by providing education and training for all employees company-wide.

In terms of contingency planning, we operate the earthquake early warning system developed by the Japan Meteorological Agency at Mitsukoshi and Isetan branches, and have formulated a new flu response manual for the Group.

Internal Controls on Financial Reporting

We are working to ensure proper financial reporting by specifying company-wide policies and procedures to ensure proper follow-through. We have also put into place a system to prevent the occurrence of serious errors in financial reporting. We have set up an Internal Audit Office as an independent evaluation body, which executes corrective measures when problems with internal controls are identified in line with the result of reports made when monitoring operations.

Evaluations of company-wide internal controls and internal controls related to business processes were made at fiscal year-end in conformity with generally accepted standards. The extent of the assessments is based on the level of importance in terms of impact on the reliability of financial reporting. The results showed that our internal controls for financial reporting are functioning effectively. Our internal controls also were deemed appropriate by an independent auditor.