

Interfacing with Excellence

We promise to approach our customers and related parties with integrity, flexibility and dynamism and in turn provide new value. We will reaffirm this spirit and determine how we should face this era and the next. The following conveys the views of top management, who will steer the course for the Isetan Mitsukoshi Group.

The Integration of Two Highly Competitive Brands on the Stage of the World's Leading Markets –Aiming to Maximize the Benefits of Integration–

Both Mitsukoshi and Isetan have developed from kimono fabric shops and have come to build distinctive business models representative of Japanese department stores. As the pioneer of Japanese department stores, Mitsukoshi possesses the major strengths of a strong bond and relationships of trust with customers cultivated over a 335-year history. Above all, Mitsukoshi has a track record that others cannot emulate of providing high quality products and services for the milestone events in people's lives, as expressed in our corporate message, "Mitsukoshi always remains dedicated to its customers."

Isetan's strength lies in listening to what customers are saying in its stores. Since its founding 112 years ago, Isetan has always materialized customers' many different desires over the changing course of time. As stated in the corporate slogan, "Isetan gives new meaning to fashion," we have continued to offer fresh new merchandise and services that are fashion leaders.

Our foremost goal for this integration is to increase the level of satisfaction for our customers by polishing these strengths of Mitsukoshi and Isetan.

Viewed from the perspective of a department store, the integration of Mitsukoshi and Isetan with their contrasting models of "constancy and trendiness" and "creation and innovation" has given birth to a corporate format supported by the twin pillars of two highly competitive brands, centered on the massive Tokyo market, which is rare even on a worldwide scale. It is the future mission of the Isetan Mitsukoshi Group to provide "lifetime value (throughout a customer's life)" by responding with integrity to the needs and desires of our customers in respect of their differing lifestyles, based on this new position. (Muto)



Nobukazu Muto, Chairman and CEO

Becoming "My Indispensable Department Store" for Each Individual Customer

–Issues Based on the Targeted Direction by Isetan Mitsukoshi Holdings Ltd.–

The goal of the Isetan Mitsukoshi Group is to become "my indispensable department store" for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in their many different roles in life. By doing so, we aim to become the world's foremost solution provider with high profitability and sustained growth. We are actively pursuing the following measures to achieve this.

The first step is to improve and maintain brand value. The greatest assets of this Group are the "Mitsukoshi" and "Isetan" brands and the customers bound to those brands by trust. We will pour our efforts into reconfirming what our customers demand of each brand and strive to clarify the brands, as well as consider how to polish and increase the value of the brands.

The second step will be to integrate business infrastructure in order to manifest the strengths of the Group to the maximum extent possible and to increase sales

and income for the department store business by achieving the benefits of integration quickly. The qualities expected of a department store are "safety and assurance," "high quality," and "freshness"; the certainty is the "trust" on which we remain ever vigilant. We intend to engage in bold advance investment in order to heighten the value of these qualities.

The third step is to maximize the customer satisfaction provided by each and every sales person. Our goal is to maintain the high quality of service, products and store branches while also becoming top in the world in terms of making an impression through sales staff hospitality (customer interaction) by ensuring our sales staff have the high-level abilities, knowledge and skills that will enable customers to consult directly with them. We believe a "fresh impression and high quality service" will only arise from daily efforts to innovate and our Group will continue to strive to listen and respond with integrity to customers' needs and desires and opinions.

We will engage in the mutual sharing of expertise, review those businesses that should be reviewed and cut costs by consolidating overlapping functions while boosting earnings by increasing the value of each brand through the store branches. These will be the sources of investment that will lead to even higher value for our customers. (Muto)

Interview with Top Management



Kunio Ishizuka, President and COO

Proposals from the Customer's Standpoint at the Various Stages of Their Lives

–Becoming a Department Store that the Entire Family Will Use–

We began to undertake advance investments in cards, information systems and other spheres in regard to this theme after making the decision to integrate and will continue to invest through fiscal 2008. We have also begun to concentrate on investment in the three flagship stores in the Tokyo metropolitan area, including the remodeling of the Ginza store to add floor space, and to maximize the shared area of Mitsukoshi and Isetan in Niigata and other locations.

We have keenly felt the high expectations of customers from all fronts since announcing the integration, and are particularly aware that many of our customers are looking forward to shared use of the Mitsukoshi and Isetan cards. We have acquired a VISA license and will add this to the I Card in autumn 2008. We are also moving up our plans to integrate the functions of both company's cards, originally scheduled for 2013. This will not only improve store card functions but will also make it a card that can be used worldwide, raising customer convenience to a new level.

There are approximately 3.3 million members using the Mitsukoshi and Isetan cards. The usage rate is extremely high and these cards function as a sensitive communication tool tying the Group to our customers. We would like to expand the services we provide to card members beyond simply shopping to encompass the full range of our customers' daily lives with this impressive asset. We will expand the breadth of our services even further through the alliance between Mitsukoshi and Isetan.

Specifically, we will increase the number of financial planners further in order to offer optimal funding plans to our customers and will launch stock brokerage services in addition to the insurance consultation services we already offer at the Isetan main store in Shinjuku and the Urawa store. We will also work to improve and expand the range of services of which our customers can take advantage with their whole family for the various aspects of all stages of life. These will include mutual use of the Mitsukoshi and Isetan culture salons, travel salons and other services.

We would like to assist our customers in designing their lives in the future by utilizing the so-called neutral position of department stores—always acting from the standpoint of the customer. (Ishizuka)

Aiming for an Industry-leading Profit Structure

–Medium-term Business Goal–

We plan to announce a concrete medium-term business strategy in autumn 2008. However, we have already set forth the goal of becoming the top performers in the department industry in Japan in five years time by attaining consolidated operating income of ¥75.0 billion and an operating margin of 5.0% by fiscal 2013. We will achieve this by utilizing the benefits of integration to raise the base level of profitability in the department store business; increasing sales and income through redevelopment of flagship stores such as the Isetan Shinjuku main store, the Mitsukoshi Nihonbashi main store and the Mitsukoshi Ginza store; and expanding the card business and other businesses ancillary to department stores. In addition to the measures discussed

above, we will also cut costs through the benefits of shared integration, re-evaluate unprofitable businesses and take sustained action to improve profitability.

It is essential to listen even more closely to the individual voices of our customers and anticipate their needs and desires in advance to achieve this goal. After accomplishing that, we plan to institute dividends linked to operating results in the future to further improve returns to investors while providing stable dividends over the long term. On a separate note, we will make advance investments to improve market competitiveness for the Group and will strengthen our financial structure by reducing consolidated interest-bearing debt.

We would like to make the department store business so attractive that new companies want to enter the industry. We must create the business opportunities ourselves to achieve that as well. (Muto)

Department stores have always been places that can offer customers of all ages everything to fit each customer's lifestyle. Through the integration, we will improve and maintain store services based on the basic functions and role of department stores. At the same time, we will achieve greater profitability and higher growth by maximizing the synergies that leverage the strengths of both companies through store remodeling and improvement in the efficiency of back office operations.

We believe we will increase the value to our shareholders by simultaneously improving profitability

through the development of new solutions that address the expectations of our customers across their various life stages, the use of those profits for subsequent investment and through better support for our customers. By having investors retain shares over the long term, we can devote utmost attention to providing stable management, which will also reassure employees, and result in improved satisfaction among our customers. We will steer our operations in a manner that will enable us to provide such a favorable environment. We ask for the continued understanding and support of our shareholders.

Japanese department stores have long provided a broad range of value focused on customers and have engaged in unparalleled development throughout the world. The times and society are continuously changing accompanied by the trend toward a declining birthrate and an aging population, greater concern for the environment and other factors. Department stores, however, have been a format able to respond to a wide range of changes from the outset, and thus have prospered precisely because of being able to respond accurately to major changes. (Ishizuka)

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