

February 27, 2006

Company Name: Isetan Company Limited

Code Number: 8238

Name of Representative: Nobukazu Muto, President & CEO

Person for Inquiry: Shigeki Yamazaki,
General Manager, Public Relations and IR

Tel: +81-3-3352-1111

Isetan Group's New Consolidated Business Vision

In 2000, Isetan formulated a long-term consolidated business vision for the first decade of the 21st century dubbed "The Way Forward" as a roadmap leading Isetan Group into the future.

Almost five years have passed since the vision was introduced, and during that time, although the Japanese economy has expanded moderately on the whole, the retailing industry has been in a downturn. Meanwhile, there has been a marked shift to a softening economy and a service economy in terms of expenditure, in line with expectations. In particular, consumption purchasing behavior has become much more refined quicker than anticipated. Consumers now demand the ultimate in satisfaction with goods or services that match one's own set of values and desired lifestyle.

With these circumstances in mind, Isetan Group established the Three-Year Program of Structural Reform Plan in 2000 and the Three-Year Value Creation Plan in 2003 based on the decade-long vision, The Way Forward. In addition to various reform programs to streamline structure and overhaul pension systems, for instance, Isetan also promoted business alliances with other organizations in the same trade. These efforts clarified the direction of the company. Isetan also recognizes the importance of formulating concrete strategies in response to the rapid transition in consumption habits as customers seek the ultimate in satisfaction.

Accordingly, Isetan's aim is to continue as a highly flexible and creative business group that can lead the industry in any period while at the same time being sensitive to changes in the environment. To achieve this goal, we will make effective use of the framework purported under The Way Forward while reaffirming Isetan Group Core Competencies, seen as key drivers of growth and expansion. To this end, we have formulated a new long-term consolidated business vision that takes us up to 2015 to further elucidate the shape our vital department store business will take and how we can guarantee sustainable development.

Outline of New Consolidated Business Vision

<Assumed period> Around 2015

<What We Aim For> To become a retail group chosen as "my own store" of each and every customer and sustainably achieve high-profit and high-growth through creating new lifestyles for tomorrow and meeting the individual needs of customers through supporting all aspects of their life.

<Financial Aim> To be a business group that can generate consolidated operating income of ¥50 billion over a sustained period.

1. What We Aim For

Isetan plans to deploy limited management resources in a selective manner so that we can further hone the Isetan Group Core Competencies built up in our department store operations over the years. The purpose of this is to rouse customer satisfaction.

Isetan Group Core Competencies

Ability to take in everything a customer says.
Ability to quickly transform customer needs into desired products and services.

Making the most of Isetan Group Core Competencies as a source of competitive edge will allow us to become a retail group chosen as the “favorite store” of each and every customer and sustainably achieve high-profit and high-growth through creating new lifestyles for tomorrow and meeting the individual needs of customers through supporting all aspects of their life.

2. Basic Image of What We Aim For

(1) A company that meets the individual needs of identifiable customers

Isetan aims to meet the individual needs of identifiable customers, such as I Card members, even more than before, while also placing emphasis on point of contact with the general public.

(2) A company that provides intangible as well as tangible value

By providing both tangible and intangible solutions, Isetan seeks to assist in alleviating any concerns a customer may have.

(3) A company that exceeds expectations with unrivalled value

Isetan aims to be a company that goes beyond merely satisfying customers by meeting expectations to a company that inspires customers by exceeding expectations with unrivalled value.

Ultimately, Isetan aims to be a “total life attendant” that provides solutions for customers in all areas of their life.

3. Operational Strategy to Achieve What We Aim For

(1) Rebuild relationships of trust with customers

Isetan Group aims to be of assistance in all areas of a customer's life. This requires us to gain a high level of trust from them so that they feel confident coming to us for advice. Up until now, Isetan Group has earned customer trust through communication with sales staff at our stores. From now on, it is the job of each sales staff to strive to maximize customer satisfaction in every way.

(2) Strengthen and maximize Isetan alliances

Moving forward, Isetan will implement various strategies aimed at realizing the ideal corporate situation. Although Isetan Group has always possessed the core competencies to achieve this, the scale of these competencies has never been over and above that of other departmentstore. Accordingly, we have sought to forge alliances with companies in the same industry in the past few years. We seek to further strengthen these alliances in the coming years while also promoting collaboration with suppliers and other business partners. By doing so, we can create a structure that inspires customer satisfaction.

4. Profit plan

Overall profit plan (consolidated operating income)

| | |
|--------------------|----------------|
| FY 2005 (forecast) | ¥30 billion |
| FY 2008 | ¥30-35 billion |
| FY 2012 | ¥40-45 billion |
| FY 2015 | ¥50 billion |

Profit plan by segment (operating income)

| | Domestic | | Overseas department store business | Total |
|-----------------------|---------------------------|----------------|------------------------------------|--------------|
| | Department store business | Other business | | |
| FY 2005 (forecast) | ¥27 billion | | ¥3 billion | ¥30 billion |
| Profit increase (YoY) | +¥13 billion | +¥4 billion | +¥3 billion | +¥20 billion |
| FY 2015 | ¥44 billion | | ¥6 billion | ¥50 billion |

5. Investment plan

(1) Fundamental philosophy on investment

A certain amount of investment needs to be made in order to be a business group that can generate consolidated operating income of ¥50 billion over a sustained period. On the other hand, Isetan also seeks to expand its business while maintaining a stable financial structure. Our fundamental philosophy to achieving this is to control the amount of investment so that the balance of interest-bearing debt is kept within about three-year's worth of operating cash flow. Based on this philosophy, Isetan has determined that it can invest a total of around ¥200 billion over a ten-year period. Amid limited management resources, we will prioritize the following four key areas for investment as a means to maximizing Isetan Group's Core Competencies and achieving the goals of our Consolidated Business Vision.

1. Investment in existing stores and businesses to maintain and enhance the concept that "Isetan gives new meaning to fashion"
2. Investment to expand business alliances and reinforce foundations
3. Investment to develop department store operations overseas
4. Investment to create new businesses

(2) Investment plan

[Operating investment]

This type of investment is to maintain the Isetan brand built over the years and to create a safe and comfortable store environment for customers. Isetan aims to maintain its current level of profitability by making roughly the same amount of operating investment each year. (Total operating investment over ten-year period: Approx. ¥100 billion).

<Breakdown of operating investment>

| | |
|--|---------------------|
| Seasonal remodeling at Shinjuku store and branch stores: | Approx. ¥30 billion |
| Investment in facilities: | Approx. ¥50 billion |
| Investment in subsidiaries and other operating investment: | Approx. ¥20 billion |

[Strategic investment]

This type of investment is to maximize return by generating customer satisfaction. Based on the fundamental philosophy on investment outlined above, Isetan will formulate a specific investment plan for each project that is within financial limits.

<Key strategic investment projects proposed>

| | |
|---|---------------------|
| Large-scale remodeling at Shinjuku store and branch stores: | Approx. ¥20 billion |
| Investment in systems and cards: | Approx. ¥18 billion |
| Investment in overseas stores: | Approx. ¥10 billion |
| Investment in affiliates: | Approx. ¥3 billion |