



Isetan

Annual Report 2005



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Editorial Policy

The Isetan Annual Report 2005 was produced according to the following policies.

- The report analyzes our current business activities from the perspective of corporate value, which is a fundamental element of The Isetan Way and is expressed through all Isetan Group action. Besides our operational side, it also introduces Isetan's various social and environmental activities.
- Independent evaluation/assurance has been included to boost the transparency, objectivity and reliability of the report.
- Activities since our founding based on our corporate slogan, "Isetan gives new meaning to fashion," have been compiled in the section "120 Years of Isetan Fashion" at the end of the report.

The reporting period is fiscal 2004 (from April 1, 2004 to March 31, 2005).

(Certain sections also include activities before or after this period up until August 2005)

The report covers Isetan and its 38 consolidated subsidiaries.

■ **The contents of the report can also be viewed on our Website at:**

http://www.isetan.co.jp/icm2/jsp/isetan/company/activity_eg.jsp

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Message from President

Hand-in-hand with our customers, Isetan has been creating new value to fashion that is integral to people's lives for almost 120 years. And although that will never change, we are constantly on the lookout for fresh challenges.



Since our founding in 1886, the Isetan Group has continued to create new fashion primarily through our department store business. Next year, we will celebrate our 120th year in the fashion industry.

We have consistently implemented the philosophy “The customer always comes first” since the day of foundation, irrespective of changing times. Besides those who shop at Isetan, we regard our employees, shareholders, suppliers and local communities as customers. Hence, we are keen to keep meeting the demands of these customers through our business activities. We always pay careful attention to the opinion of our customers and use this to uncover potential desires. We can therefore provide high quality products and services developed from a customer-centric perspective that exceed the expectations of our customers. Our mission is to continue going beyond mere satisfaction to inspire those that shop at our stores. Herein lies the true value of Isetan.

Despite being a reasonable distance from the train station, our flagship store in Shinjuku welcomes around 30 million customers through its doors every year. We are forever conscious of what we need to do to entice people to the store - and not just once, but two or three times. To this end, we seek to add a sense of excitement and fulfillment to the shopping experience. It is with a sense of pride that we strive to achieve this goal in all that we do.

Social contribution through fashion

Isetan started off as a store offering fashionable kimonos and obi sashes. Now, we are intent on giving new meaning to fashion. We have always had the courage to try something different and refreshing. Over the years, we have created new markets such as through the creation of teenager shops and exclusive men's buildings. We drove changes in the fashion industry in terms of size. Besides establishing size 7 and 9 Ready-To-Wear fashion size standards, we developed specialist shopping outlets such as Lady Clover (large sizes) Strawberry (petite sizes) and Young Clover. We have also been pioneers at introducing the latest fashions from around the world into Japan. Even in modern times where we are surrounded by an excess of material goods, Isetan describes fashion as fresh new insight, which we can express in every facet of life. Through our fashion ideas, we hope to bring richness and fulfillment to people's lives.

Implementing The Isetan Way

The foundations of everything that we do here at Isetan can be traced back to our corporate philosophy, or as we call it, The Isetan Way. Although it was formulated in 1994, the basic tenets of this philosophy have remained unchanged since the day of our foundation. Soon, we will cross the milestone of 120 years in business, so in essence, The Isetan Way has long been ingrained into our very DNA. Our corporate vision forms an integral part of this philosophy, in which we state that "only by sharing with others - our feelings, our ideas, and our joy - can we create new and better lifestyles for tomorrow." This is what we at the Isetan Group strive towards in order to be an enterprise trusted by everyone.

Isetan places top priority on fostering relationships of trust with customers. We believe that feeling together and creating together affords us the opportunity to move forward together in the same direction as our customers towards a better future. Isetan has a deep respect for our employees who provide services to our customers. Our people are our greatest asset. Each and every staff member works in harmony, while we also endeavor to create an environment in which they can fulfill their individual potential. We aim to build long-term relationships with our shareholders that are founded in trust by always conducting wholesome and sound business activities. We are always fair with our suppliers and other business partners, and as such, have maintained strong and long-lasting relationships with them. A key element to this is the creation of win-win, or mutually beneficial, associations.

The department store business cannot survive without the support of the local community. We are aware of the need to fulfill our responsibility as a good corporate citizen and to contribute to the development of the region. Further, to preserve finite resources and protect the environment, we promote energy-saving activities, waste recycling, simplified packaging and unique eco-friendly ideas for products.

A word on this report

This report analyzes our current business activities from the perspective of corporate value. Besides our operational side, it also introduces Isetan's various social and environmental activities. I hope that this publication will help you gain a better understanding of Isetan - who we are and what we do. We at the Isetan Group are resolved to forming even deeper and closer relationships with our customers. Going forward, we will aim to be recognized as a truly valuable member of society.

As we approach the anniversary of our 120th year in business, let me express my warmest gratitude and ask for your continued guidance and support.



Nobukazu Muto
President & CEO
Isetan Company Limited

The Isetan Way

Four Pillars of Our Corporate Philosophy

With an eye to the future, the Isetan Group formulated the corporate philosophy in 1994 based on the traditions, ethos and code of conduct that have been with us since our founding. This philosophy has been permeated and put into practice throughout the entire organization since 2002.

Four Pillars

The Isetan Way is underpinned by four key pillars rooted in the philosophy of putting the customer first.

Our Corporate Objective

Our Corporate Slogan

Our Corporate Vision

Our Corporate Stance

Propping up these four elements is the concept of always putting the customer first, and this ideal is consistent in all activities across the entire Isetan Group.

Each Isetan Group employee believes in the essential worth of our corporate philosophy, and the boundless energy required to realize its principles provides us with a source of inspiration. The “Company’s Promise Campaign” as well as all other corporate activities offer an insight into our corporate philosophy, while propelling us forward towards fulfilling the central tenets of our beliefs.

The spirit of The Isetan Way is expressed through business plans at the group, company and operational levels, and in a variety of ways in daily business activities.

The Isetan Way

Our Corporate Objective

Isetan strives to do business with the highest integrity and in a sincere spirit of service.

Our customers are our livelihood. They embody our traditions. And they hold the key to our future. We should make sure the store is at its best when they come, and we should greet each and every one with a cheery “Welcome to Isetan. How can we help you?” As they leave, we should say “Thank you for shopping with us. Please come again.” Then take a moment to reflect about how we served them, and ask ourselves how we can serve future customers even better.

Our Corporate Slogan

Isetan gives new meaning to fashion.

At Isetan, we define fashion as fresh new insight, which we can express in every facet of life. At Isetan, we nurture the spirit of fashion that lives in each of us and express it in all that we do. This aesthetic spirit is the breath of fresh air that can add a new sense of excitement to each and every day.

Positioning of the Four Pillars

Our Corporate Objective

This expresses the **moral confines** of our business activities. It forms the basis of all that is right at Isetan and remains an unchanging attitude of mind at the company.

Our Corporate Slogan

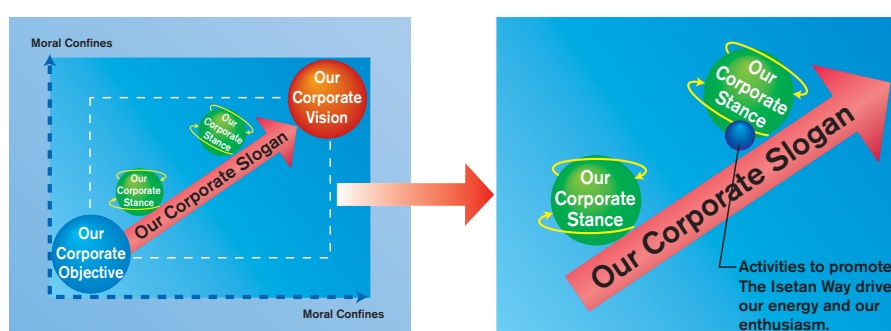
This is a declaration of the **direction our business aims for** based on the moral confines of our corporate objective.

Our Corporate Vision

This expresses the **ultimate goal** of the Isetan Group to be achieved through our business activities.

Our Corporate Stance

This represents our **approach to daily business activities** towards the realization of our goal.



Our Corporate Vision

Only by sharing with others — our feelings, our ideas, and our joy— can we create new and better lifestyles for tomorrow.

At Isetan, we have something to share with everyone.

- With our customers, we share empathy and technology.
- With our fellow employees, we share the desire to create an enjoyable work place.
- With our investors, we share the rewards of business well done.
- With our suppliers, we share mutual growth and prosperity.
- With our communities, we share our responsibilities as good corporate citizens.
- And with everyone, we hope to share trust and respect.

Our Corporate Stance

The Customer always comes first.

We must accomplish several things if we are to truly put the customer first.

- We should strive for complete customer satisfaction by offering nothing but the very best in products and services.
- We should strive to create a robust company by putting our all into every task.
- We should strive for the courage to try something new, to demand more than the status quo.
- We each should strive to be responsible persons with high standards of ethics and a spirit of service.
- And we should strive to protect our precious environment by carefully conserving it for future generations.

Our Mindset

Every day can be a new adventure.

- If we have the courage to try something new;
- If we say what we feel;
- If we nurture the freedom of spirit that fosters creativity;
- If we develop our appreciation for beauty of form and color that comes with each new season;
- And most of all, if we each take pride in our company — Isetan;

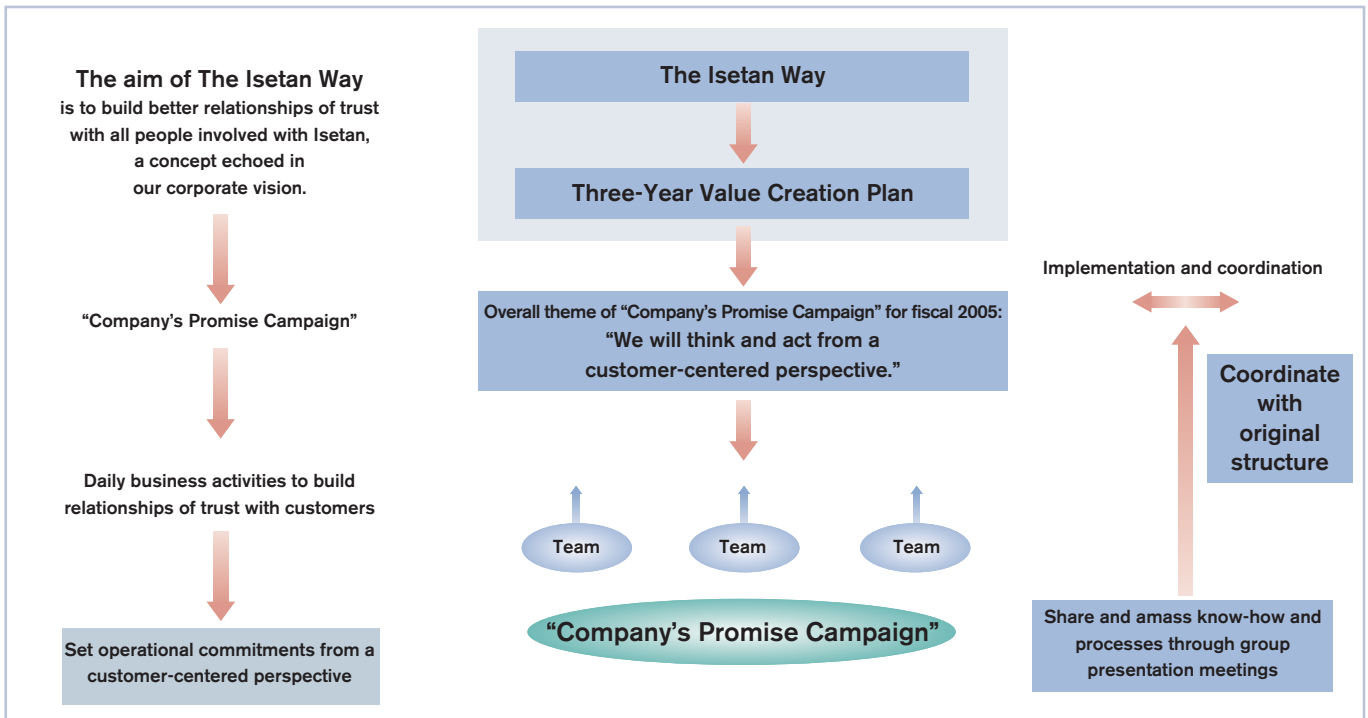
Each new day can be the greatest adventure of our lives.

“Company’s Promise Campaign”

“Company’s Promise Campaign”

This program is designed to implement the Isetan corporate philosophy, as we call it “The Isetan Way,” through daily business activities and thereby build relationships of trust with customers. First started in fiscal 1994 across the entire Isetan Group, this effective and highly process-linked program is a core element of, and the guiding policy for, the new Three-Year Value Creation Plan that began in fiscal 2003.

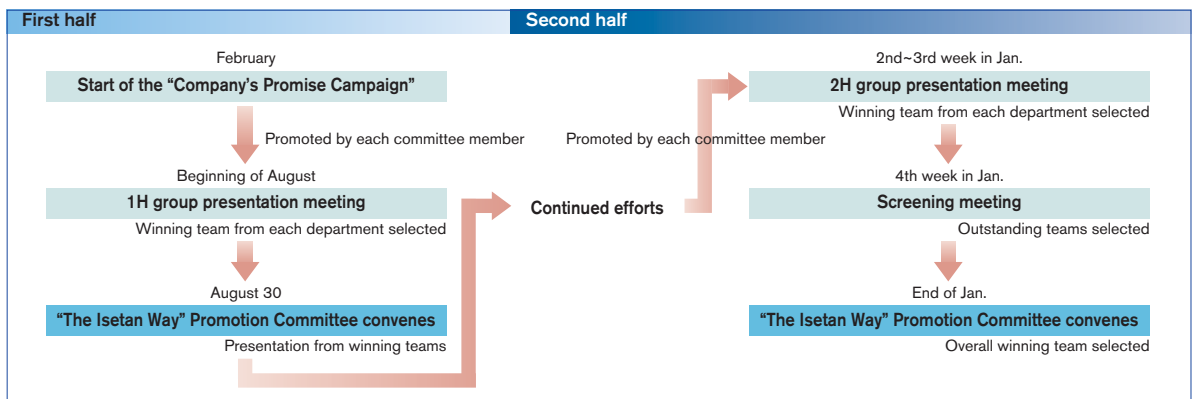
The overall theme for the fiscal 2005 initiative is: **“We will think and act from a customer-centered perspective.”** A total of 640 teams set operational commitments based on individual departmental themes. The program helps to delineate business processes and also incorporates a system to track progress and to determine the results achieved.



“The Isetan Way” Promotion Committee

This committee oversees the “Company’s Promise Campaign” and various other activities designed to implement Isetan’s corporate philosophy. It is chaired by the president and members are selected from across the Isetan Group to ensure that a deep understanding of the philosophy and a strong belief in these ideas thoroughly permeate Isetan’s corporate culture and organization.

Fiscal 2005 Schedule



Fiscal 2004 Outstanding Team

The Isetan Way Promotion Committee meeting is held twice a year to announce the results of each outstanding team. The most outstanding team is then selected at the meeting at the end of January as a roundup of the “Company’s Promise Campaign” for fiscal 2004.

Fiscal 2004 “Company’s Promise Campaign” Most Outstanding Team Ladies Department (Branch stores) News Square (NS) Ladies Shoes (Unit)

Boost Customer Satisfaction with Enhanced Sales System and Sales Skills

Ahead of the “Company’s Promise Campaign” in fiscal 2003, NS Ladies Shoes (Unit) issued a questionnaire to its staff members to ascertain why sales had dwindled. Using the information gathered here, they formulated their theme for the “Company’s Promise Campaign” in fiscal 2004: “Conduct “just fit fairs” and boost sales skills to meet the needs of people who are particularly sensitive about their feet.” They developed a new sales system in which they shared information on other possible shoe types over and beyond those of typical makers. They held study sessions once a month to build knowledge that would be useful in sales such as fitting techniques, shoe care and cleaning. With the aim of being able to handle any type of foot hang-up, they continuously analyzed the challenges that lay before them, thereby increasing customer satisfaction.

Their efforts culminated in the “just fit fairs” held at six different branch stores in October 2004. Here, they conceived of original product ideas together with buyers, using customer opinion as the basis, and provided counseling to sales staff. As a result, fiscal 2004 sales considerably exceeded targets.

The concept will be refined and enhanced in fiscal 2005. Further study sessions will aim to produce consistency in knowledge across sales personnel as well as a greater level of sales capability.



Fiscal 2005 1H men's group presentation meeting



Fiscal 2004 Outstanding Team
Merchandising Headquarters
Ladies Division
Ladies Department (Branch stores)
News Square (NS) Ladies Shoes (Unit)



Sales staff learned how to take correct foot measurements, gather data on footprint and use other skills with customers at the study sessions

Management Plan

Isetan Group Business Vision

To help us to build the company's future, we have formulated a consolidated business vision and a long-term business plan, the Three-Year Value Creation Plan.

How should we progress as a company in the first decade of the 21st century? Our view is that this era of fast-paced, wrenching change demands courage and long-term goals. To this end, in 2000 we codified the elements of our long-term consolidated business vision, the core Isetan Group goal being as follows:

“To become a retailing group capable of creating new fashion continuously, and achieving sustained growth and high profitability.”

Operational strategy to achieve this goal by 2010 divides into two parts. First, we aim to secure a pre-eminent position in the department store sector. Second, we aim to establish new business operations that constitute a firm foundation for future growth.

vision 1

Secure a dominant position in department store sector

(1) No. 1 for fashion ideas

We aim for Isetan to be the department store that customers see as the best place for fashion. Such a reputation as a fashion leader will also give our employees pride and confidence.

(2) No. 1 for profitability

Our position as the fashion leader in department stores will make us the industry leader in profit terms and put us on a par with other major retailers.

vision 2

Establish new business operations that constitute a firm foundation for future growth

We aim to build on our strengths in department stores to develop two new retailing styles that will establish Isetan in markets with high growth potential.

(1) In-mall department stores

—Higher growth from department stores

(2) Specialty stores

—Creation of second major business stream

We are also entering a number of other areas with high future business potential, notably online retailing.

Three-Year Value Creation Plan

As the first step toward realizing our consolidated business vision, we implemented a three-year program of structural reforms in 2000. This plan aimed to create a platform for sustained growth and focused on three core objectives: boosting department store profitability; raising consolidated profitability through focused selectivity; and creating new opportunities for growth.

The Three-Year Value Creation Plan that began in 2003 is the next step. It focuses on enhancing the value of the Isetan brand, one of our greatest assets.

Outline of Three-Year Value Creation Plan

Period: FY2003-2005 (April 2003 — March 2006)

Core objectives: (1) Restructure in-house systems and the operational flow from the customer's view point
(2) Deepen structural reform (Achieve reform transcending the organizational framework)
(3) Implement a strategy to expand the department store operation

Principal performance targets for FY2005:

| | Consolidated | Non-Consolidated |
|-------------------------------------|--------------|------------------|
| Operating income | ¥25 billion | ¥15 billion |
| ROA (operating income/total assets) | 5.7% | 4.7% |

The Three-Year Value Creation Plan features three basic policies, described below.

1. Restructure in-house systems and the operational flow from the customer's view point

Reform organization and all internal processes from a customer-centered perspective, notably merchandising planning (products/sales/display/promotions).

2. Deepen structural reform (Achieve reform transcending the organizational framework)

Extend structural reforms undertaken in previous three-year plan to whole Isetan Group, principally to cut costs and to initiate fundamental business process reform.

3. Implement a strategy to expand the department store operation

Expand department store operations by focusing consolidated resources, aiming both to improve merchandising and to create mutually more profitable relationships with suppliers.

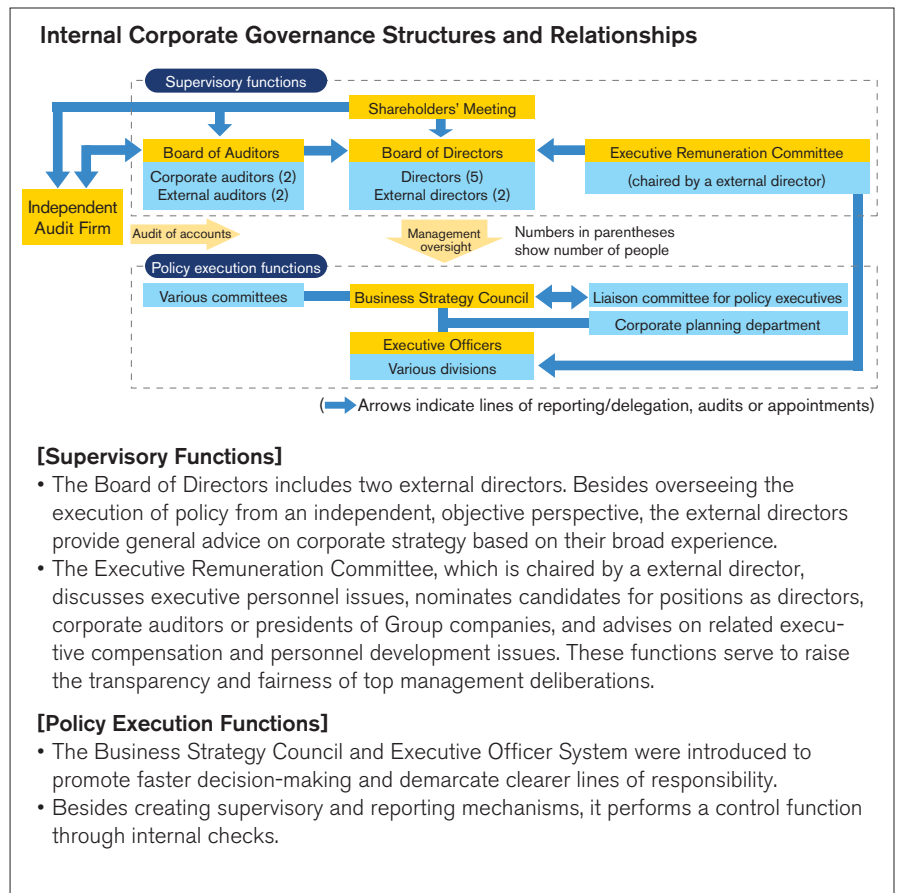
Towards Optimum CSR Management

Enhancing Corporate Governance

Isetan regards effective corporate governance as an important issue facing management to ensure ongoing improvements in transparency, fairness and speed of response. Bolstering corporate governance and social responsibility is tackled from two different perspectives. First, Isetan works to build good relationships with all stakeholders, including customers, employees, shareholders, suppliers and local communities. Second, as part of our efforts to reform business structures, Isetan aims to strengthen and improve the functioning of existing statutory structures, including shareholder meetings, the Board of Directors, the Board of Auditors and independent audit functions.

Specific Actions

Transparent and fair management practices and the creation of a structure that facilitates speedy decision-making are essential to meet the expectations of stakeholders. Isetan has sought to improve its corporate governance since fiscal 2001 in a number of ways: (1) introduction of an Executive Officer System; (2) external director appointments and establishment of an Executive Remuneration Committee; (3) establishment of clearer lines of authority and organizational reform (such as the creation of the Business Strategy Council); and (4) reform of executive compensation systems.



Risk Management

Isetan set up the Risk Management Project Committee as a consultative body for the Business Strategy Council to strengthen the risk management capabilities of the Company, and to oversee the establishment of a system of internal regulations designed to minimize the occurrence of serious adverse events.

In view of the increasing importance of risk management issues at the consolidated level, a manager with responsibility for all risk management issues affecting the Isetan Group was appointed within the General Affairs Department to oversee and manage related corporate planning functions.

Isetan to Receive SRI (Socially Responsible Investment) Funds

The Pension Fund Association has included Isetan as one of 53 firms to invest in with its Corporate Governance Fund. The fund focuses on corporate governance as its investment criterion, with Nomura Asset Management Co., Ltd. tasked with the actual management of the fund.

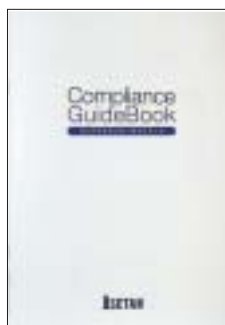
Isetan was also included in the following funds in fiscal 2005:

July: Fukoku SRI Fund
August: Japan SRI Mother Fund

(As of September 2005)

Legal and Regulatory Compliance

Compliance is a critical component of our efforts to build society's trust in our company, based on The Isetan Way. Compliance issues thus impinge on all daily business activities.



Compliance guidelines

Efforts on a Structural Level

At Isetan, legal and regulatory compliance is positioned as a priority management issue.

In terms of structural bodies, we have set up the Isetan Fair Trading Promotion Council specifically to deal with compliance with anti-trust laws. It acts as an advisory body to the Business Strategy Council, which has the highest decision-making authority on business execution matters in the company. Another advisory body to the Business Strategy Council is the Risk Management Council, which aims to strengthen the organization's response to risk-related matters. Both of these consulting boards meet on a regular basis.

In order to clarify the stance required of the company's management tier, the chairman of the Isetan Fair Trading Promotion Council is the Executive Vice President and Director of the Business Planning & Operations Division; meanwhile, the chairman of the Risk Management Council is the Senior Executive Vice President and Director of the company. In this way, Isetan managers can set an appropriate example for all employees further down the organizational hierarchy.

Compliance Guideline Formulation

The Compliance Guidebook was compiled and distributed in April 2002 to set out compliance-related policies for Isetan and to provide specific examples of expected behavior. Setting out clear rules and providing illustrative examples, the publication deals with a wide range of issues and situations, such as: contracts with customers; personal data confidentiality; product safety, giveaways and labeling; ethical trading practices vis-à-vis suppliers; intellectual property rights; official approvals, licenses and notifications; protection of human rights; sexual harassment in the workplace; insider trading rules; and the legal responsibilities and duties of directors.

Legal Consultation System

Isetan holds weekly legal consultation meetings with advisory counselors to deal with any legal issues related to due diligence procedures in new business ventures, legal disputes, and other operational matters. A separate system has been established to enable swift response to extemporal incidents by setting up close ties with advisory counselors. An internal legal affairs team is available to draft and check contracts, deal with claims and oversee any intellectual property matters.

Training and Education

Compliance training forms part of courses aimed at managers and newly promoted staff. We also hold legal training seminars for sales representatives, and the secretariat for the Isetan Fair Trading Promotion Council provides training on anti-trust issues.

As specific examples, we held a series of one-point training sessions to boost compliance during regular sales division manager's meetings in 2005; and from June to September 2005, we conducted education workshops on fair trading and intellectual property rights for sales managers and buyers.

In addition, internal publications regularly carry articles that aim to educate employees about various compliance-related issues. A database of legal approaches and related ordinances has been compiled by the sales division and released as groupware. This way, all employees have access to information for use in their daily operations.

Protection of Personal Information

Each company in the Isetan Group is profoundly aware of the importance of protecting a customer's personal information. Besides adhering to all laws related to the protection of personal data, Isetan has formulated its own set of voluntary standards. Our personnel are bound to these external and internal rules. We treat information gathered from customers with the utmost respect and only use it in ways deemed appropriate for specific objectives. In this way, we aim to meet the expectations of our customers and further deepen relationships built on trust.

Specific Actions

- Based on guidelines for the protection of personal information at department stores released by Japan Department Stores Association (JDSA), Isetan has laid down an appropriate management system for customer data. Important points are included on the company website under "privacy policy" and "use of personal information."
- Isetan further improved its internal system aimed at maintaining customer data confidentiality through the establishment of a personal information protection committee in April 2004. The primary role of this committee is to review and enhance rules regarding the attainment, use and management of personal information.
- Isetan has established information management regulations and personal information protection regulations to help protect the privacy of personal data in daily operations.

All-Inclusive Protection of Personal Information

- By March 2004, Isetan had concluded a memorandum concerning the handling of customer information as well as a processing procedure agreement with all suppliers. An internal audit was conducted from August to September 2005 to determine whether these agreements were being adhered to.

A customer services manager at our flagship store and sales service managers at branch stores handle all enquiries related to personal information.

Management of Computer Systems

- Isetan has implemented technical safety measures to safeguard against illegal entry into its computer systems. To prevent external leakage of information, we have set up systems and operational measures, such as placing restrictions on output mediums.
- A password and individual authentication card are required to access personal information, while the data made available depends on the "level" of the user. This also enables us to monitor the usage history of information.
- Isetan has placed restrictions on which staff members (called "J staff") have access to personal information and we continue to hold security-related training for these people.
- Technical preventative measures against illegal access to personal information include encryption of wireless LAN communication via POS terminals, and the appointment of external specialists who monitor unlawful access 24 hours a day, 365 days of the year.

Initiative with Isetan I Card Co., Ltd.

Isetan I Card Co., Ltd., which issues I Card, Isetan's own in-house credit card, and takes care of the various services for its members, revised its personal information protection guidebook in May 2005. The objectives of this move are to control access to information with security cards held by each Isetan employee and to promote personal data protection through staff training and other such initiatives. This ensures that an individual's private information is handled in the most appropriate manner.

Certification Attained by Isetan Data Center

Isetan Data Center (IDC), which manages the personal information of all the members of I Card, has gained certification for its information security management system (ISMS). As daily operations are based on the standards of this ISMS certification*, we can enhance the trust of customers in the security measures implemented by the Isetan Group to protect the confidentiality of personal data.

* ISMS certification signifies not only that a company's system is technically secure, but also validates that information systems implement proper risk management measures at the corporate level and that a security management system is subject to regular audit. The Japan Information Processing Development Center (JIPDEC) has been responsible for ISMS certification procedures in Japan since 2002.

Stakeholders and Isetan

**Only by sharing with others
— our feelings, our ideas,
and our joy — can we create
new and better lifestyles
for tomorrow.**

At Isetan we have something to share with everyone.

- With our customers, we share empathy and technology.
- With our fellow employees, we share the desire to create an enjoyable work place.
- With our investors, we share the rewards of business well done.
- With our suppliers, we share mutual growth and prosperity.
- With our communities, we share our responsibilities as good corporate citizens.
- And with everyone, we hope to share trust and respect.

With our customers, we share empathy and technology

With our fellow employees, we share the desire to create an enjoyable work place.

With our investors, we share the rewards of business well done.

With our suppliers, we share mutual growth and prosperity.

With our communities, we share our responsibilities as good corporate citizens.

Customers and Isetan

Ensuring the Safety and Security of Customers

Isetan has taken action as people's interest in product labels has grown. We work to ensure the safety and security of customers by managing quality control from a customer-centered perspective. We also strive to listen to customer feedback and to make changes designed to increase customer satisfaction.

Quality Control from a Customer-Centered Perspective

Isetan's customer-centered quality control approach focuses on the management of two key activities: QC procedures, and product labeling. Besides preventing accidents, the aim is to ensure the safety and security of all merchandise while striving to improve quality. We set our own strict standards for all merchandise and supplied products, and work closely with our suppliers to maintain the highest levels of quality control. In the rare event of an accident or other incident, we cooperate with local governments and external bodies to determine the cause, implement a swift solution, and take appropriate measures to prevent future occurrences.

(1) QC procedures

Safety is the highest priority, and Isetan's motto is: "If in doubt, don't sell!" We undertake pre-sale inspections and periodic sampling inspections of all merchandise. Staff supervising inventory and sales coordinate closely to maintain high-level QC controls. We also work to raise the level of quality control management through the integration of departments handling suppliers, sales floors and QC supervision, through regular spot checks, by sharing of information, and with training and education programs.

1. Store hygiene

We undertake hygiene checks of all in-store kitchen facilities and demonstration areas, and we also check our food suppliers to ensure that their food production sites and methods also uphold high levels of hygiene. To ensure that all employees who handle food have the correct knowledge and training, we provide staff training in food hygiene and hold discussions at the employee health centers located at each site. Finally, we provide operational support to a special committee that oversees occupational health and safety matters for all food suppliers to Isetan.



Lecture seminars teach employees the basics of food safety and hygiene

Regular lecture seminars are held to teach employees about food safety and hygiene. As well as the basics, these training events also cover issues such as prevention of food poisoning and correct food labeling.

Delivering fine food with secure peace-of-mind Queen's Isetan Product Testing Laboratory

Queen's Isetan, a supermarket chain specializing in foodstuffs for the Isetan Group, set up a Product Testing Laboratory in accord with the commencement of operations at the Tachikawa food factory in August 2004. Here, the focus is on quality

control, especially in terms of testing for bacteria in foodstuffs and testing, improving and maintaining general hygiene. Our commitment is to offer the finest foods with secure peace-of-mind.

2. Quality testing of textile products

Besides verifying the quality of the dyes, chemicals and properties of textile products from the fabric stage onward, we also test the quality of products already on the market when requested to do so from sales stores.

3. Measuring control

Isetan ensures the appropriate product weight through the use of accurate measuring apparatus. We also inspect products to be given during summer and winter gift-giving seasons based on assorted packaging standards.

(2) Product labeling

In recent years, customers have taken a much greater interest in labeling as concerns have grown over issues such as allergic reactions to ingredients, material origins, fake merchandise and exaggerated advertising claims. Checking labeling required by law such as images regarding handling and composition of textiles products is becoming increasingly important. Isetan pays particular attention to checks of its own original products.



QC and Safety Checks —the QC Control Dept.—

Isetan originally set up a Product Testing Dept. in 1936 to undertake quality control of merchandise and to strengthen the existing system of safety checks. In 2001 this department was renamed the QC Control Dept. It oversees the two key activities described above, all of which operate from a customer-centered perspective.

Separate sections are responsible for textiles, in-store hygiene and testing measurements.



People You Can Trust —the Isetan Consumer Advisory Center—

We established our first consumer consultation service in 1972 to allow customers to discuss any points about products or services purchased at Isetan. This service strives to maintain a neutral perspective to enable customers to receive fair and unbiased advice. In doing so, the center has developed a trustworthy reputation. The center is currently staffed by seven qualified professionals, including certified consumer advisors and experts in fabric and clothing QC issues. It typically receives over 2,000 inquiries annually.

Isetan Group subsidiary Isetan Business Support gains ISO9001 accreditation

Isetan Business Support is the Isetan Group subsidiary that handles company logistics. As part of its efforts to generate continuous improvements in quality control and provide effective support to retail operations, in 2001 the company gained ISO9001 certification for its quality management systems — a first within the Japanese department

store industry. ISO9001 is one of International Standards certified by ISO (International Organization for Standardization) for quality management and guarantee. International Standard is used to evaluate management structures for maintaining quality control. The company passed both biannual ISO9001 examinations.

Customers and Isetan

Reflecting Customer Opinion in Products and Services

At Isetan, we value the importance of meeting our customers' needs. We always strive to reflect their opinion in the development of original products and work to provide specialist shopping advice through qualified experts.

Only I – Merchandise Exclusive to Isetan Born from Customer Feedback

Based on views gathered in sales situations and responses from thousands of customers to company questionnaires, Isetan creates a diverse array of original products that embody our commitment to fashion. We strive to incorporate customer desire regarding function, design, color and pattern into merchandise that exceeds expectations. Our aim is to provide a shopping experience second to none through original products and special limited offers.



Customer Participation in Only I Product Development Project

This project aims to develop new products together with our customers by using the internet. We work in tandem with suppliers to fuse the opinion of target customers into the development of unique Isetan merchandise.

The eighth phase of the project took place in March 2005. Here, we developed four brands of jacket useful in an array of situations, with the target being working women.

Sales Service from Qualified Experts

Isetan sales staff possess a variety of qualifications, including those issued internally, that enable them to offer valuable shopping advice when selecting products.



Beauté concierge



Shoe counselor



Wine advisor

Qualifications (As of July 2005) *Denote internal company qualifications

| Qualification | Number of People | Qualification | Number of People |
|----------------------|------------------|--|------------------|
| Beauté concierge* | 11 | First class sales expert | 42 |
| Body concierge* | 4 | Second class sales expert | 1,055 |
| Shoe counselor* | 52 | Third class sales expert | 191 |
| Baby consultant* | 47 | Formal specialist gold license | 27 |
| Mode fitter* | 11 | Gemologist | 1 |
| Wrapping attendant* | 33 | Personal information protection supervisor | 15 |
| Color analyst* | 168 | Architect (first class/second class) | 37 |
| Interior coordinator | 9 | Tea instructor | 1 |
| Wine advisor | 10 | Consumer advisor | 15 |
| Cheese advisor | 6 | Hygienist | 73 |
| | | Shoe fitter | 58 |

Creating the Best Store Environment for Customers

We are introducing various universal-use design concepts into store environments, facilities and services to allow more customers to enjoy shopping at Isetan.

These moves are helping to make our stores pleasant and convenient for customers, irrespective of age, gender, size and physical ability.

Creating a Pleasant Environment –improved facilities and services–

We have upgraded store facilities to improve wheelchair and stroller access, and we also offer a free rental service for such items. We have also improved the services we offer to those with hearing or speech impairments. Our aim is to make the Isetan shopping experience as pleasant as possible for all.



Multi-functional fitting rooms (Shinjuku store)
Offering roughly four times the area of standard fitting rooms, these special rooms allow step-free, smooth wheelchair access. They are also fitted with ramps and benches to make it easier for customers to get in and out of a wheelchair to try on clothes.



Multi-functional rest rooms (Shinjuku store)
These special rest room cubicles offer enough room for wheelchair or stroller access, and are also fitted with specially softened toilet seats and child seats. The rest rooms on the 7th floor of the main building of the Shinjuku store feature specially upgraded facilities offering baby seats, seats with an adaptable fit, and various fixtures for colostomy patients.



Signing-capable store assistants
Isetan first established an in-house training course in sign language in 1981, the Year of the Disabled. Today around 260 Isetan sales assistants can communicate in sign language, and are identifiable by special red badges. These staff are ready to assist any customers with hearing or speech impairments.



Written communication facilitation boards (Shinjuku store)
Another tool to help customers enjoy shopping at Isetan, these boards are designed to help those customers with hearing or speech impairments that may not be comfortable using sign language. They can also be used as a support tool for improving the accuracy of signing-based communication.



Manual wheelchair and Power wheelchair (Shinjuku store)



Baby rest area (Shinjuku store)

Service Outline

| Service | Shinjuku store | Tachikawa store | Kichijoji store | Matsudo store | Urawa store | Sagamihara store | Fuchu store |
|----------------------------|----------------|-----------------|-----------------|---------------|-------------|------------------|-------------|
| Wheelchair loan | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Wheelchair access toilet | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Stroller loan | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Baby rest area | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Toilet with baby rest | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Child rearing consultation | ○ | ○ | | ○ | ○ | ○ | ○ |
| Shopping carts for elderly | ○ | ○ | | ○ | ○ | ○ | ○ |
| Guide for blind | ○ | | | ○ | | | |

Customers and Isetan

Supporting Senior Citizens

—“Heartful Station” (Tachikawa/Matsudo/Sagamihara/Fuchu)—

Many senior citizens aspire to live healthily, to make their homes as convenient and safe as possible, and to go out to town with grace and a minimum of fuss. With such needs in mind, Isetan has created special retail areas, so called “Heartful Station”, at four stores that offer a range of clothing, accessories, health foods/goods and other items for seniors. Examples include clothes that are easier to put on and super-light shoes. As well as the expected range of nursing care-related products, these fixtures offer a wide range of items specifically tailored to the needs of senior citizens. The Tachikawa store also features a full-time consultation counter that can offer advice on various leisure, welfare and care-related issues. The store supports to make senior citizens’ life be happy, healthy and comfortable.



Tachikawa store certified as providing universal access

The Isetan Tachikawa store was the first department store in the Tama district in the Tokyo western suburbs to gain certification under Japanese universal building access legislation*. The store features exits, passageways, elevators, rest rooms and parking facilities that are specially designed to provide easy access to elderly and disabled people. For example, the main thoroughfare on each floor has a width of 6m, permitting smooth access for those in wheelchairs or pushing children in strollers.

* Enacted in Japan in 1994, the so-called “Heart Building Law” aims to promote the design and construction of buildings that enable smooth access and use of facilities by elderly or disabled people; buildings that meet certain universal-access criteria can be certified as complying with this law.



Tachikawa store certified as providing universal access

T O P I C S

Dealing with Asbestos

Isetan conducted a thorough check of all stores and related facilities to determine the extent of asbestos use. The results of the examination showed that Asbestos was being used in certain parts of six different facilities.

We have already eliminated asbestos from some of these places in conjunction with other work being conducted there. In the future, we will work to quickly remove or contain it in all other areas to ensure a clean and healthy breathing environment.

Situation and Measure

| Building | Application | Measure |
|--------------------------|----------------|---|
| Shinjuku store | Heat insulator | Review results of air measurements and decide elimination timeframe |
| Kichijoji store | Fireproofing | Currently removing in conjunction with earthquake proofing construction |
| Matsudo store | Fireproofing | Results show area as safe; plan to conduct regular future checks |
| Shinjuku store office | Fireproofing | Review results of air measurements and decide elimination timeframe |
| Isetan Kaikan | Heat insulator | Completed removal in some areas by the end of September 2005 |
| Hachioji delivery center | Fireproofing | Plan to complete removal by March 2006 |

Preparedness for Disasters



Training for a hypothetical earthquake of the 6th degree on the seismic scale directly under Tokyo (November 2004)



Emergency action handbook

Disaster Contingency Committee

At Isetan, we have set up a Disaster Contingency Committee to review measures and devise appropriate action in case of earthquake, fire or any other calamity. Centered primarily around this body, we have made preparations for the entire organization to act swiftly in response to a disaster.

- Our top priority is to ensure the utmost safety of customers and employees by taking suitable action when disaster strikes. Further, we have formulated a basic earthquake and disaster countermeasure plan aimed at minimizing injury.
- Through various training exercises, we have assigned roles and ascertained the necessary initial action for when an emergency situation arises. We always strive to boost our capabilities to deal with disasters.
- All Isetan employees have been provided with an emergency action handbook so that they know how to react in an emergency.

Shopping with Peace-of-Mind

Earthquake-proof Retrofitting

In accord with the law regarding earthquake-proof retrofitting in Japan, Isetan has conducted thorough examinations of its stores and buildings that were constructed before the enactment of earthquake resistant design codes. Any structures deemed to be unable to handle massive stress are undergoing anti-seismic reinforcement. We are currently upgrading one part of the main building at the Shinjuku store (planned completion November 2006) as well as the Kichijoji store (planned completion spring 2007). Thereafter, all Isetan stores will have cleared earthquake resistant design codes.

Approval for Special Exemption

The fire department has designated our Head Office and all branch stores as employing the correct maintenance and management procedures regarding building and fire safety, and accordingly, we have received approval for special exemption.

Standard First Aid Qualification

Isetan pours efforts into developing personnel with knowledge of first aid. At the Shinjuku store, a total of 1,208 employees (fiscal 2004) have attained the standard first aid qualification. In particular, the Shinjuku store, Kichijoji store and Matsudo store have been granted the highest certification for first aid training from local fire departments.

Voluntary Fire Brigade

A voluntary fire unit set up in each store works hard to ensure fire protection. The following people received outstanding reports from the voluntary fire drill examination committee in fiscal 2004.

- Shinjuku store female brigade: Outstanding award
- Tachikawa store female brigade: Best effort award
- Kichijoji store female brigade: Runner-up
- Sagamihara store female brigade: Outstanding award
- Fuchu store female brigade: 4th place



Voluntary fire drill examination committee
Shinjuku store female brigade received the outstanding award from the Yotsuya fire department



Training for the standard first aid qualification

T O P I C S

Helping Disaster-stricken Areas

Isetan Group provided aid to the victims of the Niigata Chuetsu earthquake and the Sumatra earthquake.

Niigata Chuetsu earthquake

Isetan sent money, food and water to the victims of the Niigata Chuetsu earthquake. We also donated money raised at the Shinjuku store to the Japanese Red Cross Society.

Sumatra earthquake

Isetan also donated money raised at the Shinjuku store to the Japanese Red Cross Society for the victims of the Sumatra earthquake.

Employees and Isetan

The relationship between a company and its employees in Japan is shifting away from the traditional lifetime employment pattern toward a more career based model that places greater emphasis on the freedom, choices and responsibilities of individual workers. In this new paradigm, the role of the company is to provide career-enhancing opportunities and a working environment that is conducive to growth. Isetan aims to treat the lifestyles of all employees with respect, and is an equal opportunity employer*. We are also at the forefront of efforts to combat workplace discrimination of all types.

* In line with the enactment of equal opportunity legislation in Japan in 1999, Isetan's "Positive Action" program features an internal initiative to eliminate discrimination in the workplace, whether on the basis of gender, age or physical ability.

■ Number of full-time Isetan employees (non-consolidated): 4,018 (as of April 2005)

(Average age: 40 yrs 4 mths; average length of service: 19 yrs 3 mths)

Males: 1,701 (42.3%)

Average age: 42 yrs 5 mths

Average length of service: 20 yrs 4 mths

Females: 2,317 (57.7%)

Average age: 38 yrs 10 mths

Average length of service: 18 yrs 6 mths

■ Total Number of Employees (As of April 2005)

| | |
|------------------------|-------|
| Full-timers | 4,018 |
| "Mate" employees | 742 |
| "Some-timer" employees | 3,057 |
| Others | 237 |
| Total | 8,054 |

"Mate" Employee System

"Mate" employees are contract workers whose primary job is over-the-counter sales, mainly in clothing and cosmetics. The system was introduced in February 1998 to enhance sales services, while promoting differentiation and voluntary Merchandise. In April 2002, we broadened the scope of the program and appointed over-the-counter sales leaders. The number of "Mate" employees was 742 as of April 2005.

"Some-timer" Employee System

The "Some-timer" system comprises contract employees who work between 12~35 hours per week. It was implemented in 1988 to enhance personnel productivity by utilizing only the number of people required at a certain time and place. They undertake such roles as sales, sales assistants, point-of-sale (POS) system operators, store guides, telephone directory assistance and product transportation, as well as certain other simple jobs and administration-related work. As of April 2005, 3,057 people were registered as "Sometime" employees. The system was revised in October 2002 to boost motivation and enhance productivity.

T O P I C S

In October this year Isetan started a system in which it promotes a few people from among the "Mate" employees every year become full-time employees to work as sales leader. These people have fulfilled certain criteria designated by the company and have displayed independence and quality leadership skills. Eight people promote to become full-time employees this October.

Supporting Independent Career Self-Development

Isetan wants to help workers actively pursue and develop careers that realize potential, rather than simply providing an inflexible career path that encourages only passive contribution. Our aim is to provide the right opportunities, means and environment to support people as they develop their careers proactively through self-actualization.

In October 2001, Isetan established the “Challenge-Career” system to fulfill these objectives. This system has two major components. In the first component, the company advertises internally to fill a variety of positions that form part of more independent career tracks. These positions demand a high degree of creativity and drive. This system helps the company to identify and retain talented people, who in turn receive support from Isetan to develop their own career path within the company. The second component of the “Challenge-Career” system places emphasis on individual drive and career preferences. Isetan offers opportunities for positive career changes to persons willing to take on the challenge of independent career self-development. This system is helping to encourage employees to develop their own career plans while helping the company to fill challenging positions with self-motivated, results-oriented people.

Aspects of the “Positive Action” Program



Aspects of the “Positive Action” Program

Our goal at Isetan is to create a working environment that helps a diverse range of individuals fulfill their potential. In April 2003, we formed a committee to promote the “Positive Action” program. Chaired by the president, it aims to promote and drive internal reform by raising awareness and changing systems.

In response to rapid ongoing societal changes in Japan, including the enactment of the Next Generation Education and Support Promotion Act, one aspect of these internal reforms is a new range of initiatives designed to help employees better balance their work and family commitments through the establishment of daycare and nursing care systems. Employee uptake of Isetan’s various programs has been strong - for example, over 1,000 employees have taken maternity leave (equivalent to some 17% of Isetan’s female workforce). This compares extremely favorably with the average uptake rate for maternity leave in the broader Japanese working population: according to a 2001 survey by the Ministry of Health, Labor & Welfare, although nearly 25% of the workplaces surveyed reported at least one female employee leaving during the year to have a baby, the proportion taking maternity leave was just 2.7%.

Isetan leads other companies with the introduction of various systems related to maternity, child rearing and nursery care. We will always support both work and family life to ensure that our people can continue working comfortably at Isetan.

[Isetan’s Employee Support Programs]

| Year introduced | System | Details | Legal standard | Beneficiaries (5-yr ave.) |
|-----------------|---|---|---|---------------------------|
| 1956 | Maternity leave | Paid leave: 8+8=16 wks (pioneering within Japan) | 6+8=14 wks; paid leave non-compulsory (exc. 6 wks post-natal) | |
| 1971 | Childcare leave | 3yrs per child up to age 4; total leave the longer of 4yrs or legal limit, depending on number of children | Until child turns 1 | 1,068 total (56.6/yr) |
| 1982 | Caregivers’ leave | Once per family, up to 1 yr | Up to 3 mths | 28 |
| 1989 | Childcare employment plan | 5-6-hour working day until child in elementary school; max. 8 yrs incl. childcare leave; period extendable until child is 3 | Position must have short working hours until child is 3 | 567 total (45.4/yr) |
| | Caregivers’ employment plan | 5-6-hour working day; once per family, up to 1 yr | Max. 3 mths, incl. caregivers’ leave | 91 |
| 2001 | Childcare flexible employment plan | No overtime/guaranteed early shift preference for those with children up to 3rd grade | | 65 |
| 2002 | Returning employee seminars (for working mothers) | Designed for those returning to work after childcare leave | Law requires employers “to make efforts” | 99 |
| 2003 | Child-nursing leave | Max. 5dys/yr unpaid leave for nursing children up to elementary school | | 35 total |
| | Cafeteria plan | Point-based menu of support provided for childcare and care-giving services; 50% co-payments | | |
| 2005 | Childcare leave (contract employees) | Leave to care for child up to age 1 (can extend to 1 yr 6 mths under certain circumstance) | | |
| | Caregivers’ leave (contract employees) | Up to 93 days per person for one care-receiver | | |

(figures accurate as of April 2005)

Employees and Isetan

Urawa store recognized for commitment to equal opportunity employment

Local government authorities in Saitama have recognized the Isetan store in Urawa as a workplace that is committed to equal opportunity employment. The store received this commendation as a result of its positive efforts in this area in 2002.

Corporate Welfare Systems Provide Individual Choice

In June 2003, Isetan introduced the "Isetan Cafeteria (i-cafe) Plan" to allow employees to choose from a menu of welfare choices. Workers can choose the option that best suits their needs, subject to limitations based on the number of points that individuals have invested in the system. Menu categories range from career and lifestyle support to security and communication-related issues, enabling individuals to receive the support from the company that they need.

Providing Active Roles for Senior and Disabled Workers

In October 2000, Isetan introduced a system for "elderly employees" that allows them to be rehired after statutory retirement age and work until 65. People can elect to continue working on either a full-time or part-time basis. As of April 2005, a total of 155 people were working at Isetan under such arrangements.

T O P I C S

Established Isetan Soleil

With disabled workers, our core philosophy is to look beyond disability and concentrate on ability. We actively seek to employ disabled people. In September 2004, we created a subsidiary called Isetan Soleil (name approved in March 2005), especially designed to expand our contribution to society by promoting employment for disabled people. We aim to foster a supportive workplace where such people can show their talents, and we provide support to them when required in sales situations. As of September 2005, 21 people with disabilities were employed at Isetan.

Isetan awarded prize in senior employment contest

The Ministry of Labor & Welfare and the Association of Employment Development for Senior Citizens are working together to promote the employment of persons over 60 to help respond to the advent of a rapidly aging society in Japan. To this end, the council runs a contest aimed at companies, who submit entries detailing examples of ingenious ways in which they create internal working environments conducive to employing senior citizens. In the fiscal 2002 contest, Isetan won an award in the systems category for its "elder employees" re-hiring system, which guarantees employment for people between the ages of 60 and 65 if they so desire.

T O P I C S

Isetan Summer Internship Program

Isetan has set up an internship program for university student and postgraduate students to give them the opportunity to gain job experience at a company. Besides gaining insight into the business world, they are able to assess their own ability and aptitude to help in future job selection. The program - a first within the Japanese department store industry - was introduced in the summer of 2001 so that students could learn about the department store industry as well as what kind of work is performed at Isetan. Third year university students and first year postgraduate students participate in the scheme each year, with around 240 people taking part in the course by the summer of 2005.

With our customers, we share empathy and technology.
 With our fellow employees, we share the desire to create an enjoyable work place.
With our investors, we share the rewards of business well done.
 With our suppliers, we share mutual growth and prosperity.
 With our communities, we share our responsibilities as good corporate citizens.

Investors and Isetan

Isetan has gained the trust of its investors by conducting stable and wholesome corporate activities. Our aim is to build relationships that people can rely on.

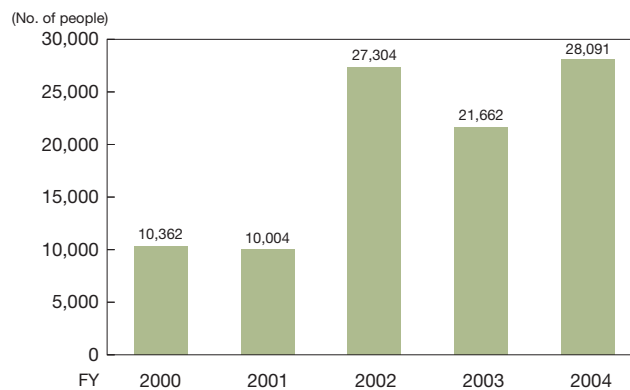
Isetan Shareholders

■ Number of shareholders: 28,091 (as of March 31, 2005)

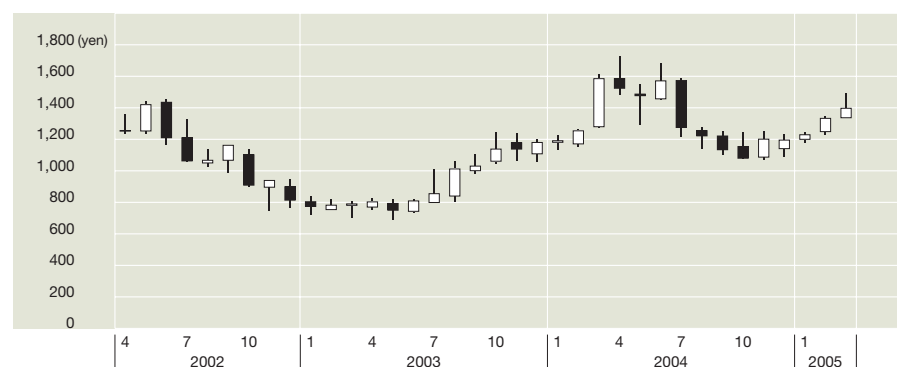
■ Major Shareholders (as of March 31, 2005)

| Name | No. of Shares Held (thousands) | Equity Ratio (%) |
|---|--------------------------------|------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 20,598 | 9.26 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 11,502 | 5.17 |
| Japan Trustee Service Bank, Ltd. (Onward Kashiyama Co., Ltd. Retirement Benefit Trust Account Re-entrusted by The Sumitomo Trust & Banking Co., Ltd.) | 10,384 | 4.67 |
| Meiji Yasuda Life Insurance Company | 6,850 | 3.08 |
| NIPPONKOA Insurance Co., Ltd. | 5,189 | 2.33 |
| The Bank of Tokyo-Mitsubishi, Ltd. | 5,090 | 2.29 |
| Koryu Co., Ltd. | 4,796 | 2.16 |
| Shimizu Corporation | 4,500 | 2.02 |
| Mitsubishi Trust and Banking Corporation | 3,696 | 1.66 |
| Tokyo Marine & Nichido Fire Insurance Co., Ltd. | 3,616 | 1.63 |

■ Number of Shareholders by Fiscal Year



Share Price



| | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 |
|---|--------|-------------|-------------|---------|-------------|
| Year's high | ¥1,419 | ¥1,397 | ¥1,451 | ¥1,615 | ¥1,728 |
| Year's low | ¥811 | ¥996 | ¥705 | ¥691 | ¥1,070 |
| Price-earnings ratio (consolidated PER) | - | 22.96 times | 22.95 times | - | 24.74 times |
| Earnings per share (consolidated EPS) | ¥-9.93 | ¥56.32 | ¥34.42 | ¥-13.93 | ¥56.46 |

Return to Shareholders

Dividend Policy

At Isetan, we view returning profits to shareholders as one of management's most important agendas. In the fiercely competitive retail industry, our basic policy is to secure internal funds for reinvestment and to provide a stable dividend to shareholders by enhancing corporate profitability. A bonus dividend of ¥2 was paid in fiscal 2004 to boost shareholder return. Isetan paid a year-end dividend of ¥7 per share and an interim dividend of ¥5 per share, making a total dividend for the year of ¥12 per share.

| | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 |
|-----------------------|--------|--------|--------|--------|--------|
| Dividend amount | ¥10 | ¥10 | ¥10 | ¥10 | ¥12 |
| Dividend payout ratio | — | 19.90% | 56.82% | — | 22.12% |

Enhanced Special Benefit Plan for Shareholders

To make it easier for individual investors to invest in the company, Isetan reduced the number of shares contained in each share unit from 1,000 to 100. In addition, we set up an enhanced special benefit plan for shareholders so that they can enjoy the Isetan shopping experience even more.

Details of Special Benefit Plan

Isetan issues shopping discount coupons, discount coupons and Queen's Isetan shopping discount coupons to shareholders with 100 shares or more, and complimentary food and beverage ticket worth ¥3,000 to shareholders with 1,000 shares or more.

- Mailing period: twice yearly, beginning of July for shareholders as of the end of March and beginning of December for shareholders as of the end of September.
- Applicable stores: Isetan Company Limited (7 stores), Shizuoka Isetan, Niigata Isetan, Kokura Isetan, West Japan Railway Isetan (complimentary ¥3,000 food and beverage ticket: Shinjuku Isetan, Shizuoka Isetan, Niigata Isetan). Queen's Isetan shopping discount coupons can be used at any Queen's Isetan store.

(1) Shopping discount coupon (for shareholders with 100 shares or more)

- 10% discount on cash purchases (some items do not apply) totaling over ¥3,000 (excluding consumption tax)
- 3~60 coupons depending on number of shares held

(2) Discount coupon (for shareholders with 100 shares or more)

- 10% discount on cash purchases totaling over ¥3,000 (excluding consumption tax) at Eat Paradise; hour extension on free parking
- 1~2 booklets (10 coupons each) depending on number of shares held

(3) Complimentary food and beverage ticket worth ¥3,000 (for shareholders with 1,000 shares or more)

- Allocated for food and beverages at Eat Paradise
- One ticket to all shareholders with more than 1,000 shares

(4) Queen's Isetan shopping discount coupon (for shareholders with 100 shares or more)

- 10% discount on cash purchases totaling over ¥3,000 (excluding consumption tax)
- 20 coupons to all shareholders with 100 shares or more



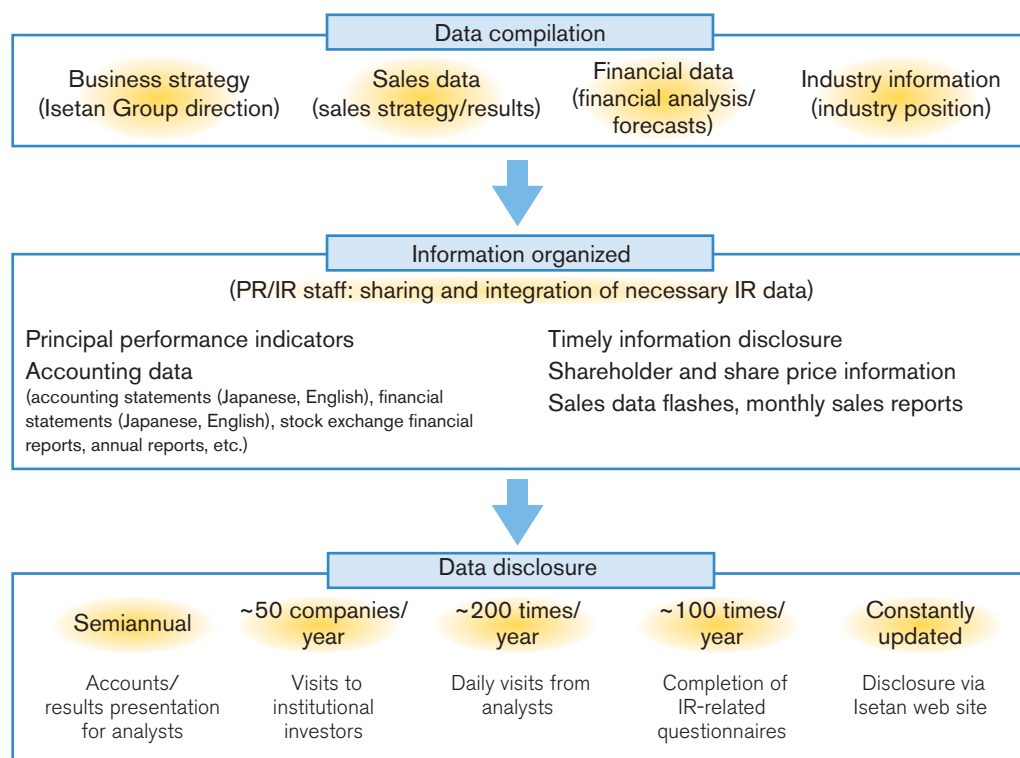
IR Program Projects True Corporate Image

Isetan's investor relations (IR) activities aim consistently to convey a fair and accurate image of the company to shareholders and other investors through prompt disclosure by management of all relevant information, so that those who supply Isetan with capital can make informed investment decisions.

Investor and Analyst Disclosure

In an age where corporate value is measured by investors and shareholders in terms of the share price, companies are obliged to make timely and appropriate disclosure of information to financial markets. With the goal of providing investors and analysts with cogent information to aid investment decisions, Isetan strives to compile, organize and disclose a wide range of information spanning business strategy, sales data, financial data and industry-related figures.

Financial releases by the Isetan PR and IR departments are not just limited to official stock exchange submissions and quarterly accounting statements. We also hold regular meetings with investors and analysts to discuss financial performance, and disclose a wealth of information via our web site.



Timely online disclosure of IR data

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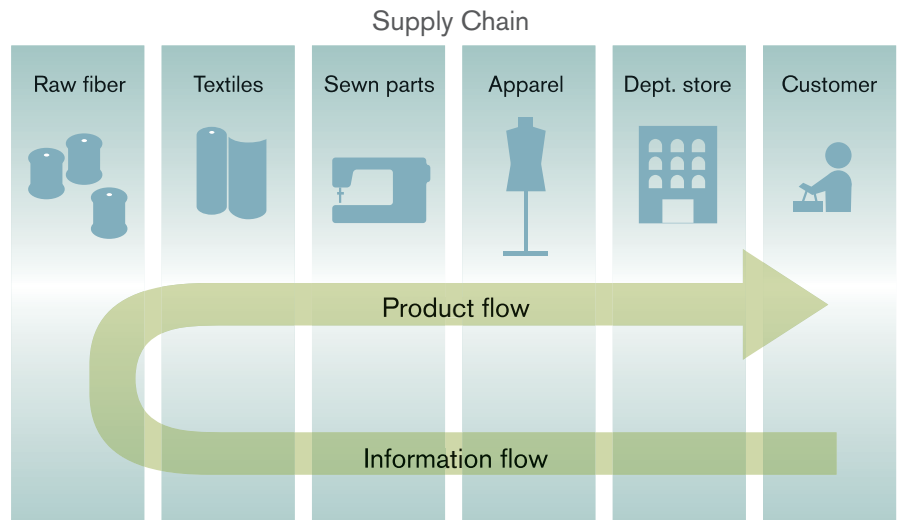
Suppliers and Isetan

At Isetan, we regard our suppliers as our “joint partners in responding to the demands of customers.” Retailing is about providing what customers want to buy, so we place a great deal of importance on collaborative programs with suppliers to jointly develop products based on customer feedback. Since the core aim is to put the customer first, we view our relationships with suppliers in terms of creating win-win opportunities for profit generation, so that we can prosper together.

Developing the Ultimate Merchandising

With both the department store and the apparel industries in Japan struggling against harsh market conditions, we believe that closer cooperation is necessary with suppliers to cater to the demands of customers. Our role is to provide an enjoyable environment where customers can buy the products they want at desirable times, quantities and prices. If a customer comes to an Isetan store but fails to find the product they want because it is out of stock, they leave dissatisfied and we cannot build any trust. We are using POS systems to prevent such situations through cooperation with suppliers.

We are also implementing supply-chain management (SCM) solutions to optimize and integrate the entire process from manufacture to sales, which involves revising the relationships between the department store and apparel/production firms from a collaborative perspective. SCM demands that the retailing outlet closest to the customer accurately forecasts demand, while the apparel/production firms institute flexible but speedy product supply systems. This frequently involves rethinking processes within each sector and necessitates rapid exchange of information via shared networks to facilitate supply operations and to build mutual trust.



Developing new, more balanced supply relationships

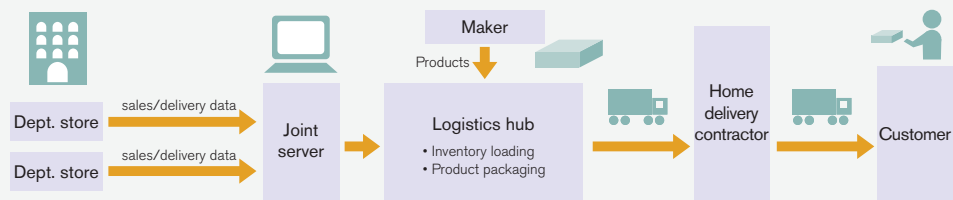
Sales floor research undertaken at Isetan has revealed that non-availability of the desired color or size translates into a missed purchasing opportunity as much as 26% of the time in the fashion sections of our stores. Such out-of-stocks represent lost sales. For the apparel industry, however, such opportunity losses are outweighed by the inventory risk posed by the threat of returns. The retailer wants to avoid lost sales, while the apparel supplier does not want to end up with dud inventory. In this situation, the interests of the two sides inevitably conflict. To combat this situation, Isetan and its apparel suppliers worked together to formulate new supply contracts in 2001. These new contracts attempt to build mutual trust by making more explicit the various responsibilities of both sides, and commit Isetan to taking certain amounts of inventory in return for specified production and delivery guarantees. This predictably leads to greater satisfaction from a customer perspective.

In the 2001 fall/winter season, Isetan was the first in the industry to introduce these new supply contracts, taking advantage of the ADO (All-Nippon Department Stores Development Organization) alliance, a move that has helped to reduce the amount of lost sales.

Integration of food gift operations

Japan has two traditional gift-giving seasons (chugen/seibo), when it is customary to send luxury food gifts. Isetan is collaborating with Hankyu Department Stores Inc., stores in the A. D. O network alliance, wholesalers and food manufacturers to construct an SCM solution for the biannual gift-giving seasons. Replacing the previous system in which department stores stocked and delivered the various food gift sets separately, the new system introduced in mid-2003 features common product ranges and catalogs, plus an integrated logistics system organized around special distribution hubs. Participating stores assemble customer demands in lots, which are processed through the integrated logistics system. Reduced out-of-stocks help ensure that all companies involved boost their profits while keeping customers satisfied.

Common product/data flows for integrated gift operations



Suppliers and Isetan

Collaboration Brand: CORNICE

In conjunction with Sanyo Shokai Ltd., Isetan established a new brand for the fall/winter collection in 2005 called CORNICE. The brand has been introduced at Isetan's seven major stores as well as at 10 ADO (All-Nippon Department Stores Development Organization) stores and Hankyu department stores.

In launching the new brand, Isetan fused its one of our greatest assets customer feedback, one of our greatest assets, with the product development capabilities of Sanyo Shokai. Both companies worked together from the planning stage onward. Through this move and the new partnership, we aim to create original Isetan merchandise that other companies in the industry find difficult to emulate. We will also develop fashionable, high-quality items befitting a department store range that stand apart from other retail areas such as shopping centers. We aim to boost customer satisfaction through greater productivity, personal ordering and timely product development.

CORNICE targets women in their 50s with an acute awareness and interest in fashion. We analyzed the results of a lifestyle survey for women in their 40s and 50s and reflected their desires into the product concept. The shop concept has been aptly dubbed "My Closet" to make customers feel right at home. We aim to craft a store that customers want to go to because it is certain to have fashion that suit them and that they are looking for.



Outline of CORNICE

- Brand name: The name of a beautiful street near Monaco. It evokes a feeling of luxury and privacy for the discerning shopper.
- Brand concept: Daywear for adult women especially tailored to relaxing, work-free lifestyle scenes.
- Brand characteristics: (1) Collection of single items
(2) Collection through creative director
- Product characteristics: (1) Items reflect the lifestyle of target customers
(2) Realistic size design, beautiful-looking merchandise with easy-to-wear patterns for women in their 50s
(3) Emphasizes fashion sense, while using functional and calming materials

With our customers, we share empathy and technology
 With our fellow employees, we share the desire to create an enjoyable work place.
 With our investors, we share the rewards of business well done.
 With our suppliers, we share mutual growth and prosperity.

With our communities, we share our responsibilities as good corporate citizens.

The Local Community and Isetan

The Isetan Group operates within, and is supported by, local communities. Every Isetan store aims to be the premier department store in its locality, and we take seriously our responsibilities as a contributor to community life. Our aim is that Isetan become a focal point for local residents to gather and hold a variety of lively and fun events.

Active Participation in Community Events

Based on our commitment to be a good corporate citizen, each Isetan store actively supports local events, beautification programs, and initiatives to boost safety, fight crime and prevent disasters.

[Examples of Isetan Participation in Local Events]

Shinjuku store

- Shinjuku matsuri (festival)
- Noh performance in Shinjuku Gyoen (park)
- Shinjuku Art Paradise
- Shinjuku Eiser festival (Okinawan culture)
- Hanazono Jinja (shrine) Festival



Tachikawa store

- Showa Memorial Park fireworks
- Tachikawa Suwa matsuri (festival)
- Tachikawa Yoito matsuri (festival)
- Tachikawa Music Festival

Kichijoji store

- Flower Garden, created on wooden decks in an open space on the third floor
- Kichijoji Welcome Campaign (spring/fall)
- Cleanup around store and in front of station (monthly)
- Local environment beautification and crime-prevention patrols



Matsudo store

- Matsudo matsuri (festival)
- Local fireworks display
- Matsudo Clean Campaign

Urawa store

- Urawa matsuri (festival)
- Saitama-shi Unagimatsuri (festival)
- Local temple summer festival
- Christmas illumination in front of station

Sagamihara store

- Local fireworks display
- Sagami-Ono mandou matsuri (festival)

Fuchu store

- "Darkness" festival
- Local chamber of commerce festival
- Fuchu Redevelopment (sponsorship)
- Citizens' local beautification program



Shizuoka Isetan

- Shizuoka matsuri (festival)
- Participation in stalls at festival time
- Donation to Shizuoka Consumer's Association



Niigata Isetan

- Niigata matsuri (folk song and dance festival)
- Participation in Niigata Winter Shoku no Jin (Food Festival) — Tojitsuza
- Cleanup campaigns in shopping streets and neighborhoods
- Environment cleanup and crime prevention activities

Kokura Isetan

- Participation in fire prevention training for females
- Opening of Wasshoi Shrine
- Local beautification program
- Wasshoi YOSAKOI Kita Kyushu 2005 (dance festival)



The Local Community and Isetan

Isetan Foundation

Funded by a bequest from the son of Isetan's founder, the Isetan Foundation was originally established in August 1963. Its mission is to contribute to society by providing scholarships to deserving Japanese students or foreign students that lack the economic, and thereby help to develop talented people who will become contributors to society. The foundation also provides research grants for projects that aim to improve national culture and commerce. In the year ended March 2005, it disbursed a total of approximately ¥10 million in university scholarships to 30 students.

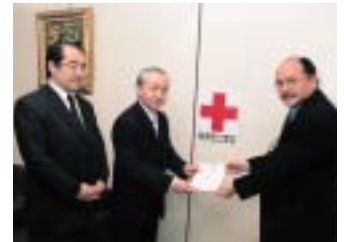
Shinjuku Clean Plan

In December 2004, in response to a plea from the Shinjuku municipal government, around 1,000 people gathered from local business associations, town councils and 40 different businesses to partake in a special cleaning exercise of the surrounding area of Shinjuku station. Twelve Isetan employees from the general affairs department, workers' union and Isetan Building Management Service Co., Ltd. (IBMS) participated in the project. The cleaning started at 7:30 in the morning and lasted about an hour. Areas targeted included the main street in Shinjuku, and around the Isetan main building, Men's Annex and Barneys New York Shinjuku store. Efforts resulted in a much cleaner and safer environment for people to enjoy their shopping.



Giving Aid to the Red Cross

Isetan donated around ¥1.5 million to the Japan Red Cross Society in March 2005. This amount was generated from sales at a charity event held by the Ladies Boutique Department called "Peace Avenue" to mark the 25th anniversary of Les Boutiques. The donation is to be used to assist land mine victims.



Donation to Tianjin Primary School

Tianjin Isetan in China, which has celebrated 11th year anniversary on December 18, 2004, posted record high sales in 2004. As an expression of gratitude for the cooperation of Tianjin City and the support of the local community, Isetan, its workers' union and FED Co., Ltd. made a joint contribution of 150,000 yuan (approximately ¥1.95 million).

After investigation by the Tianjin philanthropic society, the money was sent to Hsiaying elementary school in Tianjin to help with refurbishment costs.

Isetan received a letter of thanks from Mr. Xiang Long Dai, Mayor of Tianjin City, at a presentation at the International Trade Center on December 23.



Preserving our precious environment for generations to come

Establishment of the Isetan Environmental Policy

Based on the corporate philosophy of the Isetan Group, the Isetan Environmental Policy was established in 2002. The Policy declares our commitment to tackling environmental issues and serves as a guiding principle for Isetan's environmentally conscious activities.

Isetan Environmental Policy

Based on the Isetan Way, the corporate philosophy of the Isetan Group, we consider environmental issues to be an important part of our management agenda. We are also committed to undertaking environmentally conscious activities so that we can contribute as a retailer to creating a sustainable society.

Starting with our underlying philosophy, "Customers always come first", it is Isetan's policy to do our utmost to preserve our precious environment now and for generations to come.

1. We are committed to establishing systems to promote environmental efforts through group-wide business activities that aim to reduce the environmental burden created by our business processes, including the purchase and sale of products, service provision, and operation of stores and distribution centers. To achieve this, we will:
 - Promote waste reduction and recycling
 - Promote conservation of resources and energy
 - Promote green procurement
 - Develop environmentally conscious products
 - Promote an appropriate level of packaging and wrapping
2. We will comply with all relevant laws, regulations and local government ordinances. In addition, we will develop internal standards and criteria, where necessary, to better pursue environmental preservation.
3. We are committed to raising awareness of environmental preservation among all employees and providing them with appropriate training and education to ensure that each and every employee can initiate responsible action from a broader perspective.
4. We will fulfill our role as a good corporate citizen within local communities. In addition to asking for customers' support and cooperation, we will work with communities to preserve the environment.
5. We are committed to ensuring that all our employees are fully aware of this environmental policy. We will set up and implement specific action plans on an on-going basis, subject to subsequent performance review and revision, if necessary. We will also disclose the results of the action plan, where appropriate.

Environment Committee
Established in March 2002



Long-Term Environmental Action Plan (through March 2011)

In 2002, we developed a long-term action plan, specifying the goals of Isetan's environmental activities. The long-term action plan runs through fiscal year 2010 (ending March 2011) by reference to the target year adopted in the Kyoto Protocol and the action plan of the Japan Department Stores Association (JDSA). To achieve the ultimate goals, action plans for each year are set up and implemented. We have made steady progress toward this plan.

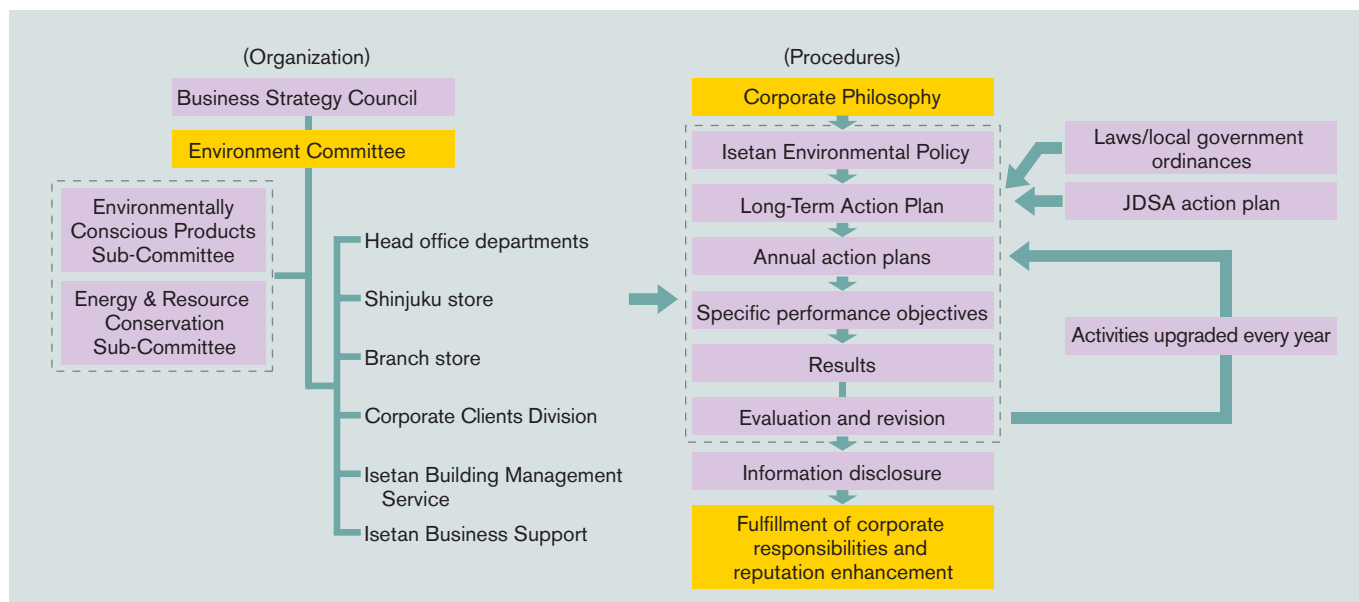
Long-Term Action Plan

- (1) Offer safe products that can earn the trust of our customers. Place greater focus on environmental consciousness in our product line-ups.
- (2) Promote simplified and appropriate wrapping and packaging, and seek customers' cooperation to achieve waste reduction. Use environmentally conscious materials for packaging and wrapping.
- (3) Target a 60% reduction of waste volume sent for final disposal per unit of sales by 2010 from the 1999 level. To this end, promote reuse, recycling, and reduction of waste generated by our business operation.
- (4) Save resources with office supplies by ensuring the use of centralized supply system, and promoting shared use and reuse of office supplies.
- (5) Reduce the paper consumption at the office by streamlining business processes. Use recycled paper for wrapping, printed material and documents.
- (6) Promote green procurement, the purchase of environmentally conscious products, through our purchasing departments for office supplies, equipment and other items.
- (7) Target a 6% reduction of energy consumption and CO₂ emissions per floor area and business hour by 2010 from the 1999 levels, to save energy and reduce pollution.

Systems to Promote Environmentally Conscious Activities

A task force addressing environmental issues was in place from 1991 to 1994. The team members' dedication brought several tangible benefits. Currently, our Environment Committee plays this role and leads Isetan's environmental activities. The Committee is supported by two sub-committees that focus on the issues of energy/resource conservation and environmentally conscious products.

Isetan's environmental initiatives include a group-wide "green month" campaign in February, June and October every year. During this campaign, greater focus is placed on environmental activities, such as energy-saving, waste reduction through waste separation, recycling, appropriate packaging, and reduction of paper consumption. Annual performance reporting and an activity review helps to make our initiatives more effective and efficient.



FY2004 Environmental Action Plan Progress/ FY2005 Environmental Action Plan

(Scope: Our seven stores)

| | | FY2004 Action Plan | FY2004 Targets | FY2004 Results | Achievement status | FY2005 Action Plan | FY2005 Targets |
|---|---|--|--|---|--------------------|--|--|
| Energy conservation | Reduce energy consumption*1 | Maintain year-on-year level per unit of energy consumption*2 | 2,075.36MJ/ 1,000 m ² h | 2,184.25MJ/ 1,000 m ² h | × | 0.3% reduction per unit of energy consumption | 2,176.52MJ/ 1,000 m ² h |
| | Reduce CO ₂ emissions | Maintain year-on-year level per unit of energy consumption*2 | 84.32KgCO ₂ / 1,000 m ² h | 119.75KgCO ₂ / 1,000 m ² h*4 | × | – | – |
| | Reduce water consumption | 4% reduction per unit of output*2 | 0.82m ² / 1,000 m ² h | 0.92m ² / 1,000 m ² h | × | Maintain year-on-year level per unit of output | 0.92m ² / 1,000 m ² h |
| Waste reduction/ recycling promotion | Reduce final disposal of waste | 4% reduction per unit of output*3 | 12.3kg/ ¥1 million | 11.9kg/ ¥1 million | ○ | 3% reduction per unit of output | 11.5kg/ ¥1 million |
| | Increase recycling rate | 2% increase | 61% | 60% | × | 1% increase | 61% |
| Resource conservation | Reduce office paper, including copy paper | Maintain year-on-year level | 176t | 178t | × | Maintain year-on-year level | 178t |

Notes:

1. Energy consumption refers to the total amount of electricity, gas, heavy oil, light oil, LPG, steam and water consumption converted to a calorie figure.
2. The denominator used for calculating the basic unit of energy consumption, CO₂ emissions and water consumption (1000m²h) is total store area x average operating hours.
3. The denominator used for calculating the basic unit of waste (¥million) is the sales of each fiscal year.
4. The considerable increase in CO₂ emissions was due to the change to a higher CO₂ emission coefficient caused by the change of electricity suppliers to our stores excluding the Matsudo store in fiscal year 2004 (The CO₂ emission coefficient is based on the figures disclosed by the Ministry of the Environment in fiscal year 2002).

FY2005 Environmental Action Plan

1. Product-related activities

- (1) Implement stringent quality control and accurate, easy-to-understand product labeling to promote customers' confidence in our products.
- (2) Work closely and actively with our "environmentally conscious" suppliers in selecting national brand products and developing our private brand products.

2. Promotion of appropriate wrapping

- (1) Promote simplified and appropriate packaging and wrapping with the cooperation of customers. e.g. simplified gift wrapping for traditional semiannual gift-giving season, zero-wrapping for non-present items, and use of bigger plastic/paper bags instead of smaller individual packaging.
- (2) Review and revise wrapping/packaging items in terms of materials, density, shape and design to promote a shift to more environmentally conscious items wherever possible.

3. Waste reduction and recycling

- (1) Promote recycling, reuse and reduction of waste. Reduce waste volume sent for final disposal per unit of sales by 3% year-on-year.
- (2) Promote increased use of same kind of hangers among department stores to reduce waste; cut peripheral duties of sales staff to increase sales opportunities and efficiency of inspection and inventory management.

4. Resource conservation

- (1) Promote reduction in office paper consumption, including copy and computer paper through PC utilization and streamlining business processes.
- (2) Promote a shift to electronic accounting slips and reduce the amounts of paper used for information systems. The goal of (1) and (2) is to maintain paper consumption on a par with the previous year.
- (3) Promote resource conservation by encouraging orders from the supply ledger as well as the shared use and recycling of office supplies.

5. Green procurement

- (1) Promote green procurement of office supplies, equipment and other items for offices and facilities, based on the Isetan Green Procurement Standards.
- (2) Utilize used paper for packaging, printed materials and documents. Seek to confirm the traceability of raw materials as much as possible.
- (3) Introduce low-emission vehicles, with the cooperation of suppliers, for distribution and sales.

6. Energy conservation

- (1) Reduce energy consumption by 0.3%.
- (2) Maintain water consumption on a par with the previous year.

FY 2004 Environmental Accounting

● Overview

This is our second year of performing environmental accounting. In order to gain a better understanding of Isetan Group environmental preservation activities, we have included Shizuoka Isetan Company Limited and Niigata Isetan Company Limited in our scope of data collection this year.

The objectives of environmental accounting are twofold: (1) to analyze the cost-effectiveness of our environmental preservation activities, and use the results of this analysis to formulate appropriate targets for such activities and to conduct performance evaluations; and (2) to promote effective environmental activities by understanding the environmental risks that we are exposed to and identifying and implementing appropriate measures against them.

To help these objectives be achieved, our environmental

accounting for FY2004 demonstrates the costs and benefits of each major environmental activity as well as those of the overall activities. To further clarify the relationship between the costs and benefits, we have presented the costs contracted with the benefits in the table below.

Through this environmental accounting, we strive to provide a better overview of Isetan's environmental preservation activities and enhance communication with society.

● FY 2004 Environmental Accounting Results

The results of our environmental accounting for fiscal year 2004 are as follows:

The amount of investment in environmental preservation activities was ¥120 million, a 12.6% increase from the previous year. A large proportion of this investment (¥37 million) was used on

● Scope of Isetan Environmental Accounting

Data collection period:

Fiscal year 2004 (April 1, 2004 to March 31, 2005)

Boundaries of data collection:

Eleven companies- Isetan Co., Ltd., Isetan Building Management Service Co., Ltd., Isetan Business Support Co., Ltd., Isetan Data Center Company Limited, Shizuoka Isetan Company Limited, Niigata Isetan Company Limited, Isetan Institute Co., Ltd., Isetan I Card Co., Ltd., Career Design Company Limited, Isetan Soleil Company Ltd., and Isetan Travel Service, Inc. (including certain store tenants, distributors and suppliers).

Reference:

Environmental Accounting Guidelines 2005, by the Ministry of the Environment of Japan

Environmental Preservation Costs

- These costs include investments and expenses.
- The investment figures represent an aggregation of the environmental capital investments made during fiscal year 2004.
- Depreciation costs are calculated based on an expected useful life of five years.
- With respect to costs attributable to combined factors, the environmental-related portion, only to the extent that it is identifiable, is used for calculation. No proportionate calculation is made.
- Personnel costs are calculated by multiplying the average personnel cost unit by the total time spent on environmental preservation activities.

Individual Environmental Preservation Effects

- These effects are calculated based on the actual effects (revenue and cost reduction) arising from individual environmental preservation activities. These effects are considered to be valid for 5 years.

Environmental Preservation Effects

- These effects represent the difference between the total amount in the previous year and the total amount in the year under review.

Other Notes

- The calculation of CO₂ emissions is based on the Guidelines for Estimating Greenhouse Gas Emissions from Enterprises (Draft Version 1.5).
- The unit costs of electricity consumption are calculated based on the actual amount consumed.
- The unit costs of water supply and sewage are based on the figures released by the Bureau of Sewage in Tokyo.

Environmental Preservation Costs

(Unit: thousands of yen)

| Categories | | Investments | Expenses |
|---|---|----------------|------------------|
| Environmentally conscious products | Development of environmentally conscious products (food, clothing and housing) | - | - |
| Pollution prevention (legal/regulatory compliance) | Prevention of water pollution | 1,198 | 467,744 |
| | Prevention of air pollution | 15,342 | 125,483 |
| | Management of chemical substances, including PCBs | 90 | 18 |
| | Other pollution prevention (noise, vibration, smell, soil contamination etc.) | - | - |
| Waste reduction and recycling | Outsourcing costs on final disposal of waste | - | 289,913 |
| | Outsourcing costs on recycling | - | 251,342 |
| | Other waste-related measures (internal efforts, Waste Disposal and Public Cleaning Law compliance, reuse) | 34,628 | 8,257 |
| | Outsourcing costs on recycling of products required by Law for Promotion of Sorted Collection and Recycling of Containers and Packaging | - | 16,858 |
| Greenhouse gas reduction and ozone depletion prevention | Energy conservation (ESCO projects, use of energy-saving equipment and materials) | 37,191 | 10,940 |
| | Rooftop gardening | - | 14,306 |
| | Appropriate handling of CFCs | 16,939 | 4,716 |
| Resource conservation | Water conservation | 15,108 | 62,360 |
| | | | |
| | | | |
| | | | |
| | Reduction of paper consumption | 2,590 | 14,910 |
| | | | |
| Logistics | Introduction of fuel-efficient, low-emission vehicles | - | - |
| | | | |
| | Improvement of logistics efficiency | - | - |
| Green procurement | Green purchasing of office supplies and fixtures | - | - |
| Environmental management activities | EMS (including management of Environment Committee etc.) | - | 37,128 |
| | Environmental education | - | 6,775 |
| | Environmental information disclosure | - | 47,559 |
| | Environmental advertising, participation in related events | - | 236 |
| | Others | - | 588 |
| Social contribution | Cooperation with local community on environmental protection, beautification | - | 4,335 |
| Total | | 123,086 | 1,364,905 |

energy conservation, primarily on the installation of energy-saving equipment. In addition, ¥34 million was spent on waste management measures, including the establishment of a waste processing room.

Expenses amounted to ¥1,360 million, a 15.6% increase from the previous year. The main expenses were: ¥470 million to prevent water pollution; ¥290 million on final waste disposal; and ¥250 million on recycling.

The benefits of each of our environmental preservation activities totaled ¥280 million. Of this amount, ¥240 million was saved in the reduction of water consumption and sewage water use.

While we achieved a reduction in the amount of waste from the previous year, energy consumption increased considerably mainly due to the unusually hot weather. CO₂ emissions also increased significantly due to the change of power suppliers. Reducing emissions

as well as electricity costs remain a major challenge that we will continue to tackle as we go forward.

| Nature and Effect of Major Environmental Preservation Activities | | | | Environmental Preservation Effects* | | | |
|---|--------|--------------------------|--|-------------------------------------|-----------|------------------------------------|--|
| Main Activities | Effect | Value (thousands of yen) | | FY 2004 | FY 2003 | Environmental Preservation Effects | FY 2004 (includes Shizuoka and Niigata stores) |
| Examination of water quality, replacement of water pumps, cleaning of grease traps etc. | - | - | Complied with all laws and regulations | | | | |
| Cleaning of kitchen grease filters | - | - | | | | | |
| Storage and management of PCBs | - | - | | | | | |
| Soil inspection | - | - | | | | | |
| Reduction of waste disposal costs (thousands of yen) | - | 16,264 | Total amount of waste generated (t) | 12,991 | 13,719 | -728 | 14,564 |
| Reduction of sludge (t) | 530 | - | Total amount of waste for final disposal (t) | 5,182 | 5,625 | -443 | 6,231 |
| Proceeds from sale of valuable resources (thousands of yen) | - | 11,024 | Total amount of waste for final disposal (kg/sales (millions of yen)) | 11.7 | 12.6 | -0.9 | 12.4 |
| | | | Amount of recycled waste (t) | 7,809 | 8,093 | -284 | 8,333 |
| | | | Recycling rate (%) | 60.1 | 59.0 | 1.1 | 57.2 |
| | | | Food recycling rate (%) | 21.3 | 22.9 | -1.6 | 19.5 |
| Reduction of electricity consumption/costs (thousands of kWh) | 1,369 | 17,845 | Total energy input (thousands of MJ) | 2,029,064 | 1,924,604 | 104,460 | 2,324,655 |
| Reduction of gas consumption/costs (m ³) | 334 | 16 | Electricity consumption (thousands of kWh) | 172,493 | 165,413 | 7,080 | 198,030 |
| | | | Greenhouse gas emissions (t-CO ₂) | 111,239 | 78,194 | 33,045 | 123,261 |
| | | | Greenhouse gas emissions (kg-CO ₂ /thousands of m ² hr) | 119.75 | 84.32 | 35 | 112.83 |
| | | | CFC recovery (kg) | 207 | 571 | - | 208 |
| Reduction of water consumption/costs (thousands of m ³) | 426 | 173,608 | Water input (thousands of m ³) – Water supply (including industrial water) | 858 | 765 | 93 | 1,085 |
| Reduction of sewage water use/costs (thousands of m ³) | 88 | 64,503 | – Well water | 713 | 758 | -45 | 713 |
| | | | – Reuse of waste water, rainwater | 147 | 148 | -1 | 147 |
| | | | Water discharge (thousands of m ³) | 1,341 | 1,268 | 73 | 1,586 |
| Reduction of paper purchasing costs by promoting electronic slips (kg) | 5,506 | 650 | Paper consumption (fliers, advertisements) (t) | 2,891 | 2,879 | 12 | - |
| | | | Paper consumption – packaging (t) | 1,582 | 1,614 | -32 | - |
| | | | Paper consumption – office paper (t) | 178 | 176 | 2 | - |
| | | | Paper consumption – PR magazines | 32 | 34 | -3 | - |
| Income from sale of shopping bags | - | 2,440 | Hangers (thousands) | 3,132 | 3,212 | -80 | 3,375 |
| | | | Cardboard boxes (thousands) | 2,485 | 2,536 | -51 | 2,706 |
| | | | Returnable boxes | 8,112 | 8,800 | -688 | 10,992 |
| Increased proportion of fuel-efficient vehicles | - | - | Energy consumption in transportation (thousands of MJ) | 12,269 | 11,908 | 361 | 20,665 |
| Reduction of NOx and PM | - | - | – CNG (thousands of m ³) | 66 | 45 | 21 | 66 |
| | | | – Gasoline (thousands of m ³) | 129 | 127 | 2 | 251 |
| | | | – Light oil (kl) | 134 | 149 | -15 | 243 |
| Outsourcing of product delivery and inspection | - | - | Greenhouse gas emissions in transportation (t-CO ₂) | 783 | 776 | 7 | 1,353 |
| Use of foldable containers | - | - | Proportion of low-emission vehicles for company use (%) | 47.5 | 28.0 | 19.5 | - |
| | | | Nitrous Oxide (NOx) (kg) | 2,374 | 2,708 | -334 | - |
| | | | Particulate Materials (PM) (kg) | 211 | 288 | -77 | - |
| Establishment of green procurement standards | | | Green procurement ratio (%) (office supplies) | 77.9% | 77.3% | 0.3% | - |
| | | | Green procurement ratio (%) (packaging materials) | 91.4% | 90.3% | 1.1% | - |
| Cleaning of local community areas | - | - | | | | | |
| Donation of part of proceeds from sale of shopping bags | - | - | | | | | |
| Total | | 286,350 | | | | | |

* Figures presented in the “FY 2004” column are calculated based on the same criteria as the previous year with respect to data collection to ensure comparability. Actual total environmental burden for FY 2004 is presented under the heading of “FY 2004 (includes Shizuoka and Niigata stores).”

Energy Conservation

Energy consumption makes up the majority of the environmental burden created by department stores. Despite our efforts, our energy consumption during FY 2004 increased. We are committed to making further efforts to tackle this issue.

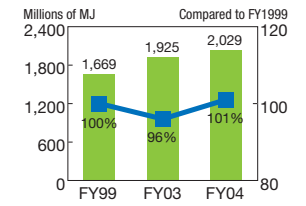
● Energy Consumption

Energy consumption during FY 2004 saw a 5.1% increase from the previous year (a 3.3% increase if the same criteria as the previous year are applied with respect to data collection), due to the increased use of air conditioning at department stores during the unusually hot summer season, as well as an increase in the number of buildings under our management. Total energy consumption rose by 22% from the base year 1999 due to a 7% increase in operating hours and a 12% increase in retail space. This marked a 0.8% increase even compared with our targeted per unit of energy consumption, calculated by dividing energy consumption by the total retail space and operating hours. To achieve our long-term targets, systematic investment in energy efficient facilities will be necessary.

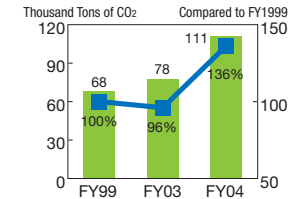
As a part of these efforts, Isetan will be introducing ESCO projects* at four stores during FY 2005.

* ESCO (Energy Service Company) project: Pursuing energy conservation based on recommendations by ESCOs on optimal energy-saving renovations.

Total Energy Consumption & Comparison of Per Unit of Energy Consumption



CO₂ Emissions & Comparison of Per Unit of Energy Consumption



● Efforts toward Energy Conservation

Electricity consumption at our Sagamigahara store was reduced by 1.37 million kWh by using high efficiency lighting and energy efficient lamps, and by improving energy efficiency through the introduction of an ESCO project.

Furthermore, we have installed manual switches in each office, raised awareness of turning off lights, implemented a reduced schedule of elevator operation on weekends and shortened the time that neon lights are on.

We also participated in the "Black Illumination 2005" campaign, sponsored by the Ministry of the Environment in June.

● Lights Off Campaign (Shinjuku Store)

In addition to our regular energy conservation activities, a "Lights Off" campaign was conducted at our Shinjuku store, coinciding with our "Green Month" campaign.

Warnings ("a yellow or red card") were issued to the relevant section in the event that section requested a longer period of lighting due to unplanned overtime work but then left the office without requesting the building service function to turn off the lights. This program led to the reduction of unnecessary energy consumption.



Yellow Card and Red Card

● Water Consumption

Our water consumption was reduced significantly by utilizing groundwater. For environmental conservation purposes, we also use rainwater and reuse waste water. During FY 2004, water consumption increased at the Shinjuku store due to a decrease in the volume of groundwater pumped, while all other stores reduced their consumption. Total water consumption was reduced by 75% compared with FY 1999. Isetan also achieved a substantial 62% reduction in water usage in terms of the targeted basic unit of water consumption.

● Reuse of Waste Water (Tachikawa and Fuchu Stores)

Waste water from our restaurants and kitchens is used for flushing the toilets, after removing oil and impurities and deodorizing the water at the waste water processing facilities. After this process, the waste water approaches water supply quality. In FY 2004, we used 140,000 m³ of this waste water; this covered 25% of water usage for the Tachikawa store and 40% for the Fuchu store.

● Rainwater Use (Fuchu Store)

We use rainwater collected in underground tanks as cooling water for air conditioners and small freezers. During FY 2004, we used 6,000m³ of such water.

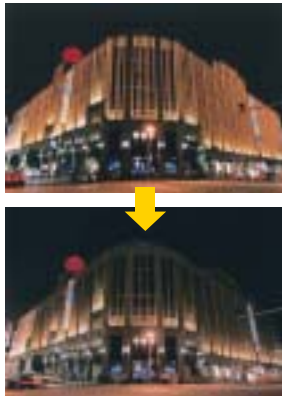
● Utilization of Groundwater (All Stores, excluding the Fuchu Store)

We use 430,000m³ of groundwater as general service water (for all purposes except for drinking) and 280,000m³ as drinking water by filtering it with a groundwater membrane filtration system, with the approval of each local governing agency.

The water filtered by membrane filtration at the Kichijoji store will be used as drinking water for neighboring areas in the event of a disaster.

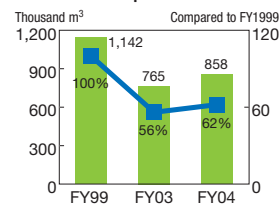
● Introduction of Water-saving Devices (Shinjuku and Urawa Stores)

Water consumption at the Shinjuku and Urawa stores during FY 2004 decreased by 51,000m³ due to the installation of water-saving devices in the toilets.



Participating in a MoE sponsored environmental campaign by dimming lights (Shinjuku store)

Total Water Supply Consumption & Comparison of Basic Unit of Water Consumption



Fuchu store: Underground pump for waste water



Kichijoji store: Groundwater membrane filtering system

Waste Reduction

60%, or 21 tons, of the 36 tons of waste generated by our seven stores on a daily basis is recycled. We will continue to make efforts to separate waste to minimize the amount of waste for final disposal.

Promotion of Waste Separation and Recycling

We achieved a 7.1% reduction of waste for final disposal and a recycling rate of 60%, as a result of encouraging every employee at each branch and office to separate trash, further separating the trash collected, and initiating recycling of glass (Sagamigahara and Fuchu stores) and fish gut and bones (Matsudo store). Compared to FY 1999, the total volume of waste for final disposal decreased by 18%. By recycling some food waste, fish bones, and used cooking oil, we have achieved the 20% recycling rate, required by the Food Recycling Law. From FY 2005 onward, we will place further emphasis on the recycling of food waste.

Eco-station at the Shinjuku store

The waste collection points at the Shinjuku store and its neighboring buildings have been renamed “Eco-stations” to encourage further waste separation by employees. We also introduced a belt conveyor system for paper waste separation, aiming to increase the recycling rate of paper waste generated by the Shinjuku store and its surrounding buildings. The system allows further separation of paper by type, resulted in almost full recycling of all paper waste.

We have also changed the names of the waste processing room at Shinjuku Store to the “Eco-Room” and the trash chute to “Eco-Chute”. These facilities were also renovated and had new display panels installed. These new names demonstrate our commitment to ensuring that these places are not for waste disposal, but for recycling of resources.

Matsudo Store: Recycling Room

The recycling room at the Matsudo store now has a better waste separation system after renovation and installation of refrigerators.

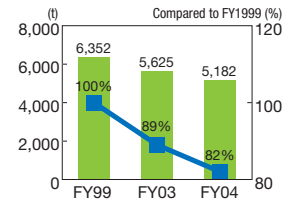
Waste Separation at Employee Cafeterias

We promote recycling at the employee cafeterias, lounges and offices by installing recycling bins and waste baskets for separating waste by type.

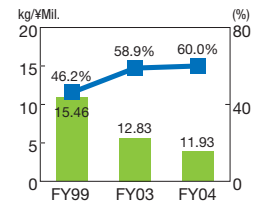
Hanger Recycling

We have been promoting the use of the same kind of hangers at all department stores since 1997 in order to reduce waste and to cut the peripheral duties of sales staff, such as re-hanging clothes. Hangers collected by the Uniform Hanger Association are used repeatedly. Other plastic hangers are also washed and separated after use and returned to the manufacturers in good condition, where they are reused. Our re-use rate is 88%, including those recycled to become hanger material.

Final Disposal of Waste



Recycling Rate & Final Disposal of Waste per ¥million of Sales



Shinjuku store: Eco-station



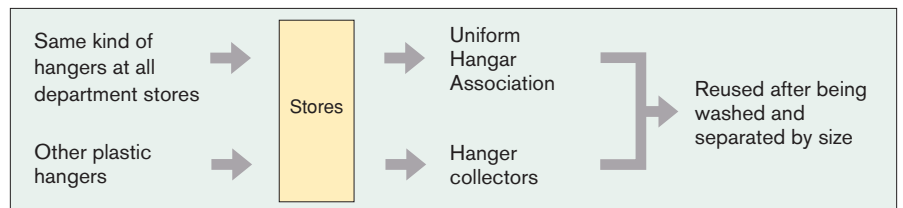
Shinjuku store: Separation bins



Matsudo store: Recycling room



Kichijoji store: Employee lounge



Development of Environmentally Conscious Products

As a retailer, we are expected to develop environmentally conscious products. At Isetan, we always work to provide products that reflect customer's interests and expectations. Recently, our customers have become increasingly aware of product safety and security, and are interested in environmentally conscious lifestyles. Our product development aims to reflect these customers' interests and preferences. We hope to create products with both highly fashionable design and environmental consciousness. Our goal is to create environmentally conscious products that appeal to customers' desire to buy. We will continue to work with environmentally conscious suppliers to achieve this goal.



Organic cotton gym T-shirt (Spring 2005)



Organic school wear (Spring 2005)

Efforts through Only I Products

Environmentally conscious items in our private "Only I" brand released during FY 2004 include "Tranquil" knit tops & tees and organic cotton school shirts and T-shirts. The Tranquil products use natural colors and shades from plant sources, and allow organic cottons meet strict standards.

We also regularly sell baby clothes and towels made of organic cotton in addition to our private label products.

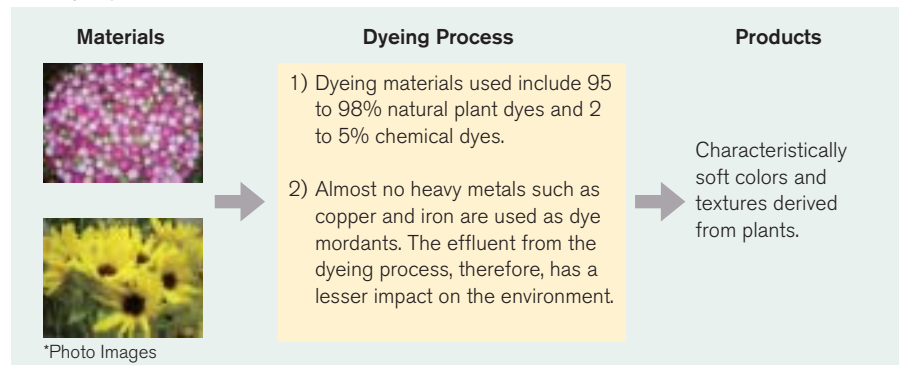
● Tranquil (Plant Dyes)

The depth of color and shade that is unique to plant dyeing creates a soft impression. In addition, these products generate industrial wastewater with a reduced environmental burden compared with general chemically dyed products.



Knit Tops & Tees (Fall 2004/Spring 2005)

Plant Dyeing Process



● Organic Cotton Gym T-Shirts

These T-shirts are made of organic cotton from designated farms, and printed with original illustrations by environmentally conscious illustrators.

● Organic School Wear

We have developed plant-dyed organic cotton/wool school wear for students with sensitive skin. The organic cotton and wool used for these products meet our strict standards.

We Have Established Voluntary Standards Regulating PVC Product Handling.

PVC products refer to the products which are made of chlorinated plastics and emit dioxins when combusted. We have established voluntary standards regulating the handling of PVC products in order to provide our customers with safe products.

Isetan's PVC Product Handling Standards

- We will not sell PVC toys intended for use by children under three years of age.
- We will not sell PVC kitchen wrap.
- Our food-related divisions will not use kitchen wrap or containers made of PVC.
- Our food-related divisions will not wear PVC kitchen gloves for cooking or handling foods.
- We will not sell gloves made of PVC.

Environmental Initiatives at the Corporate Clients Division

Our Corporate Clients Division develops and offers various environmentally conscious products, and many corporations have begun to use these products. The division also obtained “Eco-Stage 1” certification to better meet customers’ expectations.

Proposing Environmentally Conscious Products

This division offers various environmentally conscious products, such as uniforms made from fibers recycled from PET bottles, and environmentally conscious laundry soap. It also recycles Isetan-produced uniforms.



Receptionist's uniform for a beverage manufacturer



Work uniform for a construction company



Polyester shopping bag made from recycled PET bottles



- 1) Isetan's original laundry detergent, "Achieve"
- 2) 100% organic juice from France
- 3) Paper ballpoint pens

Environmental Policy

1. Fundamental Principle

The Corporate Clients Division of Isetan Co., Ltd. has specified fundamental policies based on the following fundamental principle of the Isetan Group Environmental Policy:
"We consider environmental issues to be an important part of our management agenda. We are also committed to undertaking environmentally conscious activities so that we can contribute as a retailer to creating a sustainable society."

2. Fundamental Policy

1) We consider environmental management as a business opportunity. Based on our corporate image, "Isetan offers high quality", we are committed to improving the Corporate Clients Division's image of environmental consciousness, directly linking environmental management to business activities, and increasing our sales.

Specific Action

Under the policy, we will:

1. Develop environmentally conscious products.
2. Promote resource conservation by reducing inventories.
3. Promote waste reduction by reducing defective products.
4. Promote waste reduction and recycling.
5. Promote conservation of resources and energy.

- 2) We will set environmental objectives and targets, and reassess the appropriateness of these on a yearly basis to continually improve our environmental management system.
- 3) We will comply with all relevant environmental laws, ordinances, agreements and other requirements.
- 4) We will ensure all employees fully understand these environmental management activities. We will provide them with the necessary environmental education to ensure that they act in accordance with this policy.
- 5) We will disclose this environmental policy through our website and by other means.

July 1, 2005
 Hiroyoshi Oshima
 Executive Officer,
 Corporate Clients Division
 Isetan Co., Ltd.

Obtaining “Eco-Stage 1” Certification

Given the increasing opportunities to offer environmentally conscious products to corporate customers, our Corporate Clients Division obtained the “Eco-Stage 1”^{*} certification in September 2004. “Eco-Stage 1” is an environmental management system which allows Isetan to better respond to customers’ needs.

The division also specified its own environmental policies and has been engaged in various environmental activities, from planning and proposing environmentally conscious products — its major activities — to experiential learning on waste separation at the Shinjuku store Eco-station and study sessions on environmentally conscious products.



Experience of waste separation process



Study session on environmentally conscious products

^{*} Eco-Stage is a system for evaluation and support of environmental management, operated by the Eco Stage Institute, Japan. The system is designed to fit each entity's specific nature and aims at effective incorporation into the entity's management. Evaluation is conducted by a local “Eco Stage Evaluation Organization”.

Promotion of Green Procurement and Simplified Packaging

Green Procurement

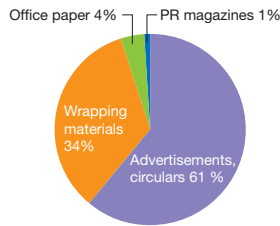
Based on the Isetan Green Procurement Standards, it is our policy to purchase goods and materials that produce a lesser environmental burden. The Standards stipulate:

- Paper packaging and bags should contain 30% or more recycled paper
- Office supplies should be products that qualify for /comply with the Green Mark Program, the Eco Mark or the Law on Promoting Green Purchasing.

Of all packaging materials we purchase, 91% (on a per-weight basis) meets these green procurement criteria, and 78% of purchased office-supplies are green products.

We are also gradually replacing existing office equipment, such as small air conditioners, copiers, printers and faxes with energy-efficient versions.

Breakdown of Paper Consumption



Paper Consumption

We consume a large volume of paper due to the nature of our retailing business. The purpose of paper consumption is: 62% for advertising circulars and 34% for wrapping materials.

Approximately 90% of our wrapping materials are made of recycled paper.

Use of ECF Pulp for Printed Materials

The paper we use for advertisements, circulars and catalogs is made of elemental chlorine free (ECF) pulp, which does not use dioxin-producing chlorine during the whitening process.

Moreover, 50% of this paper is sourced from woods certified by the Programme for the Endorsement of Forest Certification schemes (PEFC), an international forest certification body.



With the approval of the PEFC Council, we use this logo.

* PEFC is an international organization that promotes sustainably managed forests through independent evaluation. Please visit the website: www.pefcasia.org for more information.

Promotion of Simplified Wrapping

We promote simplified and appropriate wrapping with the cooperation of customers. For example, we offer simplified gift wrapping for traditional semiannual gift-giving season, put our store sticker on non-gift items (such as household goods) without offering wrapping services, and use bigger plastic/paper bags instead of smaller individual packaging.

Isetan sells reusable shopping bags, aiming to encourage customers to support the reduced/simplified packaging initiative. Part of the proceeds from the sales of these bags is contributed to local government agencies and environmental organizations in the hope of promoting environmental conservation. Our total donation amounted to ¥1.22 million for FY 2004.

Customer Relations

We seek customers' support and cooperation on our initiatives to promote package simplification through various communication tools, including in-house broadcasting, message displays and posters, and advertising circulars. We conduct these campaigns in conjunction with Environment Month and the Environmentally Friendly Shopping Campaign, every June and October, respectively.

These initiatives are promoted by the Ministry of the Environment.



Message for customers displayed at the sales counter



Isetan shopping bag



Posters displayed in our store to promote simplified packaging

Efforts in Distribution and Other Areas

We are introducing low-emission vehicles and using agents for product delivery and inspection to reduce the environmental burden of our distribution practice.

Outsourcing of the Product Inspection and Delivery Process and the Introduction of Fuel-Efficient and Low-Emission Vehicles

We strive to reduce the number of vehicles used for product inspection and merchandise delivery from suppliers, aiming to mitigate local traffic congestion and reduce fuel consumption through efficient transportation systems.

To achieve this, Isetan started to use merchandise delivery agents in 1973 and quality inspection contractors in 1988.

We also improved the efficiency of our distribution process by outsourcing our product delivery service in April 2004, which resulted in the elimination of the need to maintain our own distribution center.

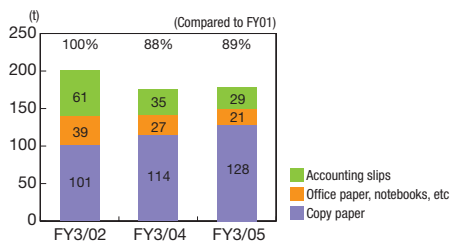
Furthermore, in cooperation with our suppliers, we introduced low-emission vehicles in FY 2002 and a natural gas vehicle in FY 2004. Currently, we have 13 energy-efficient vehicles.

We also request the drivers of distribution trucks to ensure that they avoid unnecessary idling, and sudden acceleration or breaking.

With the cooperation of apparel manufacturers, Isetan uses foldable containers for the transportation of some purchased/returned products from/to the clothing manufactures, which has led to reduced consumption of cardboard boxes. These foldable containers are also used for the transportation of some products and supplies between our stores.

We also promote the use of fuel-efficient vehicles as our commercial cars for employee use. Fuel-efficient vehicles are introduced when the existing vehicles need to be replaced. Currently, 47.5% of our commercial vehicles are fuel-efficient.

Office Paper Consumption



Other Initiatives

Office Paper Consumption and the Shift to Electronic Accounting Slips

Throughout FY 2004, we strived to reduce the consumption of copy paper, under the slogan “Go paperless! Let’s burn off the body fat of paper consumption!”. This senryu (traditional Japanese satirical poem) style slogan was created by an employee who participated in the in-house senryu contest. Despite these efforts, our total consumption of copy paper increased by 1% from the previous year, even with the partial offset of a decrease due to a shift to electronic accounting slips. The primary cause of this increase is the growth in the use of color copied documents.



Exhibition for Private Schools

In November 2004, Isetan held an exhibition for private schools on the theme of the environment, education and information.

With the objective of helping private schools to improve their educational environment, we provided various types of information through an exhibition booth on the environment. For example, we presented school uniforms made of environmentally conscious materials, stationery with a universal design, energy-saving techniques and equipment, and recycling of confidential documents. We also invited a guest speaker, Mr. Hiroyuki Sato, Secretary General of the Green Purchasing Network, to offer the visitors useful information about the necessity of green procurement.

Employee Training and Education

We provide our employees with educational information on environmental management through internal publications and the company’s intranet. In addition, each store offers education programs on waste separation. Furthermore, during the company-wide “Green Month” campaign, we further focus on appropriate packaging, waste separation, energy conservation and reduction of office/copy paper consumption.



In-house seminars on waste separation at the Shinjuku store

Independent Review/ Independent Assurance

This is an English translation of ChuoAoyama Sustainability Certification's independent review comments of the Japanese version of Isetan's "Annual Report 2005".

Independent Review Comments on Isetan's Annual Report 2005

August 5, 2005

To Mr. Nobukazu Muto,
President & C.E.O.
Isetan Company Limited



1. Creation of Sustainable Lifestyle through its Products

Isetan has taken various initiatives with regard to environmentally conscious products, through which Isetan demonstrates to its customers its commitment to society and protecting the global environment. Such initiatives include sales of environmentally conscious products in the "Only I" exclusive brand, clear projection of a sustainable life-style concept through the "BPQC" private brand, collaborative product development with suppliers, implementation of the "global green" campaign at the Shinjuku store in May 2005, and sales of environmentally conscious products by Corporate Clients Divisions. We hope that Isetan will further promote these individual activities and establish corporate-wide concepts. Furthermore, we expect that Isetan will make further contributions to society and to protecting the global environment through offering "products that can gain empathy" based on the "value creation with customers" perspective.

2. Promotion of Environmental Preservation Activities

Isetan expanded the scope of its data collection for environmental accounting and environmental performance, to make these data more useful to its management. Additionally, Corporate Clients Division commenced efforts to obtain Eco-Stage certification. Preparatory efforts were also initiated towards implementation of various environmental preservation activities in the coming year. These activities include the further promotion of food waste recycling, active investment in energy-saving programs, installation of a rooftop garden at the Shinjuku store, organization of a tour of the "Eco-station" (a waste separation facility at the head office) as a part of the "store exploration" program for members of Isetan's "I Kids' Club", and holding of an environmental exhibition at the Shinjuku store.

The objective of this review is to express our independent view on the features, achievements, developments and direction of Isetan Co., Ltd. (hereafter, "Isetan")'s approach towards environmental issues as well as reporting of significant corporate activities in such areas contained in the "Annual Report 2005" (hereafter, "the Report"). Our comments are based on the following procedures:

1. Interview with the management in charge of environmental controls (Mr. Mikio Hashimoto, Senior Executive Vice President)
2. Interview with Mr. Chihiro Nihashi, Senior Executive Officer, about environmentally conscious products
3. Inspection of the Head Office and interview with the personnel thereof
4. Review of the final Japanese draft of the Report

It is commendable that such environmentally conscious activities are promoted actively. In future, we expect Isetan's commitment to the environment to become more deeply and widely entrenched among suppliers and employees, through the provision of further education programs to its staff, the incorporation of environmental and social aspects into the Isetan's procurement standards, and other initiatives.

3. Further Disclosure of Environmental and Social Information

Isetan strives to achieve open management and proactively discloses information to external parties. Isetan is also committed to further disclosing CSR related information. Indeed, the amount of environmental information in this year's report has significantly increased with the enhancement of the content. We believe that these proactive disclosures are necessary to help diverse stakeholders to gain deeper understanding of Isetan's environmentally conscious activities.

We hope that Isetan will further promote the disclosure of information, including negative information, to wider stakeholders, including shareholders and investors.

ChuoAoyama Sustainability Certification Co., Ltd.
(ChuoAoyama PricewaterhouseCoopers Group)



* These comments DO NOT express any of our views and/or opinions on the effectiveness and/or reliability of the processes used to collect and report the data and information included in the Report.

This is a translation of the independent assurance report of the Japanese version of the Isetan's "Annual Report 2005".

Independent Assurance Report

To Mr. Nobukazu Muto, President & C.E.O. Isetan Co., Ltd.

Objectives and Scope

We, ChuoAoyama Sustainability Certification Co., Ltd., were commissioned by Isetan Co., Ltd. (hereafter, "the Company") to review the Isetan's Annual Report 2005 (hereafter, "the Report"), and to express our opinion as to:

1. Whether the information and data on energy consumption and CO₂ emissions provided in the Report were compiled and reported in accordance with the relevant Company procedures; and
2. Whether the information specified in item 1 above is consistent with the supporting documents.

The Company is responsible for the preparation of the Report. Our responsibility is limited to expressing an independent opinion on the Report.

Basis of Opinion

Currently, there are no generally accepted international standards regarding the collection, reporting and assurance of environmental and social information. Therefore, we have referred to emerging practices and the following guidance:

- *Guidelines for Estimating Greenhouse Gas Emissions from Enterprises (Draft Version 1.5)*, by the Ministry of the Environment of Japan
- *Assurance Standards for Environmental Reporting (Draft)*, by the Ministry of the Environment of Japan
- *International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, by the International Federation of Accountants

Summary of Procedures Performed

To review the processes for compiling data and information that fall within the scope of our assurance, we conducted the following procedures at the head office, Shinjuku store and Tachikawa store. We:

- Conducted interviews with the management and personnel in charge of environmental controls
- Inspected relevant documents and assessed their consistency with the supporting documents

For energy consumption and CO₂ emission information and data in the Japanese version of the Report, marked © CASCert, we conducted the above procedures.

Sites Inspected

| Name of Site | Function |
|-----------------|---|
| Head Office | Head Office Functions, Distribution Center, Warehouse |
| Shinjuku Store | Department Store |
| Tachikawa Store | Department Store |

Our Opinion

On the basis of the above work, we have reached the following opinion:

1. The information and data on energy consumption and CO₂ emissions provided in the Report have been compiled and reported in accordance with the relevant Company procedures; and
2. The information specified in item 1 above was consistent with the supporting documents and we did not find any significant items that should be corrected.

Independence

We observe the Certified Public Accountants Law (Japan), the Ethical Guidelines of the Japanese Institute of Certified Public Accountants (JICPA), and the Independent Policies of ChuoAoyama PricewaterhouseCoopers and PricewaterhouseCoopers.

August 2, 2005

ChuoAoyama Sustainability Certification Co., Ltd.
(ChuoAoyama PricewaterhouseCoopers Group)



Our Recommendations to Isetan

During the assurance process, we made a number of recommendations to the Company. Some of our recommendations are provided below, with the Company's consent.

1. **Further improvement of the effectiveness of the energy data collection processes:** In principle, we did not find any problems with the energy data collected. For further improvement of the efficiency and effectiveness of the data collection processes, we hope that information on the system and methods used to collect data will be shared among the head office and stores in a more proactive manner.
2. **Improvement of calculation methods used for CO₂ emissions associated with city gas consumption:** While the data have been compiled in accordance with the Company procedures, we hope that, to further improve the accuracy of the data obtained, gas measuring conditions will be considered in the calculation method used for CO₂ emissions associated with city gas consumption.

Response to Independent Review Comments



Isetan has been using an environmental accounting system since the previous fiscal year. With an additional two stores included in the scope of data collection, our environmental accounting this year aimed to obtain a better and more-specific understanding of the environmental burden we created and to enhance communication with regard to the environmental information. Going forward, we will further expand the scope of data collection to include group companies, and we will share environmental information with enhanced accuracy, so that we can utilize environmental accounting as a key tool in pursuing our environmental preservation efforts.

With the Kyoto Protocol in effect in February 2005, specific and effective action toward energy conservation will increasingly be demanded. Accordingly, we commissioned a third party organization this year to provide independent assurance by reviewing the data collection process used for our energy consumption data. As a result of the review, we have also received some recommendations on how to improve the accuracy of the data collection process.

Last year's independent review comments included recommendations on the promotion of environmentally conscious products and disclosure of environmental and social information. Evaluation this year recognized the improvements made in these areas as well as our planned initiatives during FY 2005. We will further raise the bar of our environmental activities by promoting our environmental management system, establishing a system for the effective company-wide sharing of environmental information, and developing environmentally conscious products that respond to customers' opinions and gain empathy from them.

Looking ahead, Isetan will strive to further strengthen its overall CSR activities, of which environmental activities are a key component, and implement these activities in a strategic manner. Although we cannot achieve this goal overnight, we are committed to making earnest efforts and taking a corporate leadership role in the promotion of CSR initiatives.

September 1, 2005

A handwritten signature in black ink that reads "Mikio Hashimoto". The signature is written in a cursive, flowing style.

Mikio Hashimoto
Senior Executive Vice President & Director
Isetan Company Limited

Isetan Group Business Results Summary

During fiscal 2004 (April 1, 2004 to March 31, 2005), Isetan Group pushed aggressively forward with the implementation of initiatives aimed at achieving objectives in the interim year of its Three-Year Value Creation Plan, which began in fiscal 2003.

FY2004 Performance Overview

The execution of various programs in the second year of our Three-Year Value Creation Plan led to record highs in consolidated net sales, recurring income and net income, and in non-consolidated recurring income and net income.

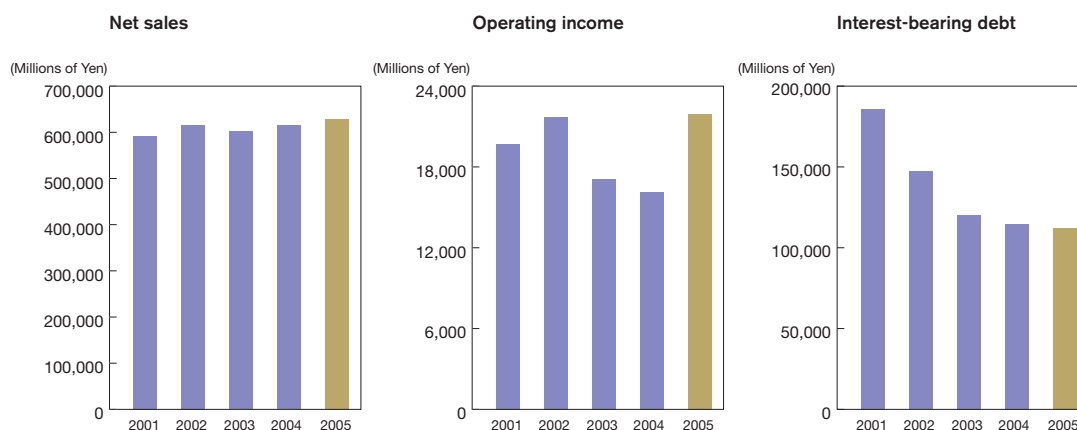
Results Overview

During the year ended March 31, 2005 (fiscal 2004), the Japanese economy showed signs of a recovery on both income and employment fronts in the first half of the year due to buoyant capital investment on the back of improved profitability in the corporate sector. Despite this, there was limited recovery in consumer spending while export growth stagnated amid a slow-down in overseas economies. As a result, the overall economy continues to be at a standstill.

Retailers took bold steps towards rebuilding the retail industry amid diversifying consumer needs by seeking to create unique stores and venture into new business arenas. Nonetheless, performance at many enterprises fell below levels recorded in the previous year due to unseasonable weather, which led to slumping sales of seasonal items, and natural disasters such as typhoons, which reduced the numbers of customer visits. The retail industry as a whole therefore continues to be faced with a tough business environment.

The Isetan Group pushed forward with the implementation of initiatives in the second year of our Three-Year Value Creation Plan, which commenced in the previous year. Specific initiatives during the fiscal period included transferring certain managerial departments, notably general administration functions, from head office to subsidiaries as a means to increasing efficiency of group-wide support services. To further raise profit-making potential in department store operations, we endeavored to enhance cooperation with related department stores aimed at improving best-selling product ranges and driving higher marginal profitability.

- Isetan posted an increase in net sales for the second consecutive year with a new record high. The new store opened by Kokura Isetan in February 2004, strong performance at Isetan department stores overseas and new stores inaugurated by Queen's Isetan Company Limited and Barneys Japan Company Limited culminated in a 2.3% increase in net sales year-on-year, to ¥628,996 million.
- Despite higher selling, general and administrative expenses resulting from the write-off of a charge arising from the conversion of Iwataya Department Store Co., Ltd. into a consolidated subsidiary, this was more than covered by an increase in gross profit. Operating income totaled ¥19,192 million, up 13.9% year-on-year, marking the first increase in three years.
- Primarily due to improved financial income, recurring income amounted to ¥21,907 million, up 35.6% year-on-year. This also marked the first increase in three years, while also being an historic high for the company.
- Non-recurring income in the form of gains on sale of property and equipment and of investment securities exceeded non-recurring losses on sale of plant and equipment. As a result, Isetan recorded consolidated net income of ¥12,619 million for fiscal 2004, compared with a consolidated net loss in fiscal 2003 of ¥3,094 million. This turnaround came after two years in decline and denotes another record high for the company.



Consolidated Balance Sheets

(Millions of yen)

| Item | As of March 31, 2005 | Item | As of March 31, 2005 |
|------------------------------------|----------------------|---|----------------------|
| <ASSETS> | | <LIABILITIES> | |
| Total current assets | 155,295 | Total current liabilities | 184,004 |
| Total fixed assets | 305,089 | Total long-term liabilities | 104,294 |
| Total property and equipment, net | 165,869 | Total liabilities | 288,298 |
| Total intangible fixed assets | 7,839 | <Minority interest in consolidated subsidiaries> | |
| Total investments and other assets | 131,381 | Minority interest in consolidated subsidiaries | 9,351 |
| Deferred assets | 1,196 | <Shareholders' Equity> | |
| | | Common stock | 35,133 |
| | | Additional paid in capital | 41,714 |
| | | Consolidated retained earnings | 84,089 |
| | | Net unrealized gains on securities | 5,767 |
| | | Foreign currency translation adjustments | (2,697) |
| | | Treasury stock | (75) |
| | | Total shareholders' equity | 163,931 |
| Total assets | 461,580 | Total liabilities and shareholders' equity | 461,580 |

Consolidated Statements of Income

(Millions of yen)

| Item | Year ended March 31, 2005 |
|--|---------------------------|
| Net sales | 628,996 |
| Cost of sales | 446,254 |
| Gross profit | 182,742 |
| Selling, general and administrative expenses | 163,550 |
| Operating income | 19,192 |
| Other non-operating income | 8,161 |
| Other non-operating expense | 5,446 |
| Recurring income | 21,907 |
| Non-recurring income | 8,524 |
| Non-recurring loss | 7,960 |
| Income before income taxes and minority interest | 22,471 |
| Income taxes, current | 8,216 |
| Income taxes, deferred | 1,701 |
| Minority interest in earnings of consolidated subsidiaries | (65) |
| Net income | 12,619 |

Consolidated Statements of Cash Flows

(Millions of yen)

| Item | Year ended March 31, 2005 |
|---|---------------------------|
| Net cash provided by operating activities | 28,549 |
| Net cash provided by investing activities | 8,295 |
| Net cash used in financing activities | (37,915) |
| Effect of exchange rate changes on cash and cash equivalents | (83) |
| Net increase (decrease) in cash and cash equivalents | (1,154) |
| Cash and cash equivalents at beginning of year | 23,412 |
| Cash and cash equivalents of newly consolidated subsidiaries at end of year | (32) |
| Cash and cash equivalents at end of year | 22,226 |

Business Segment Analysis

(Millions of yen)

| | Department store business | Credit & finance business | Other retail, specialty stores & restaurant business | Other business | Elimination | Consolidated total |
|------------------|---------------------------|---------------------------|--|----------------|-------------|--------------------|
| Net sales | 556,319 | 14,014 | 70,399 | 30,143 | (41,879) | 628,996 |
| Operating income | 13,682 | 4,459 | (151) | 146 | 1,056 | 19,192 |

Non-Consolidated Performance Overview

Non-Consolidated Balance Sheets

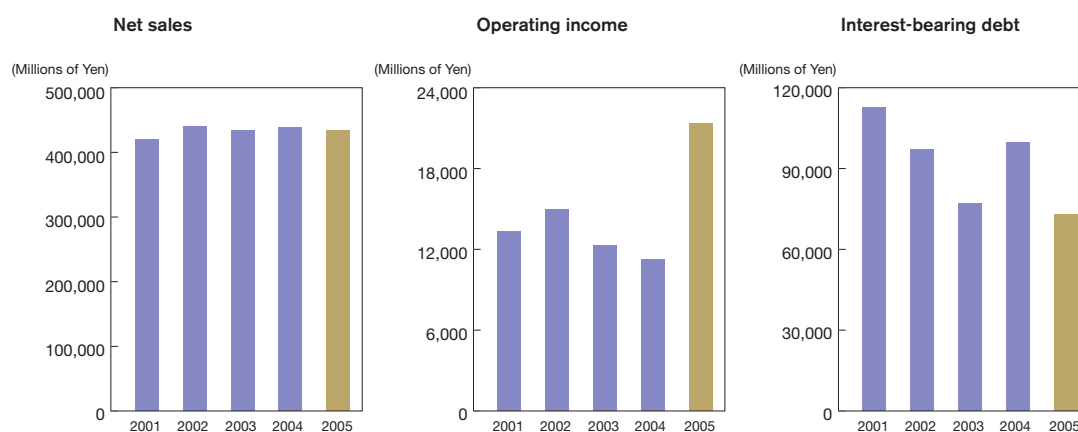
(Millions of yen)

| Item | As of March 31, 2005 | Item | As of March 31, 2005 |
|------------------------------------|----------------------|--|----------------------|
| <ASSETS> | | <LIABILITIES> | |
| Total current assets | 89,278 | Total current liabilities | 101,837 |
| Total fixed assets | 216,597 | Total long-term liabilities | 67,468 |
| Total property and equipment, net | 106,628 | Total liabilities | 169,305 |
| Total intangible fixed assets | 7,921 | | |
| Total investments and other assets | 102,048 | | |
| | | <Shareholders' Equity> | |
| | | Common stock | 35,133 |
| | | Additional paid in capital | 41,714 |
| | | Consolidated retained earnings | 54,493 |
| | | Net unrealized gains on securities | 5,305 |
| | | Treasury stock | (75) |
| | | Total shareholders' equity | 136,570 |
| Total assets | 305,875 | Total liabilities and shareholders' equity | 305,875 |

Non-Consolidated Statements of Income (Millions of yen)

| Item | Year ended March 31, 2005 |
|--|---------------------------|
| Net sales | 434,405 |
| Cost of sales | 315,601 |
| Gross profit | 118,804 |
| Selling, general and administrative expenses | 103,734 |
| Operating income | 15,070 |
| Other non-operating income | 11,110 |
| Other non-operating expense | 4,844 |
| Recurring income | 21,336 |
| Non-recurring income | 8,654 |
| Non-recurring loss | 9,238 |
| Income before income taxes and minority interest | 20,752 |
| Income taxes, current | 5,010 |
| Income taxes, deferred | 3,615 |
| Net income | 12,127 |

- Sales at the Shinjuku store rose for the second consecutive year due to the positive impact of the new Men's Annex which opened in September 2003, while performance at the Tachikawa store also exceeded the previous year. Despite this, stagnating corporate demand and dwindling sales at the five other stores culminated in an overall decrease in net sales relative to the previous year.
- The increase in gross profit exceeded the increase in SG&A expenses, and as a result, operating income and recurring income both rose year-on-year.



Sales by Store

(Millions of yen)

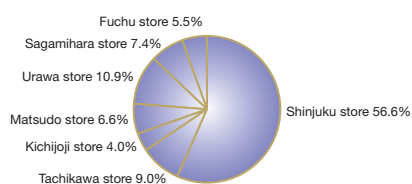
| | Year ended March 31, 2005 | | |
|------------------|---------------------------|----------------|-------------------|
| | Net sales | % to net sales | Percentage change |
| Shinjuku store | 246,001 | 56.6% | 100.7% |
| Tachikawa store | 38,932 | 9.0% | 101.6% |
| Kichijoji store | 17,489 | 4.0% | 94.1% |
| Matsudo store | 28,830 | 6.6% | 96.6% |
| Urawa store | 47,458 | 10.9% | 95.8% |
| Sagamihara store | 31,948 | 7.4% | 96.1% |
| Fuchu store | 23,747 | 5.5% | 96.4% |
| Total | 434,405 | 100.0% | 99.1% |

Sales by Product Category

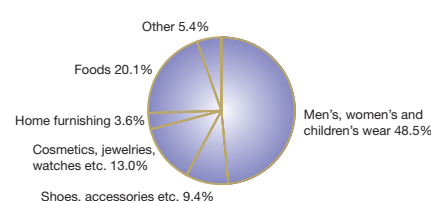
(Millions of yen)

| | Year ended March 31, 2005 | | |
|------------------------------------|---------------------------|----------------|-------------------|
| | Net sales | % to net sales | Percentage change |
| Men's, women's and children's wear | 210,754 | 48.5% | 99.8% |
| Shoes, accessories etc. | 40,654 | 9.4% | 96.8% |
| Cosmetics, jewelries, watches etc. | 56,421 | 13.0% | 100.3% |
| Home furnishing | 15,534 | 3.6% | 95.1% |
| Foods | 87,522 | 20.1% | 98.5% |
| Other | 23,520 | 5.4% | 98.3% |
| Total | 434,405 | 100.0% | 99.1% |

Sales by Store

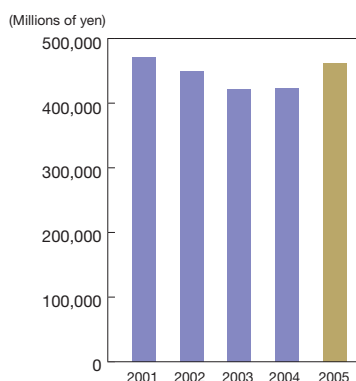


Sales by Product Category

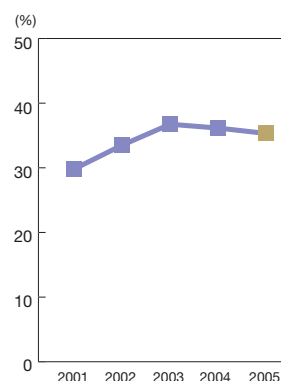


Financial Indicators (Consolidated)

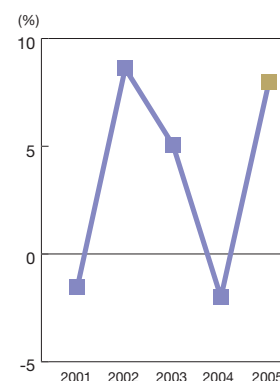
Total Assets



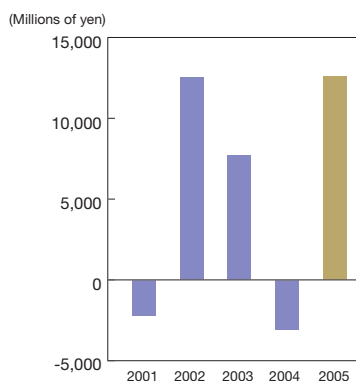
Equity Ratio



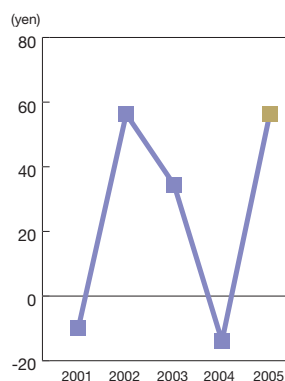
Return on Equity (ROE)



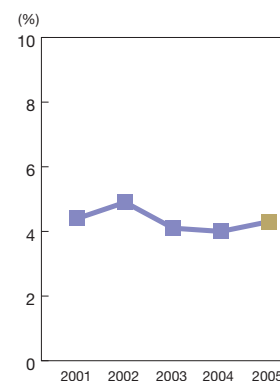
Net Income (Loss)



Net Income (Loss) per Share



Return on Assets (ROA)



Consolidated/Non-Consolidated Year-on-Year Increase

(Times)

| | Year ended March 31, 2005 | Year ended March 31, 2006 |
|------------------|---------------------------|---------------------------|
| Net sales | 1.40 | 1.45 |
| Operating income | 1.67 | 1.27 |
| Recurring income | 1.44 | 1.03 |
| Net income | — | 1.04 |

Isetan Corporate Profile

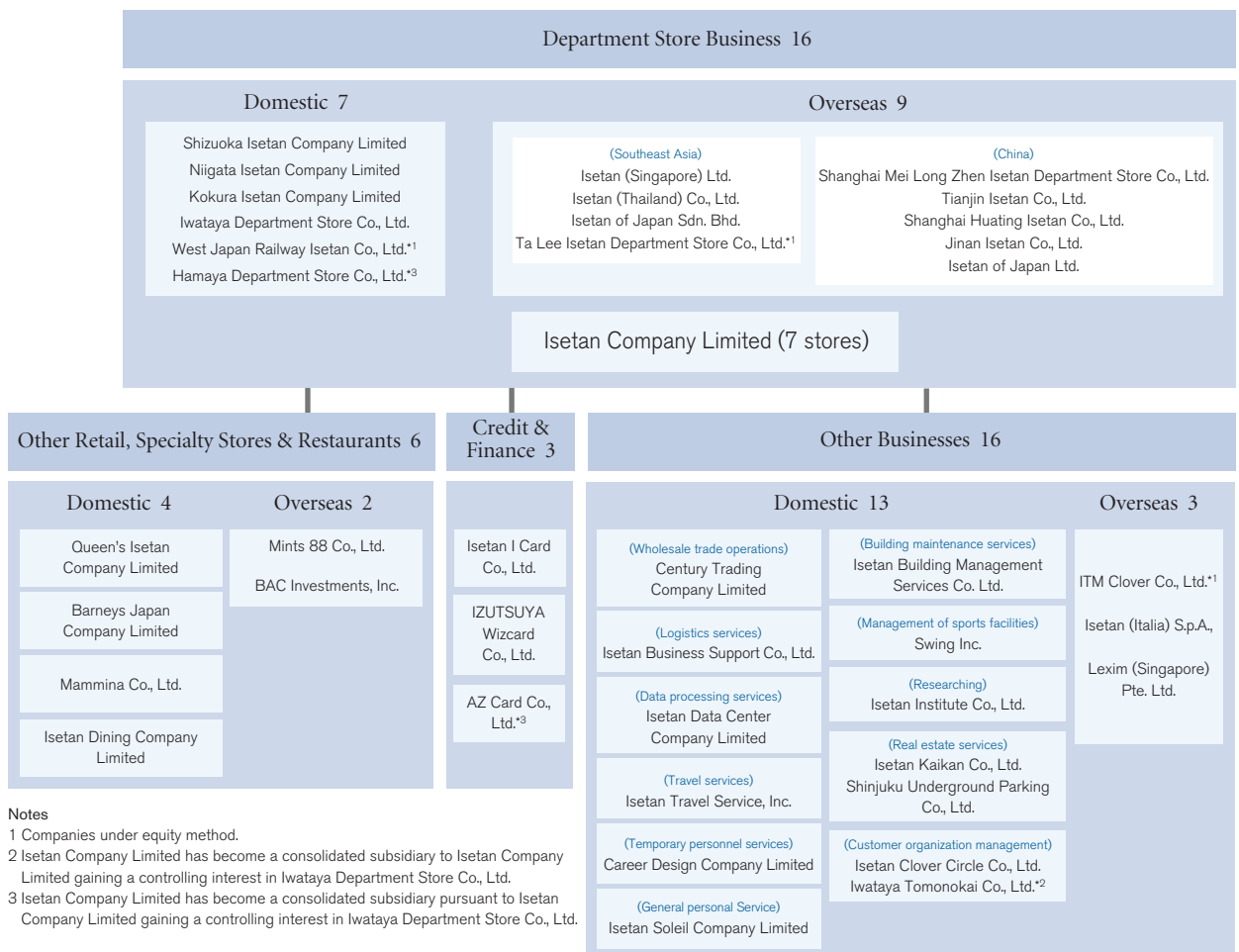
Name: Isetan Company Limited
 Founded: Nov 5, 1886
 Established: Sep 30, 1930
 Principal businesses: Department store business
 Representative director and chief executive officer: Nobukazu Muto
 Capital: ¥35,133 million
 Headquarters: 14-1, Shinjuku 3-chome, Shinjuku-ku, Tokyo
 160-0022, Japan
 Phone: +81-3-3352-1111
 Number of stores: 7

The total retail floor space: 261,886m²
 Accounting term: March
 Net sales: ¥628,996 million (consolidated)
 ¥434,405 million (non-consolidated)
 Operating income: ¥19,192 million (consolidated)
 ¥15,070 million (non-consolidated)
 Recurring income: ¥21,907 million (consolidated)
 ¥21,336 million (non-consolidated)
 Number of employees: 9,410 (consolidated)
 4,023 (non-consolidated)

Board of Directors and Corporate Auditors (As of Nov. 2005)

| | | |
|---|---|---|
| <p>Chairman Kazumasa Koshiba</p> <p>President & CEO Nobukazu Muto</p> <p>Senior Executive Vice President, Director Mikio Hashimoto</p> <p>Executive Vice President, Director Etsuro Ishizuya</p> <p>Senior Executive Officer, Director Keinosuke Okawa</p> | <p>Directors Shotaro Watanabe Takeshi Yano</p> <p>Corporate Auditors Masateru Yoshida Ikuo Nihei Keitaro Kawanami Yasumasa Gomi</p> <p>Senior Executive Officers Chihiro Nihashi Shinya Takada</p> | <p>Executive Officers Katsuhito Teragaki Jun Sekine Toshio Hayami Nobuo Saiki Taketoshi Nakayama Naoki Ueno Kenichi Nagasaki Kenji Utsuda Hiroshi Omata Tatsumasa Matsui Susumu Sugiura Haruki Fujiwara Toshiaki Nakagawa Toshihiko Nakagome Hiroyoshi Oshima Shinichi Matsuura Hiroshi Onishi</p> |
|---|---|---|

Business Relationship Among Isetan Group Companies (As of Nov. 2005)





Main store (Shinjuku, Tokyo)

Aiming to be the world's premier fashion store, the Isetan flagship store in Shinjuku offers high-quality merchandise and service of an international standard, and attracts over 30 million shoppers per year. The store comprises a main building and Men's Annex, and regularly tops the Japanese single-store rankings for apparel sales.

3-14-1 Shinjuku, Shinjuku-ku, Tokyo 160-0022 Japan +81-3-3352-1111
Total selling floor area: 64,296m² Annual sales: ¥246,000 million
Opened: Sep. 28, 1933



Tachikawa store

Since the store on the original site opened in 1947, Isetan has grown in step with the major suburban city of Tachikawa. In January 2001, a newly renovated store reopened on a new site near to Tachikawa station, and remains a popular local fixture.

2-5-1 Akebono-cho, Tachikawa-shi, Tokyo 190-0012 Japan +81-42-525-1111
Total selling floor area: 40,060m² Annual sales: ¥38,900 million
Opened: Jan. 24, 2001



Kichijoji store

The Kichijoji store serves residents of the city of Musashino to the northwest of Tokyo. High-quality products and service have made the store a major local landmark.

1-11-5, Kichijojihon-cho, Musashino-shi, Tokyo 180-0004 Japan +81-422-21-1111
Total selling floor area: 20,758m² Annual sales: ¥17,400 million
Opened: Nov. 10, 1971



Matsudo store

A full remodeling completed in October 1995 gave the suburban city of Matsudo a city-center department store, besides adding another 10,000 sq. m. of floor space in a new annex. This store is designed primarily with the needs of families in mind.

1307-1 Matsudo, Matsudo-shi, Chiba 271-0092 Japan +81-47-364-1111
Total selling floor area: 33,109m² Annual sales: ¥28,800 million
Opened: Apr. 19, 1974



Urawa store

The store provides a blend of original interiors with a serene, traditional atmosphere. Isetan continues to innovate to make the Urawa store a popular destination for shoppers in the Saitama area north of Tokyo.

1-15-1 Takasago, Urawa-ku, Saitama-shi, Saitama 336-0011 Japan +81-48-834-1111
Total selling floor area: 28,655m² Annual sales: ¥47,400 million
Opened: Apr. 22, 1981



Sagami-hara store

Opened in 1990, the Sagami-hara store has proved a big hit in this commuter-belt city to the west of Tokyo. Featuring two annexes in addition to the main building, this city-center store located in the suburbs offers a wide range of fashion and lifestyle goods.

4-4-3 Sagami-cho, Sagami-hara-shi, Kanagawa 228-0803 Japan +81-42-740-1111
Total selling floor area: 40,906m² Annual sales: ¥31,900 million
Opened: Sep. 25, 1990



Fuchu store

Opened in April 1996, the Isetan store was the prime tenant in a redeveloped retail site to the south of Fuchu station, in the western suburbs of Tokyo. The sixth suburban outlet opened by Isetan, the Fuchu store has quickly become a popular destination for local residents.

1-41-2 Miyamachi, Fuchu-shi, Tokyo 183-0023 Japan +81-42-334-1111
Total selling floor area: 34,102m² Annual sales: ¥24,000 million
Opened: Apr. 3, 1996

Domestic Group Companies and Affiliated Stores

Shizuoka Isetan Company Limited

Aiming to be the fashion leader in the region, the store reopened after a full remodeling in September 2003. It will celebrate its 30th anniversary in 2007.

1-7 Gohukucho, Sizuoka-shi, Shizuoka
420-0031 Japan +81-54-251-2211
Annual sales: ¥22,100 million Founded: Jun. 10, 1948
Opened: Nov. 28, 1971



Niigata Isetan Company Limited

One of the leading department stores in the region - and arguably, along the entire northern coast of Japan - the store celebrated its 20th anniversary in 2004. It also conducted a successful renovation as well as reform of sales staff approach and services.

1-6-1 Yachiyo, Niigata-shi, Niigata 950-0909 Japan
+81-25-242-1111
Annual sales: ¥38,800 million Founded: Feb. 21, 1980
Opened: Apr. 3, 1984



Kokura Isetan Co., Ltd.

Opened in February 2004, this store offers a highly fashionable range of merchandise, showcasing goods from Tokyo as well as those developed locally on the island of Kyushu in a comfortable, open space with friendly service. This store aims to vitalize the Kita Kyushu region and Kokura town.

3-1-1 Kyomachi, Kokurakita-ku, Kita-Kyushu-shi,
Fukuoka 802-8508 Japan +81-93-514-1111
Annual sales: ¥16,300 million
Founded: Apr. 16, 2003
Opened: Feb. 10, 2004



Iwataya Department Store Co., Ltd.

In celebration of its 250th anniversary, Iwataya Department Store combined its main building and a new building to open a new flagship store in March 2004. Its ultimate aim is to be the leading fashion store in Kyushu.

2-5-35 Tenjin, Fukuoka 810-8680 Japan
+81-92-721-1111
Annual sales: ¥104,800 million
Founded: 1754
Established: May 8, 1935



West Japan Railway Isetan Ltd.

(Equity-method affiliate)

901 Higashishiohoujimachi,
Karasumaru-ku, Shiohouji-kudaru,
Simogyo-ku, Kyoto 600-8216 Japan
+81-75-352-1111
Annual sales: ¥62,100 million
Founded: Oct. 1, 1990
Opened: Sep. 11, 1997



Isetan Dining Company Limited (Restaurants)

4F Shizgin Bldg., 2-19-12 Shinjuku,
Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-3357-5981



Mamma Co., Ltd.

(Specialty stores for women's)

5F H&I Bldg., 5-17-18 Shinjuku,
Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5286-1050



Queen's Isetan Company Limited (Supermarkets)

4F H&I Bldg., 5-17-18 Shinjuku,
Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5273-5380



Barneys Japan Company Limited (Specialty stores for men's and women's)

4F H&I Bldg., 5-17-18 Shinjuku,
Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5155-6700



Isetan Kaikan Co., Ltd. (Real estate services)

6F Isetan Kaikan, 3-15-17 Shinjuku, Shinjuku-ku,
Tokyo 160-0022 Japan +81-3-3352-8711

Isetan Clover Circle Company Limited (Customer organization management)

7F Isetan Kaikan, 3-15-17 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-3354-5802

Century Trading Company Limited (Wholesale trade operations)

4F Hakuho Bldg., 5-17-11 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-3208-5881

Isetan Travel Service, Inc. (Travel services)

4F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-5273-5391

Swing Inc. (Management of sports facilities)

4F Shinjuku Underground Parking Bldg., 1-2-2 Kabukicho,
Shinjuku-ku, Tokyo 160-0021 Japan +81-3-3207-2851

Isetan Building Management Service Co., Ltd. (Building maintenance services)

8F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-5273-5770

Isetan Institute Co., Ltd. (Researching)

6F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-5273-5341

Isetan Data Center Company Limited (Data processing services)

Isetan Ochiai Center, 2-18-20 Nishiochiai, Shinjuku-ku, Tokyo
161-0031 Japan +81-3-5996-5112

Isetan I Card Co., Ltd. (Credit & Finance)

2-3F H&I Bldg., 5-17-18 Shinjuku,
Shinjuku-ku, Tokyo 160-0022 Japan
+81-3-5273-6500



Isetan Business Support Co., Ltd. (Logistics services)

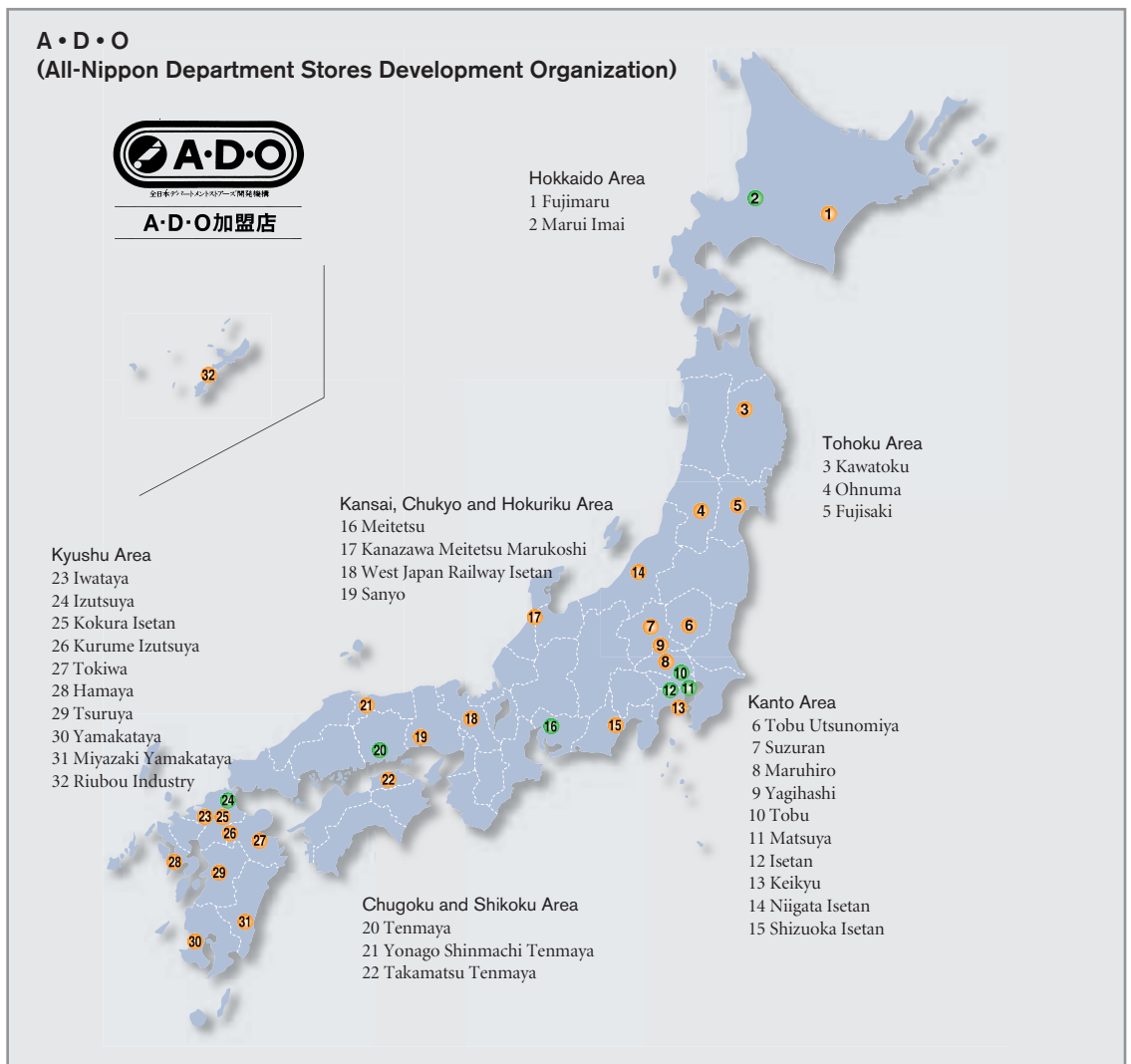
5F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-3207-8521

Career Design Company Limited (Temporary personnel services)

1F H&I Bldg., 5-17-18 Shinjuku, Shinjuku-ku, Tokyo
160-0022 Japan +81-3-5273-1881

A • D • O (All-Nippon Department Stores Development Organization)

A • D • O (All-Nippon Department Stores Development Organization) was established in March 1973 as an alliance covering many of Japan's department stores. It is the leading development organization within the Japanese department store industry. Alliance-member store sales totaled ¥2,010 billion in FY2004. As of April 2005, A • D • O comprised 32 companies and a total network of 71 stores, with Isetan as the leading core member of the group. Core alliance members hold annual meetings to determine policies and guide daily business activities, which focus primarily on joint goods purchasing and development, joint promotions, training programs, and other activities that can benefit from economies of scale.



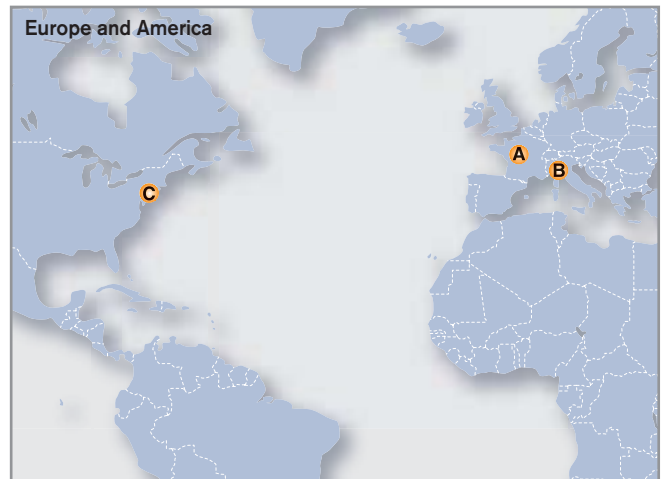
(● A manager store ● A member store) *Head office only as of April 2005

Business alliance with Hankyu Department Stores, Inc.

In July 1996, Isetan entered into a business alliance with Hankyu, another leading department store chain with a premier reputation for fashion retailing. Under the auspices of this alliance, Isetan and Hankyu are pooling expertise in a variety of fields with the aim of raising customer satisfaction. Initiatives include joint product development and information-sharing campaigns. Since fall 1999, the two companies have also established common single-item inventory systems, cooperated on BPR programs, and integrated various aspects of their food gift operations.

Hankyu Department Stores, INC. Address: 8-7, Kakuda-cho, Kita-ku, Osaka 530-8350 Japan
Phone : +81-6-6361-1381

Overseas Companies



A Paris
◆ Representative Office

B Milano
* Isetan (Italia) S.p.A.,

C New York
* BAC Investments, Inc.
◆ Representative Office

D Singapore
● Isetan Singapore Scotts store
● Isetan Singapore Orchard store
● Isetan Singapore Katong store
● Isetan Singapore Tampines store
★ Isetan Singapore Mango Boutique
* Isetan (Singapore) Ltd.
* Lexim (Singapore) PTE. LTD

E Kuala Lumpur
● Isetan Kuala Lumpur LOT 10 store
● Isetan Kuala Lumpur KLCC store
* Isetan of Japan Sdn. Bhd.

F Bangkok
● Isetan Bangkok
* Isetan (Thailand) Co., Ltd.
* ITM Clover Co., Ltd.

G Kaohsiung
● Ta Lee Isetan Kaohsiung
* Ta Lee Isetan Department Store Co., Ltd.

H Hong Kong
* Isetan of Japan Ltd.

I Beijing
◆ Representative Office

J Shanghai
● Huating Isetan Shanghai
● Mei Long Zhen Isetan Shanghai
* Shanghai Huating Isetan Co., Ltd.
* Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.

K Tianjin
● Isetan Tianjin
* Tianjin Isetan Co., Ltd.

L Jinan
● Jinan Isetan
(Store opened September 24 2005)
* Jinan Isetan Co., Ltd.

● Overseas department stores
★ Overseas specialty stores and gift shops
* Overseas subsidiaries and affiliates
◆ Representative Office



Isetan Singapore Scotts store



Isetan Singapore Katong store



Isetan Kuala Lumpur LOT 10 store



Isetan Kuala Lumpur KLCC store



Isetan Bangkok



Ta Lee Isetan Kaohsiung



Huating Isetan Shanghai



Mei Long Zhen Isetan Shanghai



Isetan Tianjin



Jinan Isetan

120 Years of Isetan Fashion

“New Experiment in Creativity and Ingenuity”
Now in its 120th Year...

Isetan will celebrate its 120th anniversary in 2006.
Throughout our history, we have sought to provide
a unique Isetan style that pervades every facet of life.



● November 1886

Establishes Iseya Tanji Kimono Store in Hatago-cho, Kanda

Kosuge Tanji opened his store, the Iseya Tanji Kimono Store, in Hatago-cho (currently, Soto Kanda 1-chome, Chiyoda-ku, Tokyo) in front of Kanda Myojin Shrine in the Kanda district of Tokyo on November 5, 1886. The entranceway to the store was 3.6 meters wide with warehouses full of kimono fabrics and miscellaneous goods on either side; he started the store with two employees, himself and his younger brother Hosoda Hanzaburo. At the time, Hatago-cho in Kanda was a burgeoning commercial district situated close to the society of geisha and was no place to establish a fabric store. They adopted a policy of “cash price with no markdowns” and their guiding principle was to run an ethical business without speculative pursuit of profit.



● Circa 1901

Creates the Goshuden Design

The Goshuden design was created as a motif of the elegance and nobility of the Fujiwara period. This motif was used in the Kimonos for Yanagibashi geisha dancers, chorus and instrument players on the occasion of spring dance festival, and then unveiled at Kamekiyo pavilion in Yanagibashi, it gained high acclaim. The store also won acclaim for selling kimono, obi and under collars decorated with the Goshuden design for the fireworks festivals in ryogoku and came to be known as “Isetan, known for its obi” and “Isetan, known for its designs.”



● September 1933

Flagship Store in Shinjuku Opens

The Shinjuku store was completed on September 15, 1933. A banquet was held for guests and long-term clients after holding a ceremony to announce the completion before the tomb of the first generation Kosuge Tanji at the Nippori Hongyo Temple. The first day the store opened for general business on the 28th, it was so crowded that entrance had to be restricted and the Economic Markets November 1933 issue noted, “The actual count of visitors was 130,000 people on the initial opening day.” The Shinjuku department store flourished with visitors at capacity day after day; the Kanda store ultimately closed its doors on September 11th and the headquarters was moved from Kanda to Shinjuku in October.



● Isetan Co., Ltd. established in September 1930

● Tachikawa store (gift shop) opens in October 1947

1900_s

1930_s

Posters and advertisements depicting Isetan's history



Grand opening of the Shinjuku store (1933)



Sold to commemorate the completion of the annex for the old Hoteiya section (1936)

● **Summer 1956**
Teenager Shop Opens

The Ready-To-Wear of the time included children's clothing and women's clothing, but virtually no clothing appropriate for youth aged 13-17. The fact that the American clothing industry called this age range teenagers drew the attention of Isetan and the company began test sales targeted at teenagers on the second floor retail section of its main building during the summer of 1956. The teenager shop became one of Isetan's representative markets as product sales grew.



● **Spring 1957**
Casual Shop Opens

In contrast to the haute couture fashions primarily offered by the clothing industry up to this point, Isetan offered fashionable, ready-made clothing that was casual and could be worn for everyday living. The following year Isetan began offering color coordinates centered on a main theme color for the season. At the time, these were not called color coordinates, but "match mates."



● **October 1957**
Baby Shop Opens

The baby product market at the time centered on clothing. Other products necessary for babies were sold at separate shops. Customers had to walk from the top floor of the store to the bottom floor to obtain what they wanted. All products needed for babies were pulled from throughout the store at the time the store expansion was completed in October 1957 and a baby shop was opened that offered a complete line of baby products.



● **1960**
Introduction of International Fashion

A Pierre Cardin fashion show was held in 1958. Focusing on the fact that Italians and Japanese shared similar national characteristics and that the exquisite sense of color would appeal to Japanese as well, Isetan began to put serious effort into international fashion. The company sent a buyer to Italy in 1960. Isetan concluded contracts with Irene Galitzine and Emilio Pucci and commenced clothing sales in June with the catch phrase, "Italian fashion is for you."



● **November 1963**
Standardization of Ready-To-Wear Sizing

Ready-wear sizing was generally sized as small, medium and large in Japan, but Isetan institution such as the Clothing and Accessories Research Institute assimilated American techniques and created a sizing scheme that included 5, 7, 9, 11, 13, 15 to fit Japanese body types. Isetan then sought the cooperation of apparel manufacturers and the department store industry; Takashimaya and Seibu Department Store agreed to cooperate. A press conference to announce the standardization of clothing sizes was held at a metropolitan hotel in November 1963 and the standard sizing of the three companies became the "department store sizing."



1950s

● **Posters and advertisements depicting Isetan's history**



Teenager Shop (1956)



Completion of the Addition (1957)



Women's Ready-To-Wear Sizing (1963)



Spring fashion campaign (1968)

● September 1968
Men's New Annex Opens

Construction of the new annex began around the time the Shinjuku Marubutsu store on the north side of the main building was closed. The third generation Kosuge Tanji decided that the theme of the new annex should be the "Men's Annex." The fact that men had begun to take an interest in fashion and that Shinjuku's reputation as a fashion center and town for the young was increasing underpinned this. This was acclaimed as the first attempt at a men's department in Japan and the rest of Asia as well.



● September 1968
Lady Clover Shop Opens

The "Ladies Main Annex" debuted along with the Men's Annex. Isetan put effort into a size shop to feature Ready-To-Wear for larger-framed clientele and opened the Lady Clover Shop for large framed women's sizes on the third floor in September 1968, by rechristening the "E-size Shop." The name, clover, came from the four-leaf clover used on the wrapping paper in the department store at that time.



● April 1971
Missy Casual Shop Opens

Isetan, which had ceaselessly continued to re-evaluate the product lines and development of its shops and to differentiate customer classes, focused on "Missy" clientele in order to target working women and young married women. In April of 1971, Isetan presaged the industry in opening a Missy Casual Shop to completely differentiate the second floor casual shop directed at young women in terms of patterns, sizing and pricing.



● 1975
Enriching the Private Label Line
(Calvin Klein, Karl Lagerfeld, Franco Moschino)

Missy casual was flooding many department stores, so Calvin Klein, an upcoming designer who was born in New York, drew Isetan's attention as a way to differentiate itself from other stores and Isetan introduced the Calvin Klein line in 1975. Isetan was the first to introduce New York fashion to the domestic Japanese market. With this as a start, Isetan then concluded contracts with Karl Lagerfeld and Franco Moschino.



● 1980
Remodeled Flagship Store Opens

The flagship store was newly remodeled and reopened in an effort to create an enjoyable shopping environment and a line-up of quality products desired by customers at reasonable prices. Each floor of the newly remodeled store featured a refreshment corner such as a cafe terrace or a tea room as well as lounges, to create a leisurely shopping experience.



● September 1970
Newly relocated
Tachikawa store opens

● November 1971
Kichijoji store opens
Alliance with Tanakaya Store
(now Shizuoka Isetan)

● April 1974
Matsudo store opens

● April 1981
Urawa store opens

1960s

1970s

1980s



Men's New Annex opens (1968)



Two-day weekend campaign (1972)



Autumn fashion campaign (1974)



Autumn fashion campaign (1975)

● September 1985
Cinderella City Opens

This was the time of the societal phenomena of the “Cinderella syndrome” and the “Peter Pan syndrome” where women wished to transform themselves and children did not wish to grow up. Isetan wanted to make this reality by making one floor a “city” which gave the impression of a large city. Cinderella City was born to incorporate this idea. As a cultured town directed toward girls who were pure and young, it consisted of a shop with six new brands and 19 DC brands.



● September 1990
IQ (Isetan Quality) is Born

IQ products were born of a desire to eliminate the mismatch between the price range of product lines in stores and the price range desired by customers. IQ, a basic concept that price = quality, enabled Isetan to exceed the expectations of customers by decreasing prices without changing product quality. In 1992, IQ products received a top award from the Nikkei Marketing Journal.



● September 1993
Only I is Born

Only I was born of customer demands for “products that can only be purchased at Isetan.” Debuting in the autumn of 1993, Only I was presented as a product that differentiated Isetan from other department stores with the intent of reacquainting customers with Isetan’s charm. It remains a keystone of Isetan’s uniqueness even today.



● February 1994
Kai-ho-ku (meaning “Fareedom Zone”)
Zone Opens

Opened at the flagship store as one means of fulfilling Isetan’s corporate slogan, “Isetan gives new meaning of fashion.” Kai-ho-ku was established as a space to collect and display the collections of new designers and to transmit information. Designs change with the seasons and it continues to impact the fashion industry as an incubator for new designers.



● April 1984
Niigata Isetan opens

● September 1990
Sagamihara store opens

● November 1990
Barney’s New York
Shinjuku store opens

● April 1993
Sagamihara Store Annex
A & B open

● August 1993
Barney’s New York
Yokohama store opens

1980s

1990s

● Posters and advertisements depicting Isetan’s history



Newly remodeled flagship store opens (1980)



New lifestyle campaign (1980)



100 year anniversary message (1986)



Autumn & Winter fashion campaign (1990)

● **March 1996**
Main Store Remodeled and Misses' Apparel Expanded

Isetan's aim in remodeling the main store in 1996 was to clarify the image of the clientele, establish new customer categories and aim for the form that the department store should take in the twenty-first century, while simultaneously responding to changes in the environment surrounding department stores. Women's apparel was expanded to the fourth floor and Isetan's character was presented by establishing "Re-style," aimed at women in their 30s who were highly fashion conscious. Isetan was reborn as a brightly lit and enjoyable department store.



● **February 2000**
The Unit Shop, News Square, Opens

Unit shops that were standardized for every branch were opened with the goal of being the "number one favorite store in each region." These shops were developed with the intention of increasing customer satisfaction and the profitability of each branch; product lines, sales and displays were all re-evaluated to reflect the concerns of branch customers and central control over a structure that would produce profitability was exercised. A product line suited to the needs of suburban clientele was a key feature.



● **January 2003**
Salon du Chocolat Fair

A new "Chocolat mode" arose with the early introduction to Japan of the new film "Chocolat," which debuted worldwide. The presentation of food as fashion has continued since the opening of Salon du Chocolat, France's largest chocolate festival, in Japan in January 2003. Isetan is taking up the challenge of presenting a cultural concept of presenting an enjoyable time and space through "Chocolat."



● **March 2000**
BPQC Opens

BPQC opens on sub-level two as a new concept never seen before. It emerged as a "floor displaying lifestyles" and provided a new sense of consistency across all scenarios of life by using the perceptual filter of a "concept of comfortable living." This differed from the floor plans according to product and category employed up to this point. BPQC is an abbreviation for the French phrase, Bon Prix, Bonne Qualite, Bon Chic, or "high quality, reasonably priced and fashionable."



● **October 1995**
New Annex to the Matsudo store opens

● **April 1996**
Fuchu store opens

● **September 1997**
J.R. Kyoto Isetan store opens

● **January 2001**
Newly relocated Tachikawa store opens

The first decade of the 21st century



Autumn & Winter fashion campaign (1990)



Autumn & Winter fashion campaign (1995)



Autumn & Winter fashion campaign (2000)

● **September 2003**
ISETAN MEN'S

The entire store was remodeled for the first time in 35 years since the Men's Annex was first opened in 1968. The name was changed from Men's New Annex to ISETAN MEN'S as Isetan welcomed the 70th anniversary of the establishment of the Shinjuku store with an emphasis on men's preferences and fashions that are top-notch worldwide. Isetan's goal is to have male clientele with discriminating taste come to the store and enjoy shopping.



● **February/June 2004**
Isetan Beauty Park Debuts

Isetan Beauty Park 1 was a beauty complex consisting of four shops: a cosmetology salon, a hair salon, a café and a tooth whitening salon. Isetan Beauty Park 2 also opened in June of the same year. It consisted of two cosmetology salons and a floor where skin care brand collections were featured in salon style.



● **August 2004**
Accessories are Remodeled

The internal store environment was remodeled in a consistent art deco theme and an accessory counter was opened on the first floor of the main building as a corner for independent accessorizing. Jewelry designers of note were selected and displayed in a space that looked like a museum.



● **February 2005**
Re-style Baby Debuts

Re-style Baby, a select shop for baby clothing for ages 0-4. Popular brands and designer brands were displayed in the main building of the flagship store for highly fashion conscious customers who were not satisfied with baby clothing to date.



● **March 2005**
CC Cinderella City Opens

Isetan took advantage of the 20th anniversary of Cinderella City's debut on the second floor of the main building of the flagship store to rechristen it and give it new life as CC Cinderella City. This shop displays highly unique products for highly fashion conscious clientele who are oriented toward luxury, high quality, and genuine goods.

● **February 2004**
Kokura Isetan opens

● **March 2004**
Iwataya new flagship store opens

● **October 2004**
Barney's New York
Ginza store opens

The first decade of
the 21st century

New challenges

● **Posters and advertisements depicting Isetan's history**



New Year Message
(2005)



Spring & Summer fashion
campaign
(2005)



Autumn & Winter fashion
campaign
(2005)

Isetan Group Corporate History

- Nov. 1886 Iseya Tanji Kimono Store established in Kanda, Tokyo
- Mar. 1924 Department store format adopted after Great Kanto Earthquake
- Sep. 1930 Isetan Co., Ltd. established (capital: ¥500,000)
- Sep. 1933 Main store opens in Shinjuku, Tokyo
- Oct. 1947 Tachikawa store (gift shop) opens
- May 1953 Tanshin Co., Ltd. established (now Isetan Building Management Service)
- Sep. 1957 Marukyu Foods Co., Ltd. established (now Isetan Petit Monde)
- Oct. 1961 11 Stores Association founded (now A • D • O)
- Mar. 1964 Mammina Co., Ltd. established
- Sep. 1965 Isetan Kaikan Co., Ltd. established
- Jun. 1967 Isetan Research Institute formed
- Sep. 1968 Men's Annex opens at Shinjuku store
- Nov. 1968 Representative office established in Paris
- Dec. 1968 Isetan Data Center Co., Ltd. established
- Sep. 1970 Tachikawa store moves to new site
- Nov. 1971 Kichijoji store opens
- Jan. 1972 First overseas store opens in Singapore
- Mar. 1973 A • D • O established
Isetan Clover Circle Co., Ltd. established
Century Trading Co., Ltd. established
- Apr. 1974 Matsudo store opens
- Jul. 1979 Representative office established in New York
- Sep. 1979 Isetan Art Museum opened on 8th floor of main store annex (closed in March 2002);
Orchard Store opens in Singapore (moved to current site in July 1986)
- Oct. 1979 Representative office established in Milan
- Apr. 1981 Urawa store opens
- Dec. 1983 Katong Store opens in Singapore
- Mar. 1984 Isetan Luxury Foods Specialty Stores Co., Ltd. established (now Queen's Isetan)
- Apr. 1984 Isetan store opens in Niigata
- Mar. 1987 Representative office established in Taipei
- Oct. 1987 Representative office established in Beijing
- Dec. 1987 Isetan Travel Service, Inc. established
- Sep. 1988 Isetan Finance Co., Ltd. established (now Isetan I Card Co., Ltd.)
- Mar. 1989 Alliance with clothing retailer Barneys (U.S.)
- Jun. 1989 Barneys Japan Company Limited established
- Aug. 1989 Swing Inc. established
- Sep. 1990 Sagamihara store opens
- Oct. 1990 West Japan Railway Isetan Co., Ltd. established
Isetan Kuala Lumpur Lot 10 Store opens
- Nov. 1990 Barneys New York store opens in Shinjuku
- Feb. 1991 Route 21 Co., Ltd. established (now Isetan Business Support)
- Apr. 1991 Alliance with Ta Lee department stores (Taiwan)
- Oct. 1991 Career Design Company Limited established
- Apr. 1992 Isetan Bangkok opens
- Nov. 1992 Ta Lee Isetan Kaohsiung store opens
- Apr. 1993 A/B annexes to Sagamihara store open
- May 1993 Scotts Store opens in Singapore
- Jun. 1993 Shanghai Huating Isetan store opens
- Aug. 1993 Barneys New York store opens in Yokohama
- Dec. 1993 Isetan Tianjin store opens
- Apr. 1994 Formulation of the Isetan Way
- Oct. 1995 Matsudo store annex opens
- Feb. 1996 Tampines Store opens in Singapore
- Apr. 1996 Fuchu store opens
- Jul. 1996 Alliance with Hankyu Department Stores
- Jun. 1997 Shanghai Mei Long Zhen Isetan store opens
- Sep. 1997 J.R. Kyoto Isetan store opens
- May 1998 Isetan Kuala Lumpur KLCC Store opens
- Jan. 2001 Tachikawa store reopens at new site
- Apr. 2003 Three-Year Value Creation Plan initiated
- Sep. 2003 Remodeled Men's Annex opens at Shinjuku store
- Jan. 2004 Isetan Clean System Co., Ltd. changes name to Isetan Building Management Service Co., Ltd.
Route 21 Co., Ltd. changes name to Isetan Business Support Co., Ltd.
- Feb. 2004 Kokura Isetan opens
- Sep. 2005 Jinan Isetan opens

