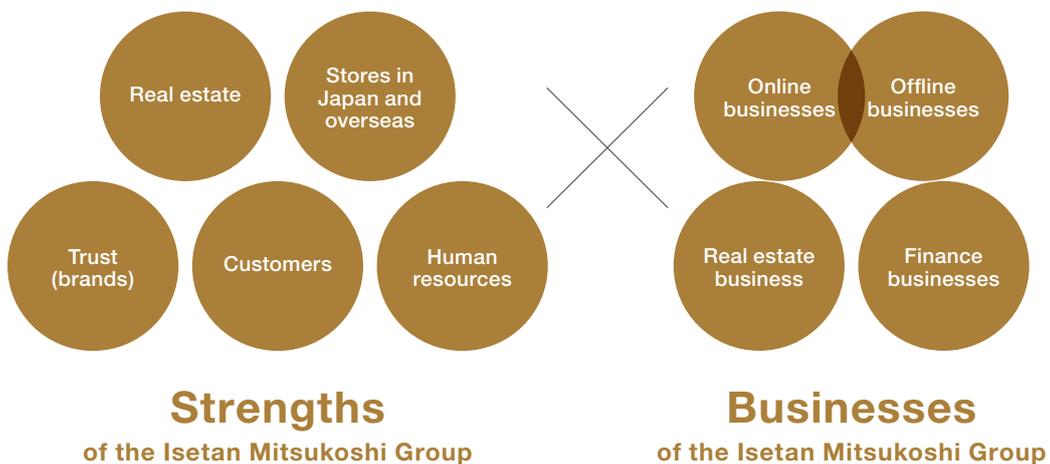


Connecting people and bridging times

Major changes in social trends	Changes in the environment surrounding the Isetan Mitsukoshi Group
<p>Demographic changes</p> <ul style="list-style-type: none"> ▶ Acceleration of decline in birthrate and aging of population ▶ Population concentration in urban areas and depopulation of rural areas ▶ Increase of population in ASEAN countries, Africa, India, and others ▶ Economic growth of Asia and Africa <p>Evolution of digital technologies</p> <ul style="list-style-type: none"> ▶ Environmental changes attributed to the IT revolution ▶ Expansion of sharing economy <p>Establishment of a sustainable society</p>	<p>Reduction in the absolute number of customers</p> <ul style="list-style-type: none"> Acceleration of bipolarization of consumption Expansion of the affluent population in the world Rise of the Millennial Generation Increase in demand from inbound tourists Overstore <p>Environmental changes caused by IT</p> <ul style="list-style-type: none"> Limitations of retailing based on bricks-and-mortar stores Rise of e-commerce Diversification of purchase and payment methods Changes in logistics and supply chains <ul style="list-style-type: none"> Shift in needs from ownership to shared use Expansion of the second market <ul style="list-style-type: none"> Diversification of customer needs (from goods to events and experience)

Strengths and business structure of the Isetan Mitsukoshi Group



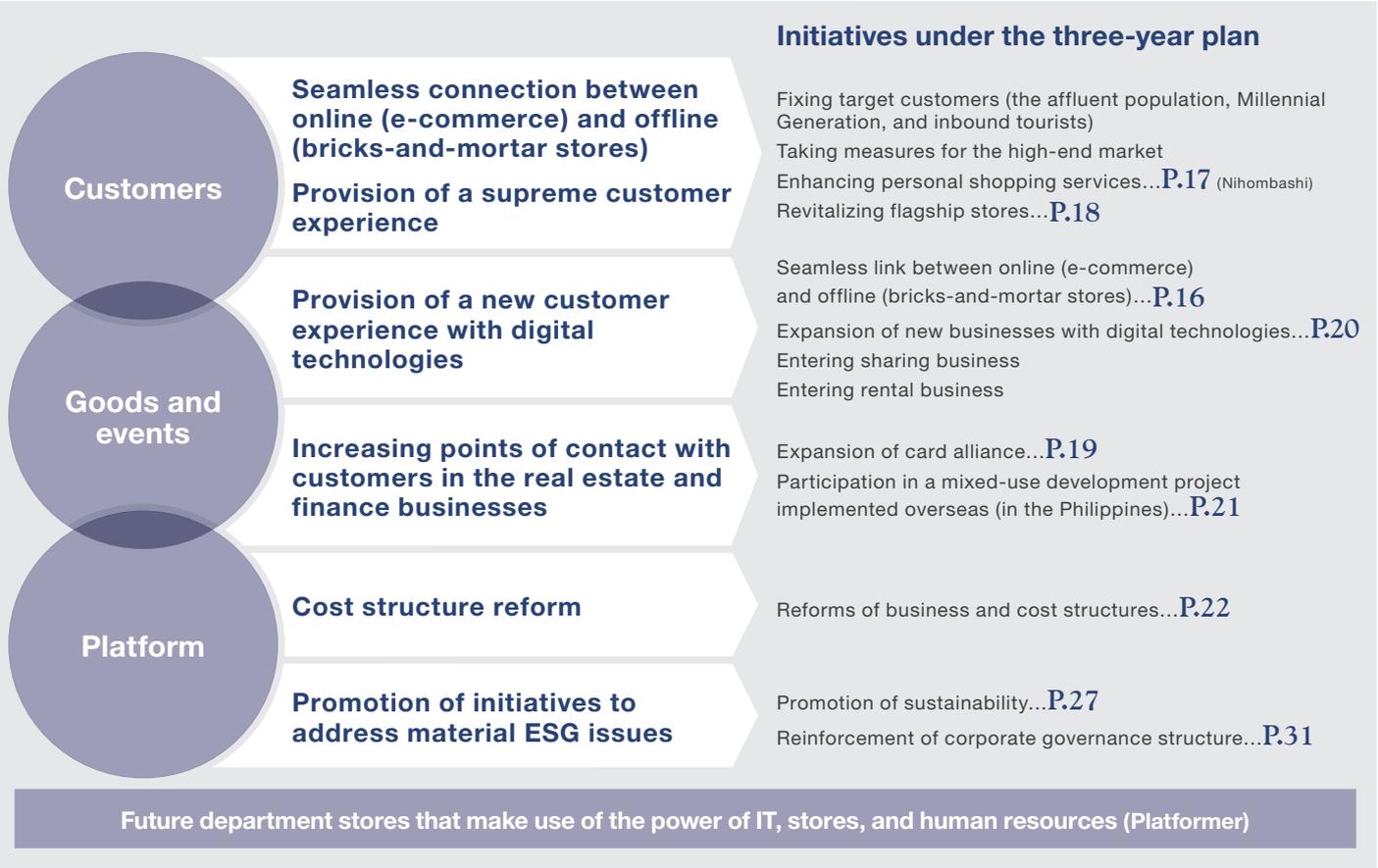
Taking environmental changes as business opportunities

Aiming for Future department store that connect customers with goods and events via platforms

We celebrated the 10th anniversary of the Isetan Mitsukoshi Group in the current fiscal year. The environment surrounding us has changed significantly during these ten years.

While the further progress of digital transformation, population decline, and other issues are expected to remain, we have formulated a three-year plan (for FY2019 to FY2021) aiming for the next period of growth. We will continue growing as Future department store by taking the various risks surrounding us and environmental changes as opportunities and creating new businesses and value by taking advantage of IT, stores, and people as our strengths.

Future direction of value creation



In the current fiscal year, we set connecting people and bridging times as Our Philosophy, which is the raison d'être of the Isetan Mitsukoshi Group and the Group's vision for itself. Under this Philosophy, we aim to be future department stores that make use of the power of IT, stores, and human resources.

By their nature, department stores have been serving customers as places for not only shopping but also enjoying dining and pastimes. However, customer needs have been changing, reflecting the changes of the times. Our latest goal is to be a new mediator, which is different from conventional department stores, once again.

With the rapid development of IT, information about goods and events all over the world has become available. As a result, customers' purchasing behaviors have changed significantly. In this environment, we will maximize our strengths by combining the strengths of the Group and its business structure by using IT and strive to develop new business strategies and infrastructure. We will thus aim to create new value as a mediator who connects customers with goods, events, and information both online and offline.

We will provide an unprecedented customer experience by transforming our businesses with a new framework centered on the new department store business (online and offline), the real estate business, and the finance business, based on our strengths including stores in Japan and overseas, real estate we own, brands, customers, and human resources. We will thereby deepen our bond with customers and the times and play a role in connecting people and bridging times.

▶ Three-Year Plan of the Isetan Mitsukoshi Group

In FY2017 and FY2018, we proceeded with transformation through structural reform as a preliminary measure. In FY2019, we will finally shift our focus to the full-scale transformation aimed at the next growth phase and provide our customers and other stakeholders with new value as a corporate group that connects people and bridges times. We will also work on a drastic reform of our cost structure to establish a revenue base for achieving our growth strategies.

Direction of the value we provide



Overall picture of the strategies



Business Strategies

Growth strategy 1 Business model innovation

Providing a supreme customer experience, both online and offline

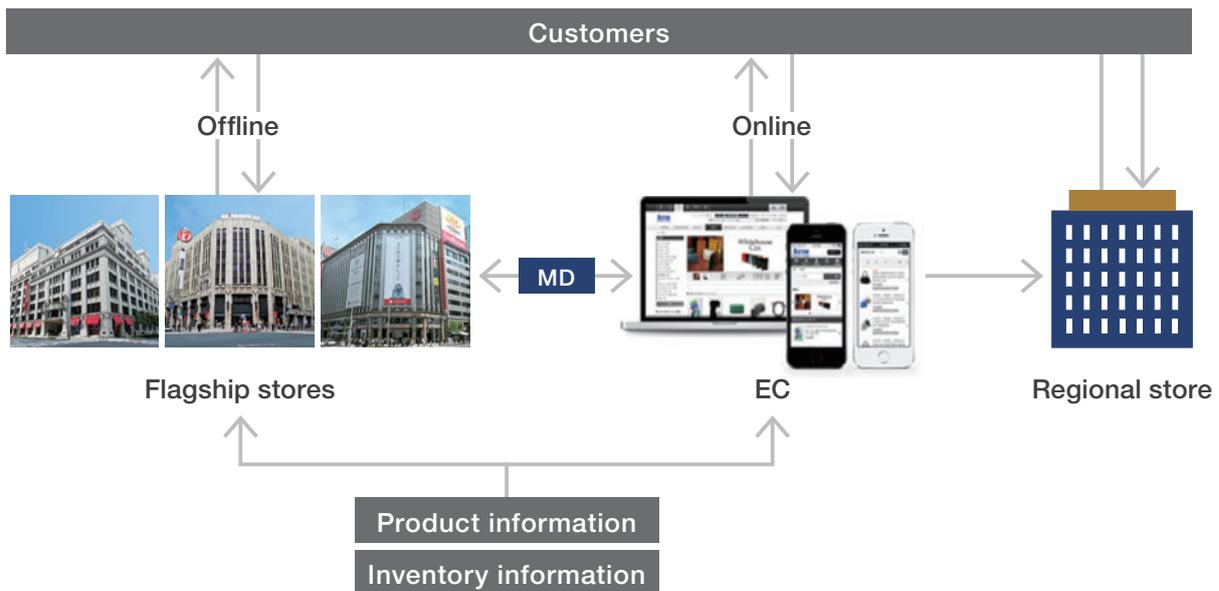
① Making the products offered in flagship stores available online and in regional stores

We will work on business model innovation to provide customers with a supreme customer experience anytime, anywhere. First, we will link Isetan Shinjuku Main Store, the base point of our offline business, with our online business (e-commerce) smoothly in our attempt to suggest a wider variety of products in a larger number of categories at the store. For this purpose, we will seek to digitize the products offered at Isetan Shinjuku Main Store by expanding inventory integration with our business partners. We will also establish an office-cum-studio dedicated to the creation of online product

information (photo-shooting, size measurement, and writing of product descriptions) and proceed with the digital registration of products.

While the lineup of products offered at regional stores is limited, the connection between flagship stores' MD and online system (e-commerce site) will enable products to be purchased from flagship stores by ordering them. Moving forward, we will establish a system consisting of salons, tablets, and other elements to provide customers of regional stores with the experience of purchasing goods at a flagship store.

Integrating product and inventory information of flagship stores and the e-commerce site



② Providing a new customer experience by using digital technologies (improving the quality of customer services)

We will digitize and accumulate qualitative information obtained through online and offline customer services. Based on the customer service data, we will provide optimal suggestions to every single customer, both online and offline. We will thus provide a new customer experience to improve the quality of our customer services. In stores, we will arrange for information about customers who are planning to visit stores, including their purchase history and taste, to be shared by all departments and store staff. Based on this information, we will find the best matches for each customer by searching in our

wealth of product information and services. We will thus provide the optimal customer services and make optimal suggestions.

As a tool for connecting customers with stores, we will use a website for web members that can be accessed from both PC and smartphone. On this website, members can make reservations for a range of services and events, check information including their purchase history, receive personalized recommendations, and use other functions. We are planning to expand these services one by one.

Specific example of new customer experience (an initiative taken at Mitsukoshi Nihombashi Main Store)

We began to take the following initiative at Mitsukoshi Nihombashi Main Store, ahead of other stores, when it was reopened in October 2018 after being remodeled. The initiative is part of the measures for providing a new customer experience using digital information.

Reservation

Our web service allows customers to check services, events, stylists' profiles and their schedules in advance and make reservations at their convenience. They can also make reservations by telephone or in store.

Visit to the store

When a customer visits the store, requests from the customer are shared by store staff using digital technologies. They make preparations so that multiple staff members can serve a particular customer. We therefore provide our customers with new shopping experiences.

Customers drop in at the reception on the 1st floor, which is our base for providing hospitality. At this counter, guides are ready to serve customers at all times. The guides introduce concierges, who are on duty at all times at the personal shopping desk on each floor, according to the purpose of each customer. The concierges not only show the products offered on each floor, but also provide information beyond boundaries between categories and between brands. They provide hospitality to customers by cooperating with stylists with a high level of expertise and concierges of other floors to meet each customer's request.

System that supports our customer services

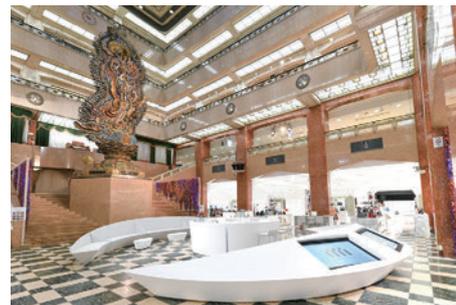
At the store, we have introduced a customer service tool for stylists, with which each member of the sales floor staff accumulates customer service information and purchase information of each customer in customer records. Customer information is shared by the sales floor staff members using mobile devices and tablets. In this way, information that used to be managed separately, such as customer data and concierge information, is now managed in a centralized manner. This has eliminated duplication and waste and has increased the amount of time for providing higher-quality hospitality.

We will expand this tool, which we first introduced at the Mitsukoshi Nihombashi Main Store, to the other stores one by one.

*At the Isetan Mitsukoshi Group, we call our sales clerks "stylists," aiming to style customers' attractiveness, sensibility, and other elements through our customer services.



Top page of the website for web members



Reception



Personal shopping desk



Customer service provided at a personal shopping desk

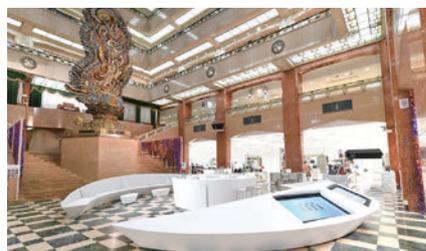
Optimal delivery of information

At stores, we also deliver information to customers based on various attributes on a trial basis. In the future, we will deliver more personalized information by analyzing customer segments in more detail. Based on customers' reaction to the delivered information and other data, we will analyze customers' interests on a real-time basis and make use of the results of the analyses in creating the next measures.

Redevelopment of flagship stores aimed at achieving the growth strategy

Our greatest advantage is the fact that we own our flagship stores in the center of Tokyo, one of the world's leading metropolises. We will make strategic investments to make the flagship stores even more distinctive in our efforts to maximize our corporate value.

Remodeling of Mitsukoshi Nihombashi Main Store



We are proceeding with the remodeling of Mitsukoshi Nihombashi Main Store, aiming to convert it from a conventional department store focused on goods into a specialty store centered on customer service and hospitality, which is the greatest strength of the store. On October 24, 2018, the store had its grand opening after completing the first-phase remodeling. We introduced a new system for hospitality by combining our people, environment, and services with digital technologies so that customers can enjoy a special experience. On the first floor of the main building, we established a reception as the base for providing services, where around 100 guides are ready to listen to requests from customers and show them to the personal shopping desk on each floor. At the desks, around 90 concierges, each of whom is familiar with a particular category, are on duty at all times. They are ready to help customers carry out shopping in accordance with their

requests, beyond boundaries between brands, categories, and floors.

Further, by using digital technologies, we have reinforced the system for information sharing by staff members, allowing them to offer the optimal hospitality to each customer.

With regard to the in-store environment, Mr. Kengo Kuma, a renowned architect, worked on the environmental design of the first floor of the main building, which is the main entrance to the store. Under the concept of glistening white forest, he created a space that makes customers feel excited.

We are aiming to complete the second-phase remodeling within FY2019. In this phase, we will expand the product lineup in the categories of watches, jewelry, art, exclusively ladies' and men's fashion and accessories, and ladies and men's fashion. We will present the new appeal of Nihombashi in the overall facility.

Remodeling of Isetan Shinjuku Main Store

We are remodeling Isetan Shinjuku Main Store with the aim of fulfilling its mission "Isetan gives new meaning to Fashion." At this store, we will create new value through activities including the deep pursuit of genuineness and quintessence, the expansion of the product lineup, and the suggestion of new customer experience.

The first-phase remodeling is currently underway. We have begun to renovate the entire men's building for the first time since its opening in 2003. In September 2018, we opened a shoe order room on the 1st basement floor and an authentic wear department on the 7th floor. Moving forward, we will continue remodeling the other parts one by one toward the spring of 2019. We will enhance our global products and services by pursuing global cutting-edge, top-drawer fashion. We will also reorganize floors for casual goods in response to changes in lifestyles and the diversification of values,



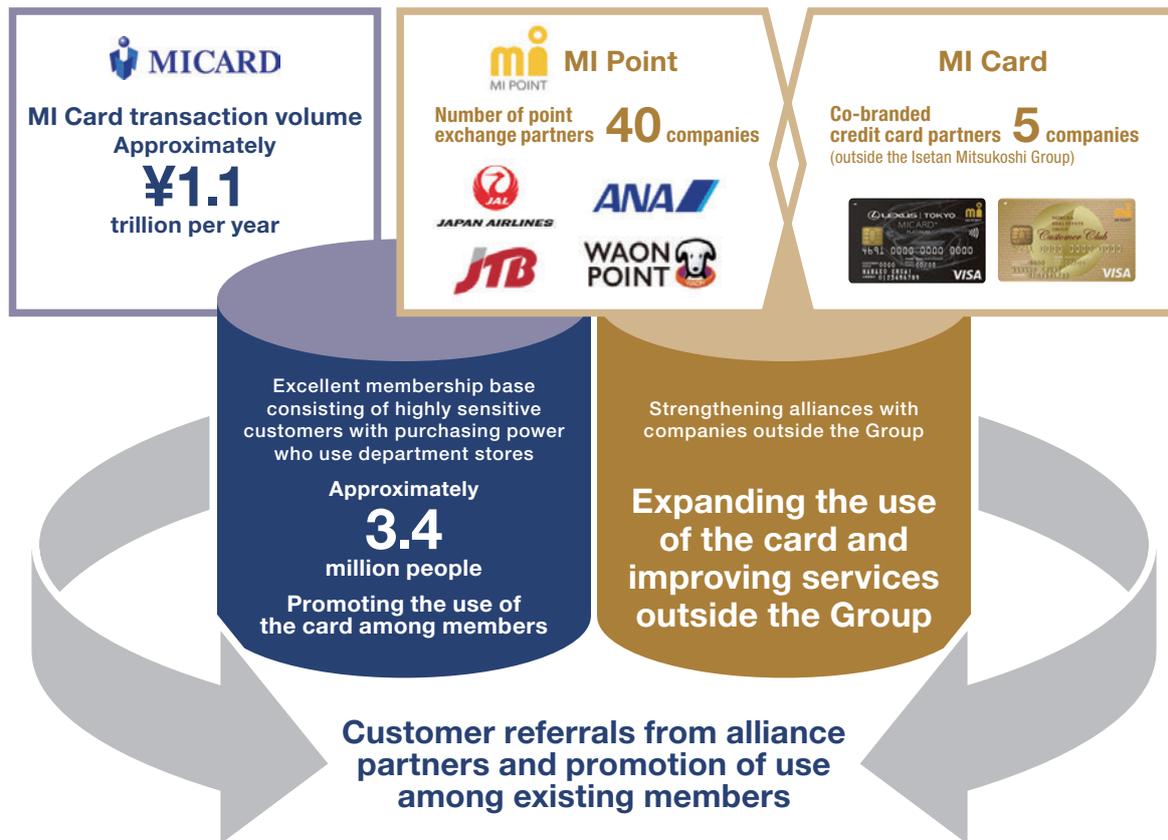
expand customized products that satisfy the desires of individuals, and enhance the communication environment. In the second-phase remodeling, which we will work on in FY2019, we will expand the lineup of products offered in the main building, including watches, jewelry, cosmetics, and luxury brands, to respond to changes in customers' lifestyles and the diversification of values. We will thus strive to make this store even more distinctive.

Strengthening finance business

The majority of customers use the MI Card when they shop in stores of the Isetan Mitsukoshi Group. The card has around 3.4 billion members, who use department stores of the Group in Japan and who are highly sensitive and have purchasing power. The transaction volume is 1.1 trillion yen. In addition, MI Card members constitute around 18% of all households in Japan with an annual household income of 20 million yen or more*. The card utilization rate is 85%, which is among the highest in the industry.

In the finance business, we are working on the expansion of alliances with companies outside the Group, mutual customer referrals with them, and the improvement of our services by taking advantage of the excellent customer base. Specific initiatives include the issuance of co-branded credit cards and the expansion of point exchange partners of MI Points, the bonus point program of the Group. We will continue striving to further increase our earnings strength by increasing the number of new members and promoting the utilization of the card.

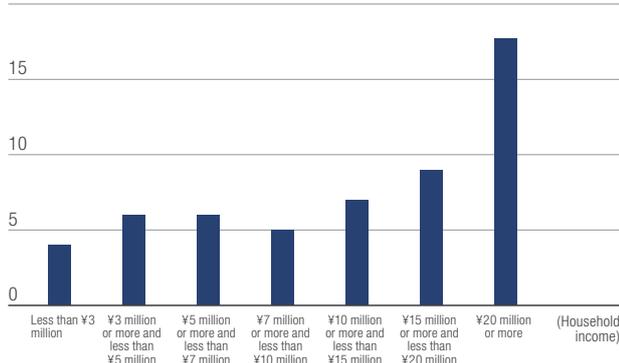
*Data on all households for FY2016 (Ministry of Health, Labour and Welfare)



Excellent customer base

MI Card members account for a large proportion of all households with high annual income, constituting an excellent customer base.

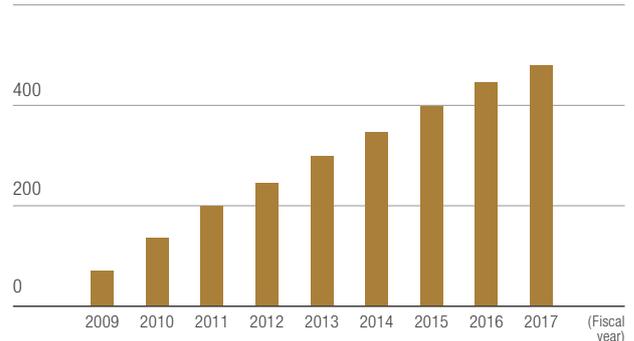
■ Proportion of MI Card members among all households in Japan (%)



Use of the card outside the Group

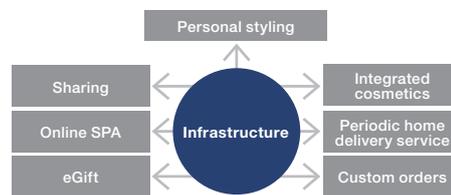
The use of the card outside the Group has been increasing steadily since the issuance of a card that is co-branded with an international brand (October 2008).

■ External transaction volume of MI Card (Billion yen)



Providing a new customer experience by combining the Group's strengths with digital technologies

To provide customers with a new purchase experience, we will work on the development of new online businesses that take advantage of our strengths by using the common infrastructure of the Group. We will offer a wider variety of products than we can provide at bricks-and-mortar stores and diversify purchase methods. We will also link online businesses to each other to expand the business scale and improve customer convenience. At present, we are planning projects on seven businesses



and promoting them by utilizing the agile method. We will develop the feasible ones among them into business models with the aim of making them sources of profit in the future.

Examples of new customer experience

Personal styling

Full-scale launch planned for the spring of 2019

Taking advantage of the expertise of Isetan Mitsukoshi's stylists, we will suggest a new shopping experience to customers who are interested in fashion but do not have time to go shopping in department stores daily and young people who have never gone shopping in a department store. We will offer live chat counseling, through which a customer tells our specialized stylist what they want. In response, the stylist combines the customer's intention with their own sensibility, suggests distinctive styles based on the extensive range of products offered in our



department stores, beyond boundaries between brands, and sends the products to the customer's home. This means that customers can take their time trying on products whenever they want, without coming into the store, and choose them by checking their own wardrobes. They purchase the products they like and return the unwanted ones to us.

Integrated cosmetics website

Full-scale launch planned for the spring of 2019

By taking advantage of Isetan Shinjuku Main Store's information transmission capacity and product lineup as its strengths, we will establish an integrated cosmetics website that offers one of the widest product selections in Japan, information and contents that enable customers to find the products they want, and the convenience required for e-commerce.

We will offer a wider lineup of products by offering brands that are not provided in department stores, not to mention those that are available in the stores. We will also offer a full range of product search functions and deliver information as well.

We will create and operate a highly convenient website that caters to the diverse needs of customers, including those who usually purchase cosmetics over the counter but are too busy to come into the store for additional purchases, those who are interested in cosmetics products but live in areas without a department store, and those who have never purchased cosmetics at a department store.



ISETAN DOOR (periodic home delivery service)

Launched in June 2018

This is a new periodic home delivery service that we provide online. It is a proposal-based service for enriching customers' everyday lives, which we provide by taking advantage of Isetan's capability of making suggestions and its product lineup. We provide around 5,000 items that are carefully selected by buyers and stylists of Isetan. They range from popular sweets offered on the basement floors of department stores to everyday foods including chilled food and perishable items, foodstuffs related to special in-store projects, and items for supporting expectant mothers and women rearing children. Orders can be placed easily with a smartphone or PC for the convenience of women who are busy with work or household work. Products are delivered at the times and dates specified by customers.

Since its launch, this service has been well received by a wide range of customers, mainly including working women in the Tokyo Metropolitan Area, and the number of its members has been increasing steadily.



<https://isetandoor.mistore.jp>

Growth strategy 3 Expansion of real estate business

Increasing points of contact with customers in the real estate business

The Isetan Mitsukoshi Group owns real estate properties in the premium districts of Japan.

We will proceed with the redevelopment of company-owned real estate properties (stores) in Japan in conjunction with urban redevelopment projects from a long-term perspective. At the same time, we will take measures to improve the efficiency of the portfolio of company-owned real estate, including the reorganization of the scattered head offices and the replacement of properties.

We will also strengthen the business of operating commercial facilities to expand the real estate business and apply our expertise in leasing for our existing department stores.

• Redevelopment of company-owned real estate properties in Japan

In areas where urban redevelopment projects are planned, such as those around Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, we will contribute to urban development by making effective use of our properties around each area in conjunction with the local redevelopment project, in addition to making each store even more distinctive. We will promote the effective utilization of company-owned properties in our efforts to increase the profit from real estate.



FOOD & TIME ISETAN YOKOHAMA



mi:ts KOKUBUNJI

Strengthening the business of operating commercial facilities

We will expand the business of operating commercial facilities by positioning it as the core of our real estate business. The businesses we launched in 2018 in Yokohama and Kokubunji have remained strong. We will accumulate the expertise acquired through the businesses for our existing department stores and others.

In March 2018, we opened FOOD & TIME ISETAN YOKOHAMA in Yokohama JOINUS. Here, we operate around 30 outlets including shops offering a wide variety of foods, as well as cafes and restaurants, targeting diverse working people who go by Yokohama Station and those who come to Yokohama for various purposes.

In April 2018, mi:ts KOKUBUNJI, a locally-based commercial facility located in front of the north exit of Kokubunji Station, had its grand opening. At this facility, we operate around 50 outlets, including restaurants, cafes, sundry stores, and clothing stores, under the concept of “Store for our gathering” (a comfortable place for daily use that suggests lifestyles of slightly superior quality and offers places for gathering).

• Promotion of overseas mixed-use development project

We are pursuing comprehensive real estate development projects in Asia, which is expected to achieve high growth in the future.

Overseas, we are working on a mixed-use development of dwellings for sale and commercial facilities in Manila, the Philippines, jointly with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated. It is the first joint project in the Philippines that involves a Japanese developer and a Japanese retail company. Four condominium towers are planned to be completed in 2027, and a commercial complex on their lower floor levels is planned to be completed in 2021.



Mixed-use development project in Manila, the Philippines

► Cost structure reform

Further reform of cost structure

In FY2017 and FY2018, we disposed of underperforming businesses, took cost control measures, and disposed of carryover stock in an uncompromising manner. As a result, our profit has been improved to a level where a record-high profit since integration is possible in FY2019. We will promote cost structure reform further to secure funds for the development of infrastructure for digitalization, which will be undertaken on a full-scale basis in the future, the large-scale remodeling of flagship stores, investment in facilities for safety and security, and other projects. At the same time, we will strive to achieve our target operating income.

Cost structure reform

- 1 Reduction of SG&A expenses**
We will work on the significant reform of our cost structure with the aim of establishing a structure with SG&A expenses of 300 billion yen by FY2021.
- 2 Organizational improvement**
We will promote cost structure reform by appointing a person in charge of earnings management and cost structure reform in each organization.
- 3 Replacement of real estate properties**
We will improve the efficiency of the portfolio of company-owned real estate by taking measures including the reorganization of the head offices.
- 4 Redeployment of staff**
We will review the work flow on the sales floors to ensure appropriate staff deployment.

► KPIs

KPIs: Operating income of ¥50 billion and ROE of 5.0% or higher in FY2021

In FY2019, we will aim to achieve operating income of 35 billion yen and ROE of 3.7% a year earlier than initially planned. In FY2021, we will proceed with the further reform of our cost structure, aiming to achieve operating income of 50 billion yen and ROE of 5.0% or higher.

	FY2019	FY2021 target
Operating income	¥ 35 billion	¥ 50 billion
ROE	3.7%	5.0% or higher

