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To Whom It May Concern:

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Notice Concerning the Isetan Mitsukoshi Group Three-Year Plan (Fiscal 2010 to Fiscal 2012)

The Isetan Mitsukoshi Group was established in April 2008 following the management integration of Mitsukoshi Ltd. and Isetan Co., Ltd. In November of the same year, a Three-Year Plan for the Group was formulated, and since that time efforts have been made to strengthen the various measures outlined in the plan and ensure their swift implementation.

Changes in the economic environment since autumn 2008, however, have adversely impacted the Group on an unprecedented scale. In addition, major changes in customer values have emerged, forcing department stores to evolve in novel ways. In response to such changes in the environment and values, the Isetan Mitsukoshi Group established a rolling Three-Year Plan covering the period from fiscal 2010 to fiscal 2012. Details of the plan are indicated below.

1. Overview of Environment & Issues and Strategies of New Three-Year Plan

The operating environment and fundamental issues facing department stores have remained the same for the past few years. To meet and resolve these issues, the Isetan Mitsukoshi Group decided on a course of management integration and has been implementing measures to facilitate this course of action.

Issues Facing Department Stores

- (1) Customer values are diversifying, making it difficult to adequately identify customer needs.
- (2) Department stores have little influence on suppliers so are unable to offer products in a timely manner or create new demand.
- (3) The existence value of department stores is declining due to the rise of other strong business categories.
- (4) The department store market is contracting, which has resulted in a high cost structure, and growth strategies are difficult to envision.

Although these issues have remained unchanged, the situation has been exacerbated by changes in the economic environment since last autumn. Tackling each of these issues in the same manner without accelerating measures will make it difficult to survive as a company. The new Isetan Mitsukoshi Group Three-Year Plan incorporates the basic policies of past plans while refining and focusing on the following three key strategies as a top priority.

[Key Strategy 1]

Reinforce contact with customers and review relationships with suppliers (Reform department store business model)

- (1) Strengthen customer contact
- (2) Review relationships with suppliers
- (3) Create a structure that draws out and enhances the ability of employees to implement (1) and (2)

[Key Strategy 2]***Promote improvement of Group foundations and structural reforms***

- (1) Increase profits and reduce costs by accelerating company and business integration

[Key Strategy 3]***Cultivate growth businesses***

- (1) Expand department store business in Asia
- (2) Expand card business
- (3) Strengthen solutions business

2. Group Image in Three Years

The Isetan Mitsukoshi Group strives to become “my indispensable department store” for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in their many different roles in life. By doing so, we aim to become the world’s foremost solution provider with high profitability and sustained growth.

Specifically, we will respond in detail to customer changes caused by changes in the economic environment, although this does not mean we will simply lower prices. The Isetan Mitsukoshi Group aims to maximize the satisfaction of customers desiring high quality, new lifestyles and is cognizant that consumption will continue even in a mature society. We seek to be the leader in this premium market.

3. Key Strategies**[Key Strategy 1]*****Reinforce contact with customers and review relationships with suppliers (Reform department store business model)***

The major role of a department store is to identify customer needs at points of contact, adjust and devise merchandise and services to meet these needs, and create new demand. It is difficult to fulfill this role using conventional methods, however, due to changes in the environment.

To overcome this dilemma, we will review the flow of the entire supply chain through the following three initiatives. (1) We will strengthen contact with customers and fulfill our traditional role as a retailer in order to swiftly and accurately identify changing customer values and needs, and reflect these in merchandise in a timely manner. (2) We will review relationships with suppliers by initially seizing the initiative in purchasing and reforming the transaction structure in each part of the supply chain all the way upstream. This will eliminate waste, increase the value of merchandise, minimize opportunity loss and facilitate the creation of new merchandise and services. (3) We will establish a structure that supports the implementation of (1) and (2).

Although we have tried on numerous occasions in the past to reform the transaction structure, a major hurdle has been the inability to entrench and expand these reforms. On top of this, suppliers are also faced with tough environmental changes, making it difficult to realize appealing merchandise in a timely manner that will result in customer satisfaction. Accordingly, the Isetan Mitsukoshi Group has set about creating a new transaction structure for its department stores now that it has established a business foundation, including the development of various systems and raising skills in using these systems by fostering the development of human resources through business unit management.

We will execute repeated test-runs as part of large-scale remodeling projects planned during the period of the Three-year Plan (Mitsukoshi Ginza store: Remodeling to increase floor space with Grand Opening in autumn 2010; JR Osaka Isetan Mitsukoshi: Grand Opening in spring 2011; Isetan Shinjuku main store: 6th redevelopment with Grand Opening in autumn 2011; and the Mitsukoshi Nihonbashi main store: Remodeling with Grand Opening after autumn 2012). We will also actively promote the aforementioned initiatives and their tangible execution in order to become “my indispensable department store” and truly embody the Mitsukoshi and Isetan brands.

[Key Strategy 2]***Promote improvement of Group foundations and structural reforms***

Pressing challenges are to redress deteriorating business results and rapidly declining corporate strength. To this end, we will resolutely and swiftly “integrate operating companies in the Tokyo metropolitan

area,” “shift to a regional operating company system and shared area-based management” and “conduct a review of affiliates and peripheral businesses,” with the objective of realizing the positive effects of the management integration that exceed initial expectations and driving a quick recovery in profits.

[Key Strategy 3]

Cultivate growth businesses

Amid a dwindling population and stagnant employment and consumer environments, it is believed that the traditional department store market will contract. In order to generate stable profits and ensure our survival as a group, we must cultivate businesses that have potential for high earnings and growth in addition to our domestic department store business.

We will focus on the following businesses in which we have accumulated expertise and know-how and that have the potential to reap benefits early on by investing personnel and working to strengthen their foundations.

(1) Expand department store business in Asia

We cannot expect the domestic market to grow significantly in the future. Nevertheless, the Asian market holds a great deal of promise as it has already begun to shake off the global economic downturn with forecasts for considerable growth going forward. We seek to maximize use of our accumulated know-how and resources by opening new department stores in Asia ahead of the competition as a means to expand sales and profits.

- Plan to establish a holdings company in China (by March 2010)
- Plan to open an Isetan store in Serangoon, Singapore (end of 2010)

(2) Expand card business

MICARD Co. Ltd. has been positioned as a strategic company with an excellent customer base of more than three million accounts, achieved through the integration of the I Card and Mitsukoshi Card. We will establish a structure that enables us to issue more cards and thus increase the customer base for the Group’s retail business and business alliances with department stores. Leveraging this customer base, we will first strive to increase use of the MI Card with VISA in areas outside our department stores and expand our total life attendant business beginning with Financierge (new financial consulting services focused on finance) and travel businesses.

(3) Strengthen solutions business

Department store customer needs are becoming more diversified and complex along with advancements in the information society. We will maximize department store strengths (brand power, trust and neutrality) and leverage our store network and excellent customer base to increase our ability to provide an outstanding solutions business with a strong competitive edge. We will re-examine the potential of this business and seek to foster and strengthen it going forward.

4. Numerical Targets

The Isetan Mitsukoshi Group will invest approximately ¥110.0 billion over the course of the Three-Year Plan in promoting the aforementioned key strategies. We will implement initial plans with regard to strategic investments in reinforcing the foundations of our flagship stores as well as in various systems, the card business and other areas that will lead to future growth amid a tough environment. Although this investment burden will place a downward pressure on profits, by quickly generating the positive effects of the management integration and resolving the fundamental issues facing our department stores, we aim to achieve over ¥20.0 billion in consolidated operating income by fiscal 2012, the final year of the current plan.

Fiscal 2010~2012 Investment Plan (Total)		¥110.0 billion
Includes strategic investment of ¥64.0 billion	Concentrated investment in 3 flagship stores	¥42.0 billion
	Systems/Card business	¥13.0 billion
	Growth businesses overseas, etc.	¥9.0 billion