

November 13, 2008

To Whom It May Concern:

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Notice concerning Isetan Mitsukoshi Group Three-year Plan (Fiscal 2009-2011)

The Isetan Mitsukoshi Group was established in April 2008 through management integration between Mitsukoshi, Ltd. and Isetan Co., Ltd. The objective of the management integration is to deploy the strengths and resources of the two companies whose core businesses are department stores to maximum effect while delivering the maximum customer satisfaction and maintaining and enhancing the relationship of trust with customers.

In order to achieve this objective, the Group established a mid-term business plan, the Isetan Mitsukoshi Group Three-year Plan covering the period from fiscal 2009 to fiscal 2011.

1. Basic Policies

By orchestrating capabilities and assets cultivated by Mitsukoshi and Isetan, 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.

For this purpose, the Three-year Plan sets out the following three basic policies:

(1) Clearly delineate the Mitsukoshi & Isetan brands and enhance brand value

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

(2) Maximize customer satisfaction provided by each sales person in stores.

Our goal is to maintain the high quality of service, products and store branches while also becoming top in the world in terms of making an impression through sales staff hospitality (customer interaction) by ensuring our sales staff have the high-level abilities, knowledge and skills that will enable customers to consult directly with them.

(3) Integrate business infrastructure to exert maximum Group capabilities

We will integrate business infrastructure in order to manifest the strengths of the Group to the maximum extent possible and to enhance customer satisfaction and cost reduction by achieving the benefits of integration quickly.

2. Key Strategies

In accordance with the above-mentioned basic policies, as well as emphasizing advance investment in the card system, the merchandising and information system, and changing the store development scheme for the JR Osaka Station New North Building. And the Group has been promoting restructuring of unprofitable stores, including the business transfer of Kokura Isetan Co., Ltd. and decisions to close Huating Isetan Shanghai, four Mitsukoshi stores in Japan (Ikebukuro, Kagoshima, Musashimurayama, and Natori), and three Mitsukoshi stores in Germany. However, in light of the recent drastic changes in the business environment, we need to accelerate the implementation of the basic policies. Therefore, in the Three-year Plan, we have set out the four key strategies described below. By reinforcing measures and expediting their implementation, we aim to complete optimization of the Group by spring 2011, which is much earlier than initially scheduled at the time of management integration, so as to establish a structure capable of responding to customer needs and expectations.

(1) Concentrate investment in the three flagship stores in the Tokyo Metropolitan area

The Isetan Mitsukoshi Group owns three flagship stores in the Tokyo Metropolitan area, the largest market in Japan, where growth is anticipated. The Mitsukoshi Nihonbashi main store and the Isetan Shinjuku main store, which rank first and second in stores sales for department stores nationwide, and the Mitsukoshi Ginza store located at the heart of Ginza, one of the world's leading shopping districts. We can therefore claim an overwhelmingly superior position. We are aggressively pursuing the creation of “the world foremost department stores” that can meet the expectations and hopes of our customers by making large strategic investments in these three stores with the goal of eliciting their potential even further by utilizing these unique characteristic to the fullest.

Positioning Isetan Shinjuku main store as “the world’s best fashion department store,” Mitsukoshi Ginza store as a “store signaling advent of a new era by creating a style based on new value,” and Mitsukoshi Nihonbashi main store as a “prestigious store appropriately symbolizing Mitsukoshi,” we will vigorously promote development of the world foremost department stores responsive to customer needs and aspirations.

The know-how of these three flagship stores in the Tokyo Metropolitan area will be deployed to maximum effect in JR Osaka Mitsukoshi Isetan (tentative name) scheduled to open in spring 2011.

Isetan Shinjuku main store: 6th redevelopment & remodeling of the women’s floors (Fiscal 2009-2010)
Mitsukoshi Ginza store: Remodeling to increase floor space. Grand opening (September 2010)
Mitsukoshi Nihonbashi main store: Strengthened sales capabilities by introducing Isetan’s in-store sales framework early and test-run (from 2008 onward)
Large-scale remodeling (from fiscal 2011 onward)

(2) Re-establish the store structure

In order to respond more effectively to customer needs at regional stores, we will improve the business infrastructure, such as the in-store sales framework, and promote central provision of sales know-how and MD (Merchandising) support and utilization of shared services. At the same time, we will review the positioning of each store and introduce the regional operating company system in April 2010. We intend to establish a sales structure attuned to each region and implement swift and meticulous sales measures through delegation of authority to become “my indispensable department store” rooted in the region.

Regarding areas where Mitsukoshi and Isetan stores co-exist, as a pilot scheme in Niigata area we will promote integrated operation of the two stores and integration of operating companies. We aim to improve the quality and the range of products offered by the two stores and to enhance customer satisfaction in the region through linkage of sales measures by integrating operating companies and through clear definition of the Mitsukoshi brand and the Isetan brand enabling each store with distinctive characteristics to respond to customer expectations. At the same time, we will work to reduce operating costs by integrating back office functions.

Introduce the regional operating company system and integrate operating companies in Niigata area (April 2010)
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(3) Strengthen & expand card strategy

We intend to issue New Mitsukoshi Card around spring 2010 and subsequently integrate the infrastructure for the Group’s card business. As a result, the Group is expected to secure excellent card members exceeding four million accounts, including holders of tie-up cards. Data obtained from cards will be reflected in our merchandise mix and store development attuned to customer needs and utilized to improve cost efficiency and profitability of the card business.

Isetan I Card launched the new I Card with VISA on November 10, 2008. The I Card has been upgraded to the new I Card that is widely accepted in Japan and around the world. In addition, the Group launched an estate planning service in July 2008 and a financial instrument brokerage service in August 2008. We will enrich the value of the card by utilizing the Group’s know-how for services addressing the needs of affluent people and customer relations with the aim of positioning the Group’s card as the “customer’s primary card.” We intend to establish the card business as the Group’s second source of revenues.

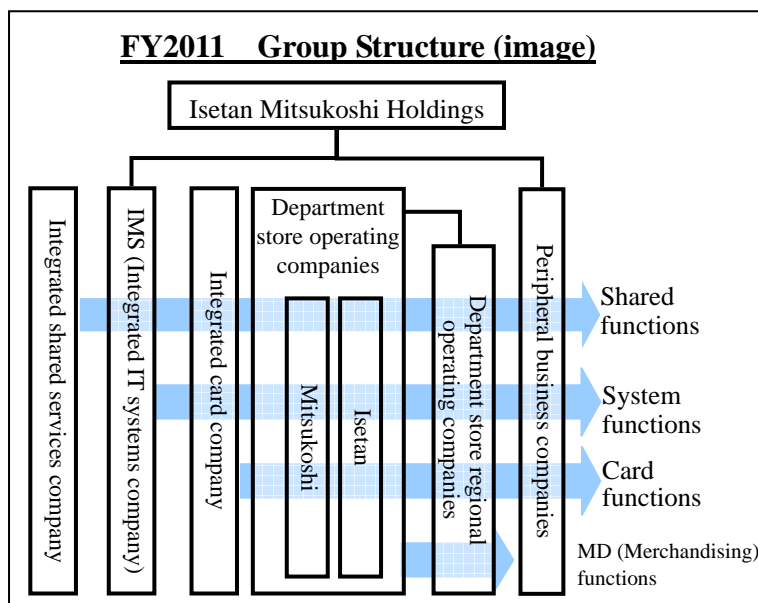
Start of mutual utilization of Mitsukoshi and Isetan cards (Spring 2009)
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Issue the new Mitsukoshi card and integrate the infrastructure for the card business (from spring 2010 onward)
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(4) Improve the business infrastructure

Through selection and focus of businesses and functions, we will reallocate and fully utilize resources throughout the Group in order to enhance customer satisfaction and improve productivity. The figure on the right shows the Group structure envisaged for fiscal 2011 upon completion of integration.

Introduction of Isetan's in-store sales framework to Mitsukoshi stores, which is currently being promoted at the Mitsukoshi Nihonbashi main store and



the Mitsukoshi Niigata Store, will be expanded to all Mitsukoshi stores. Based on this framework, we will implement a PDCA (Plan-Do-Check-Action) cycle to accurately and swiftly respond to customer needs. In this way, we intend to strengthen sales capabilities, thoroughly reform the supply chain and increase profits.

With regard to IT systems, preparation is underway for the integration scheduled in spring 2010. Integration of IT systems subsidiaries has already been completed. We will promote integration of other back office and head office functions as well as of subsidiaries offering shared services step by step in the run-up to the integration of operating companies scheduled in April 2011. Through integration of functions, we aim to improve the quality of operations while reducing costs.

We will promote restructuring and consolidation based on a review of the positioning of the existing businesses from the viewpoints of customer needs, profitability, and competitive advantage. Our intention is to develop and strengthen the mail-order and online businesses and the department store business in China and elsewhere in Asia, which are promising businesses for which customer needs are high.

- Integrate certain head office functions, integrate logistics subsidiaries, and integrate HR services subsidiaries (Spring 2009)
- Introduce Isetan's in-store sales framework to all Mitsukoshi stores and integrate systems (Spring 2010)
- Integrate building management subsidiaries and complete integration of all shared service functions (April 2010)
- Integrate summer and year-end gifts (Summer gift season in 2010)
- Complete restructuring and consolidation of the existing businesses, and integrate operating companies (Mitsukoshi, Ltd. and Isetan Co., Ltd.) (Spring 2011)

3. Quantitative Targets

Through implementation of the above-mentioned key strategies and investment amounting to ¥160 billion during the period covered by the Three-year Plan, the Group targets consolidated operating income of ¥50 billion and consolidated interest-bearing debt of ¥200 billion for fiscal 2011, the final year of the plan.

With regard to cash dividends, in view of intensifying competition and the unstable economic situation, while maintaining the current level of dividends, the Company will use the internal reserve for strategic investment to improve profitability and for reducing interest-bearing debt to strengthen the financial position. Once a structure capable of sustainable and enduring enhancement of corporate value is established, the Company will enhance returns to shareholders.

(Additional earnings)

Consolidated operating income for fiscal 2008 (forecast)		¥25 billion
Cost reduction measures	Review of the store operating structure	+¥6 billion
	Improvement of the business infrastructure (integration of back office functions, purchasing and other cost reform)	+¥8 billion
Gross operating profit expansion measures	Concentrated investment in the three flagship stores in Tokyo Metropolitan area	+¥4.5 billion
	Improvement of the business infrastructure (SCM reform, mail-order and online businesses, overseas department store business, etc.)	+¥5.5 billion
Sales decrease at existing stores		-¥4 billion
Additional measures involving additional investment		+¥5 billion
Consolidated operating income for fiscal 2011 (target)		¥50 billion

(Investment)

Strategic investment	Concentrated investment in the three flagship stores in Tokyo Metropolitan area	¥49 billion
	Investment in the card and other systems	¥13 billion
	Development and strengthening of mail-order and online businesses, overseas department store business, etc.	¥8 billion
	Additional investment cap	¥30 billion
Recurring investment	Investment in security, safety, and environmental measures	¥45 billion
	Seasonal remodeling investment	¥15 billion
Total investment on a consolidated basis for fiscal 2009-2011		¥160 billion

* Impacts of tax changes etc. are not reflected.

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