

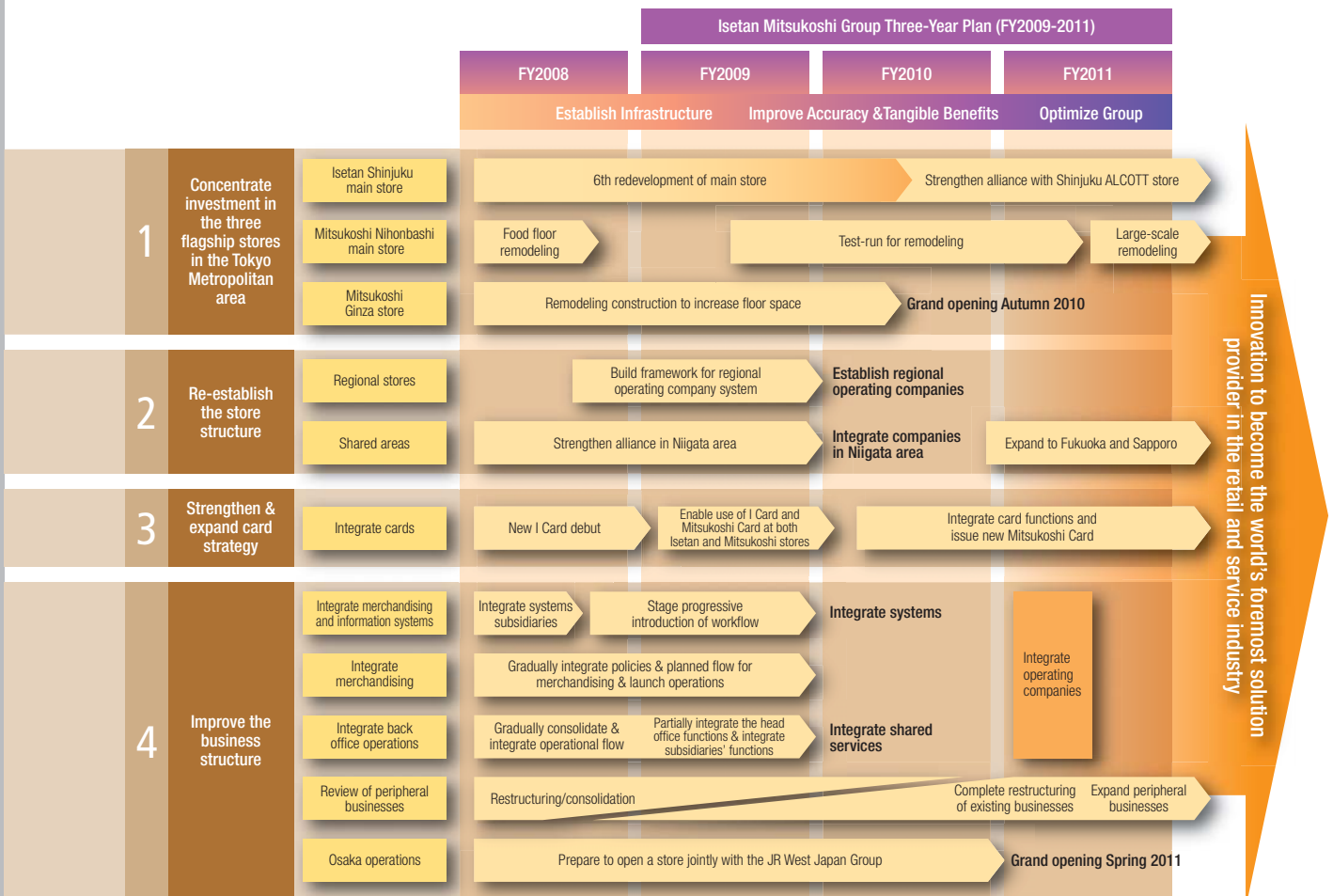
# Progress of the Isetan Mitsukoshi Group Three-Year Plan

In November 2008, the Group established a medium-term business plan, the Isetan Mitsukoshi Group Three-Year Plan that covers the period from fiscal 2009 to fiscal 2011. The objective of management integration under the plan is to leverage the strengths and resources of the two companies whose core business is department stores while delivering the maximum customer satisfaction and maintaining and enhancing relationships of trust with customers. The Three-Year Plan sets out the following three basic policies to achieve this goal.

1. Clearly define the Mitsukoshi & Isetan brands and enhance brand value
2. Maximize customer satisfaction provided by each sales person in stores
3. Integrate business infrastructure to exert maximum Group capabilities

In accordance with these basic policies, we have formulated four key strategies: (1) Concentrate investment in the three flagship stores in the Tokyo Metropolitan area; (2) Re-establish the store structure; (3) Strengthen and expand card strategy; and (4) Improve the business infrastructure. 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.

## ● Schedule of the Isetan Mitsukoshi Group Three-Year Plan



\*Details and schedule are subject to change.

(Announced on May 12, 2009)

(The following pages describe the progress that has been made in each strategy.)

## 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 with high growth potential and one of the largest in the world, namely, 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. We will make strategic investments in these three stores to secure an overwhelmingly superior position.

We are aiming to establish the Mitsukoshi Nihonbashi main store as a “prestigious store appropriately symbolizing Mitsukoshi” and the Isetan Shinjuku main store as “the world’s best fashion department store.” We are currently seeking to further identify the needs of our customers based on their purchasing psychology, which will help to ensure the success of large-scale remodeling in the future.

### Remodeling to increase floor space at Mitsukoshi Ginza Store

Remodeling plans to increase floor space at the Mitsukoshi Ginza store are progressing steadily ahead of the grand opening in autumn 2010. Our concept is to create a “store signaling the advent of a new era by creating a style based on new value.” We aim to make this a new type of department store that will serve as a hub for the transmission of new culture never before seen through a dedication to authenticity and quality befitting the traditions of Ginza and the pursuit of new merchandise and services unique to Ginza in the domains of clothing, food, housing, entertainment and knowledge.



Mitsukoshi Ginza store (artist's rendering)

## 2 Re-establish the store structure

We intend to establish a sales structure attuned to each region and implement swift and meticulous sales measures through the delegation of authority to regional operating companies. By doing so, not only can we speed up optimal decision-making in each region, we will become “my indispensable department store” rooted in the region.

As the first step in the project (planned for October 2009), we will transfer shares in Iwataya Co., Ltd., Shizuoka Isetan Co., Ltd. and Niigata Isetan Co., Ltd. held by Isetan to Isetan Mitsukoshi Holdings and make these three companies direct subsidiaries. We will make Iwataya a wholly owned subsidiary through a share-for-share exchange upon approval at Iwataya’s extraordinary meeting of shareholders. (Information regarding absorption-type demerger related to Iwataya and its transformation to a wholly owned subsidiary through a share-for-share exchange was disclosed in a timely manner on June 16, 2009.) Consequently, Isetan Mitsukoshi Holdings will establish seven new companies as regional preparatory companies to take over department store operations from Mitsukoshi, Ltd. in the respective regions of Sapporo, Sendai, Nagoya, Hiroshima, Takamatsu, Matsuyama and Fukuoka.

The second step (planned for April 2010) involves the actual takeover of operations by the newly established preparatory companies as well as the transfer of department store operations in the Niigata area from Mitsukoshi, Ltd. to Niigata Isetan.

We are also promoting the selection and concentration of resources based on a review of investment plans and assets and businesses held. We closed Huating Isetan Shanghai in December 2008, the Mitsukoshi Musashimurayama store (Tokyo), the Mitsukoshi Natori store (Miyagi) and two small-scale Mitsukoshi stores (Kamakura and Morioka) in March 2009, and the Mitsukoshi Ikebukuro store (Tokyo) and the Mitsukoshi Kagoshima store (Kagoshima) in May 2009. We announced that we would shut down operations at the Isetan Kichijoji store (Tokyo) at the end of March 2010.



## Initiatives in Niigata Area

Regarding areas where Mitsukoshi and Isetan stores coexist, as a pilot scheme in the Niigata area we will promote integrated operation of the two stores, with plans to integrate the Mitsukoshi Niigata store and Niigata Isetan in April 2010. We aim to improve the quality and range of merchandise offered by the two stores and to enhance customer satisfaction in the region through linkage of sales measures and a clear definition of the Mitsukoshi and Isetan brands, enabling each store with distinctive characteristics to respond to customer expectations. In line with this, we will create an efficient area operating system that would not be possible with individual stores, including the reduction of logistics costs and lease expenses by integrating back office functions and greater efficiency in expenditures through joint initiatives.

From an organizational standpoint, we introduced a sales and merchandising management division system at the Mitsukoshi Niigata store in October 2008 ahead of all other Mitsukoshi stores and strengthened the store's sales capabilities. Combining the three top positions of president, general administration and outside sales at Mitsukoshi and Isetan in April 2009 prior to the integration of operations resulted in an optimum system for speedy decision-making.

On the sales front, we started introducing customers to events at both companies in April 2008 and started mutual utilization of house cards in April 2009, a move that has been well received by many customers.



Mitsukoshi Niigata store



Niigata Isetan

## 3 Strengthen and expand card strategy

We are progressing steadily with preparations to integrate card functions and card-related infrastructure in April 2010. Ahead of this integration, we started mutual utilization of the I Card and Mitsukoshi Card on April 1, 2009 in response to strong customer demands. We changed the company name of Isetan I Card Co., Ltd. to MI Card Co., Ltd. in September 2009 to reflect its status as the new card operating company for the entire Group, and will issue the new Mitsukoshi M Card in April 2010.

By integrating card operations, customers can use a single card at any Mitsukoshi or Isetan store, thereby greatly increasing convenience. It also enables the integrated management of customer information and enhances the accuracy of data analysis so we can provide better merchandise, services and information to meet customer expectations.

We are examining the introduction of an integrated card in the Niigata area, where card usage is high at both Mitsukoshi and Isetan stores, in order to raise convenience for customers.



MICARD logo

## 4 Improve the business infrastructure

### (1) Efforts to strengthen in-store sales capabilities (integration of information systems, workflow and merchandising)

The Isetan Mitsukoshi Group, which comprises the two brands of Isetan and Mitsukoshi, intends to create a more effective and efficient operational structure by refining each brand, integrating policies and the framework to strengthen in-store sales capabilities, and jointly implementing programs and efforts towards standardization.

The Mitsukoshi Nihonbashi main store introduced a merchandising management division system in fiscal 2009 to establish integrated merchandising and sales functions. By delegating authority for all merchandising and sales to the sales division closest to the customer, the store aims to strengthen in-store sales capabilities through merchandise sales in addition to reinforcing customer relationships, an area in which Mitsukoshi excels. As a result, we can be closer than ever to the market and identify needs, thus enabling a faster response. We will extend the know-how accumulated at the main store to branch stores and support these branch stores by leveraging the influence of the main store.

With regard to cross-organizational merchandising measures, we are planning to unify summer and year-end gifts. We are also examining the possibility of introducing Unit Shops at Mitsukoshi branch stores, which have increased convenience for shoppers at Isetan branch stores, as a means to expand profitability.

As for systems based on business infrastructure that support the in-store sales workflow, preparations are underway for integration in April 2010.

### (2) Improvement of the Group's infrastructure (Integration of back office support, review of peripheral businesses)

We are promoting the elimination and consolidation of affiliates as part of efforts to improve the Group's infrastructure.

In fiscal 2008, we integrated systems and in fiscal 2009 we integrated logistics and personnel services subsidiaries. We plan to integrate and establish a building management company in fiscal 2010.

By integrating accounting functions, we can concentrate these operations into back office departments for increased efficiency and create a framework for the entire Group by fully utilizing our accumulated know-how.

We will also review the positioning of existing businesses, and develop and strengthen promising ones while promoting alignment and elimination from the viewpoints of customer needs, profitability and principles of competition.