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President and Representative Director

Aiming to be “my indispensable department store” for each individual customer throughout his or her life

Overview of Fiscal 2009

Conditions remained tough in the department store sector overall during the fiscal year ended March 31, 2010 (fiscal 2009). Consumers continue to show considerable restraint in their purchasing habits with an increased tendency to select low-priced items and economize. Amid this environment, the Isetan Mitsukoshi Group worked to develop foundations aimed at strengthening sales capabilities and enhancing business efficiency. To achieve this, we are making the best use of the strengths and management resources of Mitsukoshi, Isetan and each Group company toward the realization of our Group vision.

In the domestic department store business, we promoted a project to increase floor space at the Mitsukoshi Ginza store with the opening scheduled for September 2010. We also reorganized our regional store network by selecting and concentrating management resources and took steps to maximize the advantages of integration in shared areas. In the credit & finance business, we sought to enhance customer convenience and create highly profitable management foundations, which included accelerating the integration of card functions and infrastructure relative to initial plans.

Nonetheless, the market situation remained extremely difficult on

the whole, characterized by a significant decline in domestic consumption. As a result, consolidated net sales for fiscal 2009 amounted to ¥1,291.6 billion, a decrease of 9.5% from the previous fiscal year; operating income totaled ¥4.1 billion, down 78.7%; and recurring income was ¥19.7 billion, down 43.7%. A net loss of ¥63.5 billion was recorded for fiscal 2009 due to a variety of factors. In particular, losses associated with the implementation of Mitsukoshi's Second Life Support System (an early-retirement special support plan) and the termination of operations at certain Group stores in line with structural reforms, as well as a loss on impairment of property and equipment mainly at Mitsukoshi stores, were recorded as extraordinary loss for the fiscal year. In addition, Mitsukoshi, Ltd. recorded insufficient taxable income for fiscal 2009 owing to the implementation of structural reforms and made a reversal of deferred tax assets. In order to swiftly maximize the benefits of the management integration, we aggressively implemented broad structural reforms regardless of an unfavorable economic environment and executed strategic investment required for future growth. Despite these efforts, performance did not meet projections.

Overview of Three-Year Plan

Mitsukoshi, Ltd. and Isetan Co., Ltd. took a new step forward in establishing the jointly owned company, Isetan Mitsukoshi Holdings Ltd., on April 1, 2008. Mitsukoshi and Isetan have pursued business development under their own brands (store name) up to now. The strengths of both companies lie in the brands of each company and the customers who support these brands. We would like to advance together under one Group principle and become indispensable to our customers, with our focus on the department store industry. To this end, we aim to be “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.

Working to realize this objective, in November 2008, we formulated the Isetan Mitsukoshi Group Three-Year Plan, a medium-term business plan running from fiscal 2009 to fiscal 2011. Under this plan, we have implemented the following three basic policies.

Basic policy I : Clearly define the Mitsukoshi and Isetan brands and enhance brand value.

Basic policy II : Maximize customer satisfaction provided by each sales person in stores.

Basic policy III: Integrate business infrastructure.

In keeping with these policies, the Isetan Mitsukoshi Group has proceeded with the implementation of various measures as planned. These include preparing for large-scale remodeling at the three flagship stores in the Tokyo metropolitan area (Shinjuku store, Ginza store and the

Niombashi main store) and re-establishing the store structure (making preparations to convert regional Mitsukoshi stores into regional operating companies and promoting integrated store operations in the Niigata area in 2010). Other measures include strengthening and expanding our card strategy (unifying infrastructures) and improving the business infrastructure (making preparations to integrate systems while integrating overlapping businesses and business procedures).

Recent changes in the economic environment and customer values have exceeded our expectations. As such, we view it as a pressing task to respond to these changes under the Group's rolling Three-Year Plan (fiscal 2010 to fiscal 2012) formulated in November 2009. Rather than hasten toward simple price competitiveness, we have asserted our aim of being a leader in “high-quality markets.” We have devised and are implementing the following key strategies as a top priority to resolve the fundamental department store issue of not being able to provide merchandise of true value desired by customers at an appropriate price, while continuing to focus on basic policies executed to date.

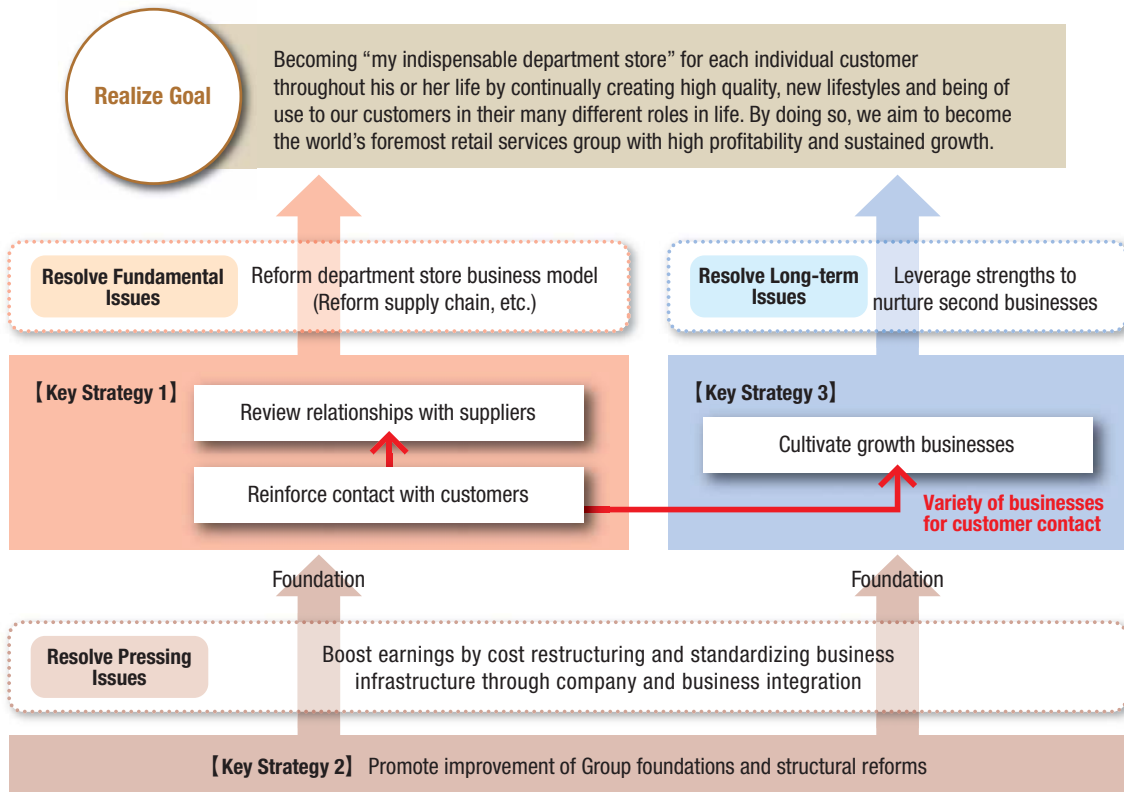
[Key Strategy 1] Reinforce contact with customers and review relationships with suppliers
(Reform department store business model)

[Key Strategy 2] Promote improvement of Group foundations and structural reforms (Increase profits and reduce costs by accelerating company and business integration)

[Key Strategy 3] Cultivate growth businesses (Expand department store business in Asia and expand card business)

Message from the Management

● Strategic Overview of New Three-Year Plan



Rather than mere scale expansion, the primary aim of the management integration of Mitsukoshi and Isetan is to maximize customer satisfaction. To achieve this, first we need to steadily and swiftly develop Group foundations and promote structural reforms based on a thorough corporate review. By doing so, we endeavor to ensure the capability to generate profits and gain the resources to reinvest going forward. We are currently working to develop foundations, including integrating operating systems and card functions, and promoting personnel growth through such initiatives as unit management and exchange programs. It is at this time that we believe we should establish a new transaction structure for our department stores. For that purpose, we are promoting a strategy to accelerate the integration of functions from both companies beyond initial plans. Although the investment burden is heavy, it is imperative from the standpoint of driving future growth.

Moving forward, the Isetan Mitsukoshi Group will work hard as a unified whole to raise the level of management by pooling the collective capabilities and assets cultivated by the two companies over the years and realize enhanced corporate value that is both sustainable and

perpetual. We will also strive to maximize customer satisfaction by raising the solutions we provide to an even higher dimension and secure resources for coming investments by using the profits gained from this to raise the bar even higher.

Japan’s department stores developed from kimono fabric shops, with customer relationships forming the basis of a unique business model that is unparalleled globally. By taking a strong interest in the different aspects of our customers’ lives, we can deepen ties and build trust and confidence. We believe that providing “lifetime value (throughout a customer’s life)” and bringing satisfaction is the starting point for success in a department store.

The Isetan Mitsukoshi Group will strive to further deepen relationships with customers and do our utmost to enhance the department store business. By doing so, we aim to be the world’s foremost retail services group with high profitability and sustained growth.

We ask for the continued support of our stakeholders.

July 2010

President and Representative Director