

“Multi Service Retailer” beyond the Framework of Retailing

We set the term of five years from fiscal year 2017 to fiscal year 2021 for the current Medium-term Business Plan when the big development projects launched under the FY 2014 to 2016 Medium-term Business Plan will be completed and they will generate revenue. Positioning the period as a turning point to drastically alter the course of the management toward realizing dramatic growth and discontinuous growth based on the new Group Vision, that

is, a “phase of the Group’s structural change,” we aim to achieve ROE of 8% in fiscal year 2021.

To this end, we will take a step forward from the past idea of a multifaceted retailer to expand into new business fields as a “Multi Service Retailer” beyond the framework of retailing while further accelerating our efforts to identify unprofitable business fields and aggressively promoting business reshuffle.

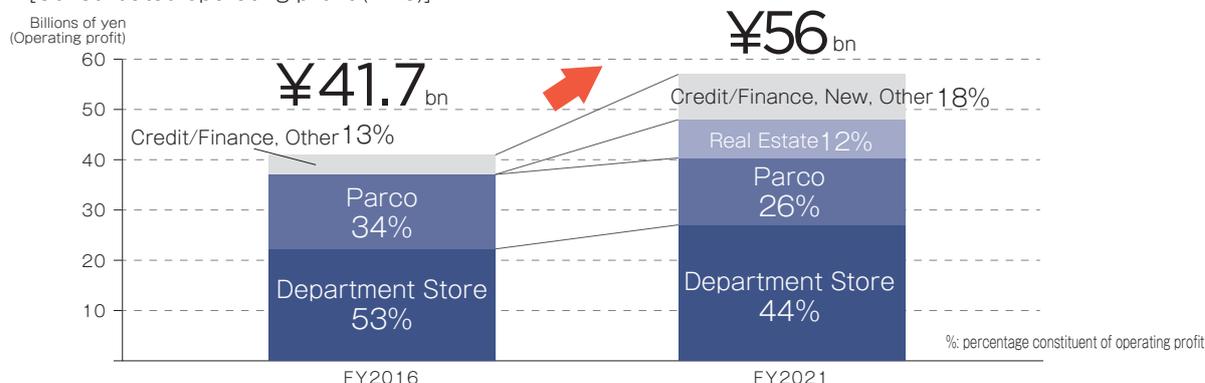
Application of International Financial Reporting Standards (IFRS)

For the purpose of implementing efficient management based on appropriate asset evaluation and managing our business with a focus on profit for the current period as well as strengthening accountability to domestic and overseas investors by improving the international comparability of financial information, we decided to voluntarily apply the International Financial Reporting Standards (IFRS) from March 2017. (Illustrated on page 58)

Idea on business portfolio

The “Real Estate Business” was newly added as a reportable segment from fiscal year 2017. We will decrease the share of the Department Store Business and the Parco Business, which represented almost 90% of operating profit of the Group, to around 70%, and instead, strengthen the Real Estate Business and expand new business fields to increase their share.

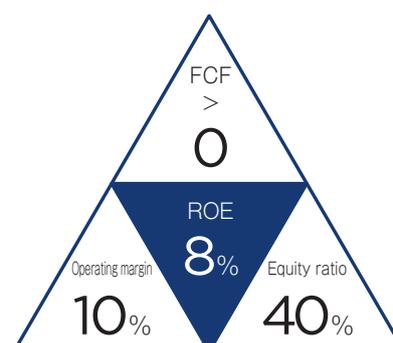
◆ Image for transforming business portfolio [Consolidated operating profit (IFRS)]



Quantitative management objectives (IFRS)

| ◆ Quantitative management objectives | FY2021 Target | FY2016 Results (approximate) |
|--|-----------------|------------------------------|
| Consolidated operating profit | ¥56 bn | ¥41.7 bn |
| Consolidated operating margin | 10.0% | 9.2% |
| Consolidated ROE (Profit to equity attributable to owners of parent ratio) | 8.0% or higher | 7.6% |
| Total FY 2017 to 2021 | | |
| Operating cash flow | ¥260 bn or more | |
| Capital investment / growth investment | ¥200 bn | |

◆ Financial strategy structure diagram



Growth strategy to change the Group structure

◆ Urban Dominant Strategy (strengthening of Real Estate Business)

We will further accelerate ongoing initiatives of the "Urban Dominant Strategy" to establish a business model for growing with local communities with our stores at the core. By enhancing the collaboration between the Real Estate Division, which was newly created in the Department Store Business, and the real estate development division of Parco as well as developing new commercial facilities including "Ginza Six" and the "new south wing of the Ueno store," which is scheduled to open in fall this year, and expanding leasable floor area, we will strengthen the Real Estate Business as a pillar of the segments of the Group.



Ginza Six

◆ Innovation of Parco Business

We will expand business fields for consumers seeking fulfilling urban lifestyles using Parco's specific strengths. We will evolve the store brand of Parco by "creating new Shibuya Parco" and enhance the appeal of urban stores by promoting a scrap-and-build approach for stores. Parco will strengthen its ability to produce commercial real estates such as Zero Gate and the Entertainment Business' ability to develop content. We will also develop business outside the company on a full scale.



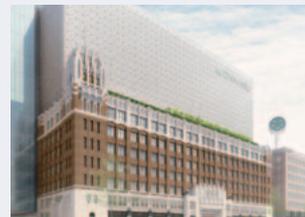
Artist's impression of Shibuya Parco

◆ ICT strategy

In order to cater to the "lifestyles in the IoT era when everything connects to the Internet," we will strive to improve profitability by strengthening e-commerce, reinforcing relations with customers using ICT and realize new businesses. And we will promote human resource

◆ Innovation of Department Store Business

Placing the strengthening of the ability to pull in more customers and the expansion of customer base at the heart of store strategy, we will strive to realize the Group Vision in anticipation of diversified customer needs. In order to transform our stores into the ones that provide attractive experience value, we will overhaul existing sales areas of our own curation, and thereby, introduce and expand newly curated sales areas as well as introducing a wide range of tenants that provide not just products but also experiences and services. In addition, the "Future Standard Laboratory" was created to promote open innovation.



Artist's impression of main building of Daimaru Shinsabashi store

◆ Expansion of new business fields

We will promote initiatives to expand business domain beyond the framework of retailing with the aim of realizing the new Group Vision. We will expand into new business areas including service fields in an effort to resolve the challenges facing customers, including families with small children, double-income families and seniors, and meet their needs. We will also expand the domain of highly efficient businesses with market growth potential, for which we can expect to use our resources, including the Credit and Finance Business, the staffing business and the design and construction business.



Strengthening of the business base that supports growth strategy

◆ The Group organization and human resource reform

We will commit to "developing human resources" and "revitalizing human resources and organizations," which will generate high added value, and actively promote the employment and use of external talents who have expertise as well as establishing a system in which people who take on challenges receive recognition and changing working styles so as to extract creativity.

◆ Strengthening of corporate governance

By transitioning to a company with three committees, we will strengthen the management oversight function, promote agile management and maintain and improve audit accuracy. We will strive to clarify the authority and responsibilities of the holding company and business subsidiaries and strengthen the Group governance. At the same time, we will strengthen the management personnel function with high transparency and objectivity and review and strengthen the internal control system.

◆ Renovation of the Group operation system

We will promote operation process reform centered on the use of ICT and paperless processing including the automation of operations using ICT and the computerization of accounting slips and payment. At the same time, with the aim of realizing working style reform to enhance productivity, we will improve the office environment by renovating internal and external communication tools.

◆ Promotion of CSR activities

We classify our CSR activities into subjects according to the international standards ISO 26000 including the "environment," "human rights," "labor practices," "business risks" and "community involvement" to promote initiatives for the sustainable growth of the Group and the medium- to long-term enhancement of corporate value. With the aim of achieving sustainable objectives such as "sustainable society," the "sustainable growth of society and business" and the "long-term enhancement of corporate value," we will engage in environmental and social activities.