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We Will Further Reinforce the Business Base toward Dramatic Growth as a Multifaceted Retailer.

In fiscal year 2016, which is the final year of the FY 2014 to 2016 Medium-term Business Plan, we will focus our efforts on the following challenges to achieve our consolidated operating income target of ¥50 billion as well as dramatic growth as a multifaceted retailer in fiscal year 2017 and beyond.

The first is “to drastically enhance competitiveness and profitability as a multifaceted retailer.”

In the core Department Store Business, we will try to create new growth markets by overhauling the sales floor configuration like already completed phase III renovation of the Matsuzakaya Nagoya store to adapt to market changes of respective stores while acquiring new customers and getting loyalty from them in collaboration with the Credit Business to expand our customer base. In the Parco Business, we will open the new Sendai Parco and Hiroshima Zero Gate II while actively renovating approximately 40,000 square meter sales floors of its existing stores. We will also create group synergy using the business expertise and customer assets of Senshukai, which was converted into an associate accounted for using equity method last May.

The second is to shape the “Urban Dominant Strategy” and expand the areas where it is implemented.

We will actively increase the appeal of the entire area with a store as its core and promote the establishment of a business model for growing with local communities. While shaping big projects including the Ginza 6-chome District Redevelopment Project, which is scheduled to complete construction next January and open the retail facility next April, the Rebuilding Project for the South Wing of the Matsuzakaya Ueno Store, the Rebuilding Project for the Main Building of the Daimaru Shinsaibashi Store, and the Udagawa-cho 15 Development Project whose main purpose is the rebuilding of the Shibuya Parco and making maximum use of the Group's resources and external companies, we will strive to make the areas more attractive based on them. We, as a group, would like to further develop the Urban Dominant Strategy in full scale, which includes the consideration of the development of the neighborhood of the department store in the Sakae district, Nagoya.

The third is the radical strengthening of department store's online sales toward the “promotion of omnichannel retailing.”

This fall we will implement the first phase of renewal of department store website and replace systems using Senshukai's e-commerce expertise. We will dramatically improve operations by renewing site design, overhauling user interface and order processing flow to enhance usability, and reducing delivery lead time. Furthermore, next spring the department store website will significantly expand its product range partly through integration with Click & Collect and make its grand opening.

In order to realize these initiatives, we believe it is more important to strengthen our corporate governance. Particularly, our focus will be on the strengthening of the operation of the Board of Directors based on the third-party assessment of the Board's effectiveness, the improvement of outputs using the knowledge of Outside Directors and Outside Audit & Supervisory Board Members, including the Group Vision, the Medium-term Business Plan and financial strategies, and the enhancement of transparent and objective management personnel function based on management personnel evaluation by the Human Resources and Remuneration Committee. Thus we will strengthen governance both “aggressively” and “defensively” to improve the quality of business activities.

Amid an increasingly severe business environment where fears of global economic slowdown and a sense of uncertainty about the future of the domestic economy are heightened, we will steadily and simply do what must be done now to fully meet these rapid changes and achieve tangible results. To this end, while seeking opportunities for further growth as a multifaceted retailer, we will ensure that our business activities thoroughly fulfill compliance requirements and corporate social responsibilities. And by earning the trust of society at large and contributing to society as well as ensuring legal compliance, we aim to develop the Group and will remain committed to sustainable growth and enhancing corporate value.

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