Terminate the Current Medium-term Plan and Formulate a New Medium-term Plan.

Terminate the current Medium-term Business Plan in fiscal 2020

In fiscal 2017, we launched our Medium-term Business Plan, which ends in fiscal 2021, with the aim of becoming a Multi Service Retailer that transcends the boundaries of the retail industry. We are working to expand our business domains

and transform our business model in existing businesses.

For expansion of business domains, we opened a luxury mall "Ginza Six" and "Ueno Frontier Tower," which is a



Ginza Six

complex commercial building with office functions, in 2017. Thus we were able to achieve dramatic growth in the Real Estate Business segment compared to the period before the current medium-term plan was launched.

In the Credit and Finance Business, we are strengthening our management foundation for medium-term growth by actively investing in specialist personnel. We are now ready to issue "new cards" in this fiscal year, which will be the key to our growth.

For changes in business model of existing businesses, we

opened the "main building of the Daimaru Shinsaibashi store" as an unprecedented, hybrid department store business model in September last year, and "new Shibuya PARCO," which

enables us to reach a wide range of customers with innovative tenant mix, in November.

However, not only the "pandemic risk" caused by COVID-19, but also the slump in

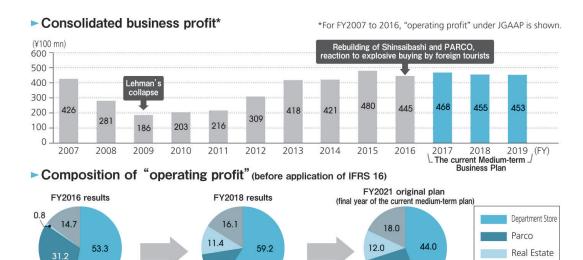


Main building of Daimaru Shinsaibashi store

Credit and Finance / Other

consumption beyond expectations triggered by the consumption tax hike, the sharp acceleration of the decline in the women's clothing volume market, and the decline in the competitiveness of urban core stores along with the decline in rural stores. Compared with when the current medium-term plan was formulated, the assumptions have changed on a larger "scale" and at a higher "speed" than expected.

For this reason, in fiscal 2020, it is inevitable that profit levels will decline significantly, and we will be slow to develop new businesses, which we expected to make a certain level of contribution to profits. Therefore, it will be extremely difficult for us to achieve our profit targets for fiscal 2021, the final year of the medium-term plan.



Need to rebuild structure to transform business portfolio

► Looking Back on the Current and Medium-term Business Plan

	Major Initiatives	Results/Progress	Challenge
Growth Strategy	Multi Service Retailer (expansion of business domain)	Launched childcare business Established JFR Kodomo Mirai, opened 1st facility Invested in only 2 companies to develop new businesses Developed direction for growth of JFR Card. Could not show the path to growth of J. Front Design & Construction and Dimples'	Realization of new businesses other than childcare area Review of structure and method of development of new business as a group Strengthening of HR base and investment of resources of J. Front Design & Construction and Dimples'
	Urban Dominant (development project)	 Promoted redevelopment projects Opened GINZA SIX, Ueno Frontier Tower, Daimaru Shinsaibashi and Shibuya PARCO 	 Spread of success factors of Daimaru Shinsaibashi and Shibuya PARCO to flagship stores
	Urban Dominant (real estate business)	 Expanded real estate rental business Renovated machiya as "Gion Machiya," "Blue Bottle Coffee Kyoto Cafe" and beauty & health "BINO" (Higashinotoin, Okachimachi) 	 Growth strategy of Real Estate Business after transfer to PARCO
	ICT (defense)	 Formulated Group IT governance Created IT governance definition, policy, regulations, rules Developed system for strengthening security 	 Employment of HRs specialized in IT from outside the Group and development of HRs in the Group
	ICT (offence)	 Created the Group integrated customer DB (LTS-Hub) Developed digital communication base using ICT Introduced department store smartphone app and gaisho SFA 	 Achievement using the Group integrated customer DB (LTS-Hub) Review of core systems
	Innovation of Department Store Business	 Promoted initiatives to enhance appeal of stores Appropriate women's wear area (down 30% vs FY2016) Total FY2017 to 2019: 7,492m² (down 15% vs FY2016) Newly curated sales areas (Kikiyococho, michi kake) Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya and Suma, closed Daimaru Yamashina 	 Creation of new value of existing stores (development of next generation merchandise/contents pursuing customer perspectives/insights)
	Innovation of PARCO Business	 Promoted change of store portfolio Opened Shibuya PARCO, Ueno PARCO_ya Expanded small commercial business by promoting development Opened ZERO GATE (Sannomiya, Kyoto, Harajuku) and SAN-A Urasoe West Coast PARCO CITY 	Creation of new value of existing stores (reform of store business by spreading success of Shibuya PARCO to other stores) Assessment of future growth potential of Retail Business (NEUVE A)
Reinforcement of Base	Strengthening of corporate governance	Strengthened the Group governance function Transition to Company with Three Committees (Nomination, Audit and Remuneration Committees) (FY2017) Strengthened oversight functions (Board of Directors) and execution function, improved accuracy of oversight Reviewed criteria for submitting agenda items to Board of Directors Evaluated effectiveness of Board of Directors Set management rules of Group companies Changed from "single-person audit" of Company with Audit & Supervisory Board to "organizational audit" Strengthened management HR function Evaluation of management HSs by third-party organization Started to operate new officer remuneration system	 Review of functions of holding company and operating companies after converting PARCO into wholly owned subsidiary Strengthening of governance function of each operating company Ensuring of diversity of management HRs
	Group finance strategy	 Raised awareness about investment recovery to achieve ROE Introduced phase management to manage underperforming companies Revitalized/withdrew from unprofitable businesses Sophisticated business management Introduced IFRS, applied new lease accounting Enhanced communication with investors IR by each business (department store, financial service, finance) 	 Formulation of capital policy and shareholder return measures to achieve ROE of 8% Clarification of linkage between ESG initiatives and operating revenue Review of management of revenue forecast Continuation/sophistication of business IR
	Group organizational/HR reform	 Employed specialized HRs (41 including 11 hired by "Mother Recruitment" program) Developed various systems based on new HR strategy (extension of retirement age, termination of transfer at 55, revision of retirement benefits/pension plan, time-limited support for career selection) 	 Employment/development of HRs specialized in IT, etc Effective posting at a group level
	ESG initiatives	 Identified materiality issues, formulated various policies such as Sustainability Policy, Eco Vision and Social Vision Set goals for 2030/2050 and prompted initiatives to achieve them Provided/disclosed information through ESG presentations, etc 	CSV initiatives Promotion of initiatives to enhance corporate value and increase market cap Achievement of goals through steady promotion Strengthening of information disclosure

Start the new Medium-term Business Plan in fiscal 2021

On the other hand, we have also seen an "important turning point" in the Group itself. It is conversion of Parco, a consolidated subsidiary, into a "wholly-owned subsidiary." Through this conversion, we are well prepared to build a system that will enable us to accelerate our efforts to maximize synergies by dynamic business structural changes and drastic personnel exchanges, which were impossible before. We believe this is a major positive factor for us.

Amid these major changes occurring in the external and internal environments, we have determined that, in order to realize the true "business portfolio reform" that we are aiming for, it is best to set directions based on ambitious

targets with a long-term perspective, revise the medium-term plan as an initiative that enables us to further demonstrate the Group's strengths, and reestablish it in a new system rather than implementing the current plan as it is within the current framework.

For this reason, the current medium-term plan will be terminated in fiscal 2020. In fiscal 2020, we will devote resources to solidifying the Group's foundations so that we can aim for higher performance from a medium- to long-term perspective, while factoring in risk to short-term performance as much as possible.

The new medium- to long-term plan will be built around the "medium-term three-year plan," which starts in 2021 next year, while quantitatively setting the 2030 goals using KPIs.