Results Presentation for Fiscal Year Ended February 28, 2019

April 9, 2019

J. Front Retailing Co., Ltd.
YAMAMOTO Ryoichi
President and Representative Executive Officer

Create and Bring to Life “New Happiness.”

J. FRONT RETAILING

Today's Agenda

I. FY2018 Results

II. Application of IFRS 16 and FY2019 Forecast

III. Progress of Medium-term Business Plan
and Future Initiatives

FY2018 Results (IFRS)

Consolidated P/L (IFRS)

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- Core Department Store and Parco struggled partly due to effect of natural disasters and prior costs and business profit decreased
- Operating profit decreased in reaction to gain on sales of real estate and shares of subsidiaries recorded in LY and loss on business liquidation recognized by Parco
- Annual dividend is ¥35 per share, up ¥2 compared to ordinary dividend excluding commemorative dividend of ¥2 in LY

(Millions of yen, %)

Fiscal year ended February 28, 2019	Results	YoY		Vs Oct forecast	
		Change	% change	Change	% change
Gross sales	1,125,153	(13,828)	(1.2)	(24,847)	(2.2)
Revenue	459,840	(10,075)	(2.1)	(15,160)	(3.2)
Gross profit	212,396	(539)	(0.3)	(4,204)	(1.9)
SGA	166,882	194	0.1	(218)	(0.1)
Business profit	45,514	(733)	(1.6)	(3,986)	(8.1)
Other operating income	3,237	(5,730)	(63.9)	537	19.9
Other operating expense	7,860	2,192	38.7	4,160	112.4
Operating profit	40,891	(8,655)	(17.5)	(7,609)	(15.7)
Profit attributable to owners of parent	27,358	(1,128)	(4.0)	(3,142)	(10.3)
Dividend per share (Yen)	(Annual) 35	*0	—	—	—

*Since annual dividend included commemorative dividend of ¥2 for the 10th anniversary of the founding of the Company in the previous year, annual dividend increased ¥2 in the current fiscal year compared to ordinary dividend in the previous year.

Segment Information (IFRS)

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- Department Store: In spite of strong spending by inbound tourists and the affluent, affected by unseasonal weather and increased system costs
- Parco: Sales of clothing and rural stores were sluggish. Reacted to strong performance of entertainment in LY
- Real Estate: Full operation of “Ginza Six” and “Ueno FT.” Transfer of shops around Daimaru Kobe store
- Credit and Finance: Revenue increased but costs increased due to strengthening of organization, card renewal and change of commission rate

(Millions of yen, %)

Fiscal year ended February 28, 2019	Business profit				Operating profit			
	Results	YoY		Vs Oct forecast	Results	YoY		Vs Oct forecast
		Change	% change	Change		Change	% change	Change
Department Store	25,154	(1,135)	(4.3)	(1,696)	24,194	(2,465)	(9.2)	(1,256)
Parco	8,723	(1,561)	(15.2)	(1,277)	5,445	(6,307)	(53.7)	(5,355)
Real Estate	5,062	2,242	79.5	462	4,664	533	12.9	504
Credit and Finance	2,338	(465)	(16.6)	8	2,360	(382)	(13.9)	10
Other	3,605	(885)	(19.7)	(1,625)	3,507	(1,237)	(26.1)	(1,733)
Total	45,514	(733)	(1.6)	(3,986)	40,891	(8,655)	(17.5)	(7,609)

Segment Information <Analysis of Operating Profit> (IFRS)

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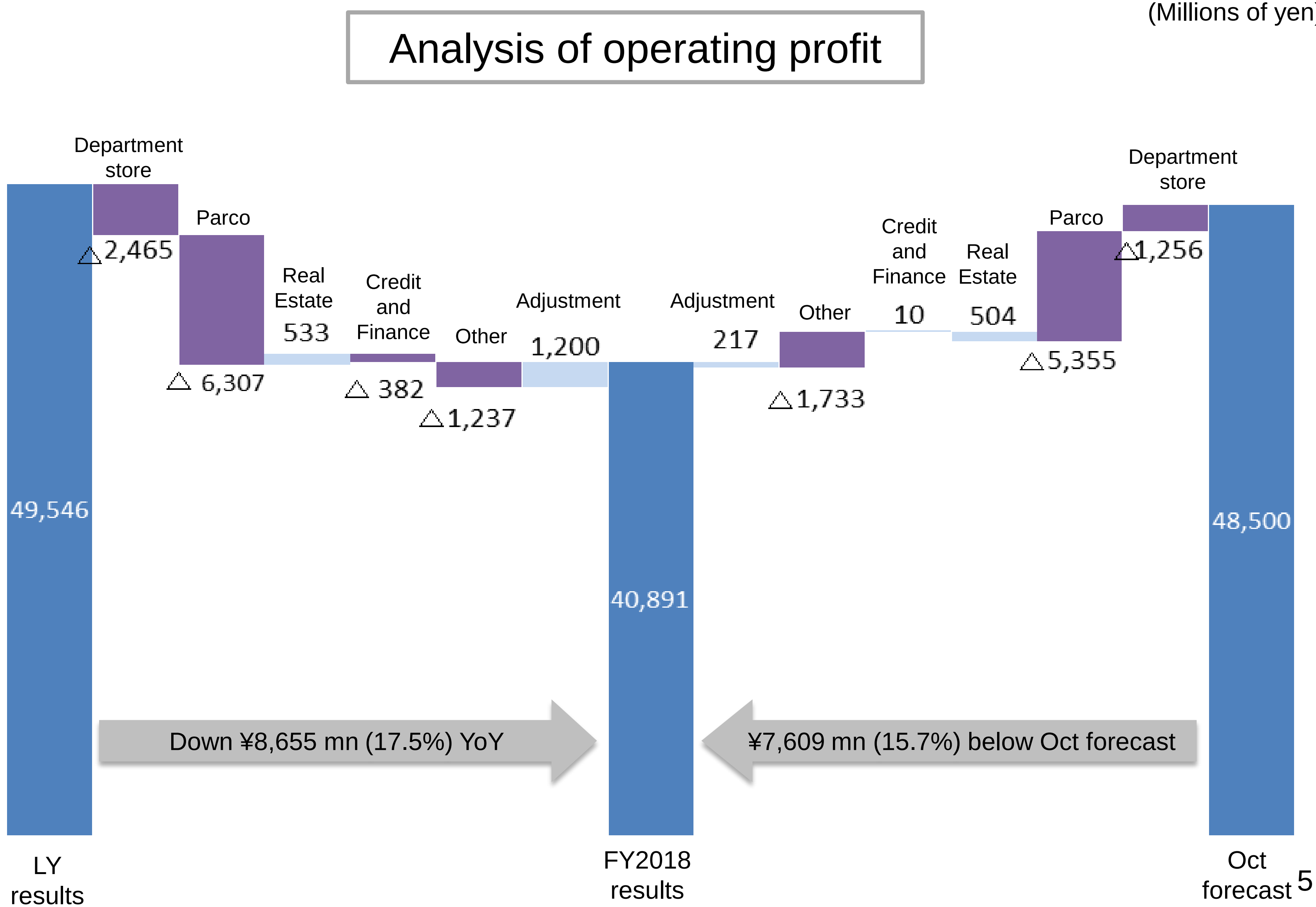
(Millions of yen)



Daimaru Matsuzakaya Department Stores P/L (IFRS)

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- Gross sales were affected by system costs and extra depreciation in spite of strong spending by inbound tourists and the affluent
- Department Store: Business profit decreased due to prior costs
  Real Estate: Remained strong with double-digit growth of profit
- Performance of Department Store below October forecast was greatly affected by natural disasters including typhoons and warm winter

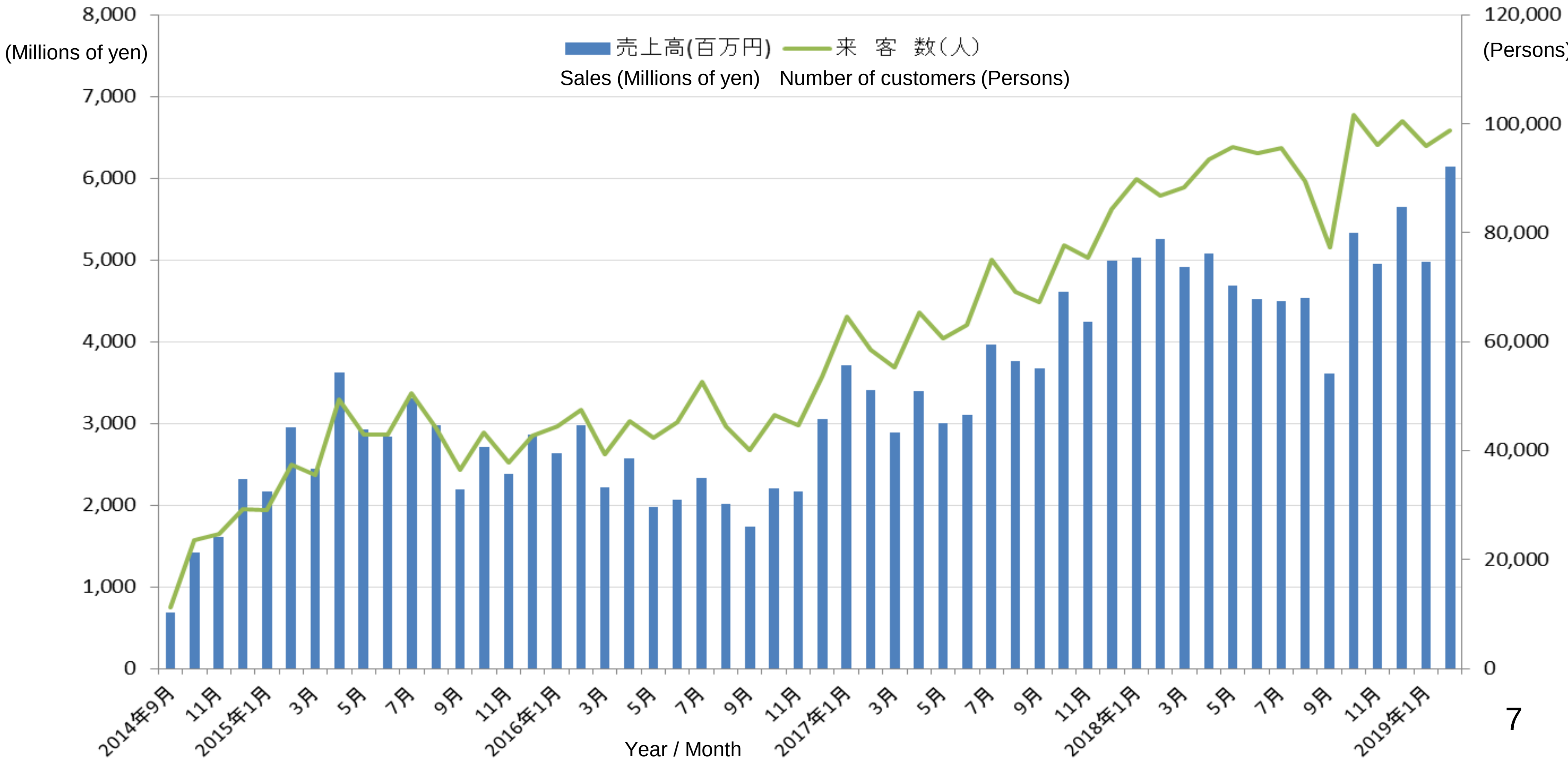
(Millions of yen, %)

Fiscal year ended February 28, 2019	Department Store			Real Estate			Daimaru Matsuzakaya Department Stores Total		
	Results	YoY % change	% change vs Oct forecast	Results	YoY % change	% change vs Oct forecast	Results	YoY % change	% change vs Oct forecast
Gross sales	663,523	0.6	(1.6)	17,148	25.0	0.3	680,428	1.1	(1.5)
Revenue	246,233	0.8	(1.9)	16,995	26.6	0.0	262,984	2.1	(1.8)
Gross profit	144,448	0.7	(1.3)	7,419	43.0	6.0	151,624	2.1	(0.9)
SGA	121,660	1.6	(0.2)	2,357	(0.5)	(1.8)	123,774	1.5	(0.2)
Business profit	22,787	(4.0)	(6.6)	5,062	79.5	10.0	27,849	4.8	(4.0)
Operating profit	21,864	(9.5)	(5.3)	4,664	12.9	16.6	26,529	(6.2)	(2.1)
Profit	16,154	(2.3)	(3.8)	2,425	(10.9)	21.3	18,579	(3.5)	(1.2)

Daimaru Matsuzakaya Department Stores
Trend of Sales to Inbound Tourists

- Temporarily decreased YoY due to typhoons in September and China’s new EC law in January but expanded cosmetics area and stronger promotion had a positive impact
- Tax-free sales were ¥58.8 bn, up 22.9% YoY, 8.9% of total sales of all stores

<Daimaru Matsuzakaya Department Stores tax-free sales and the number of customers>



*Gross sales basis

Daimaru Matsuzakaya Department Stores Spending by the Affluent

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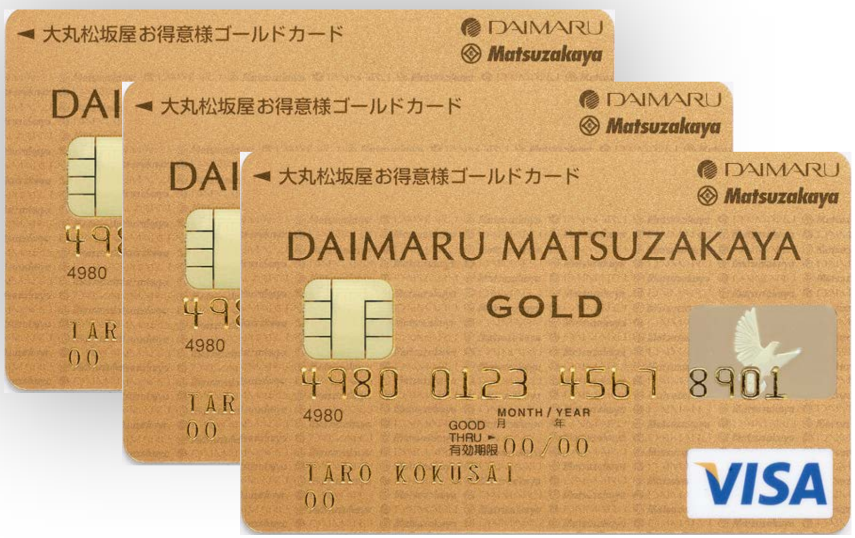
- Spending by the affluent remained strong, total *gaisho* sales of 9 flagship sales increased 1.8% YoY
- Stronger lineup of products that have high asset value and promotion using closed website had a positive impact
- In FY2018, newly developed 15,049 *gaisho* accounts, which generated sales of ¥11.9 bn

"Gold Card"
for *gaisho* customers



Daimaru Matsuzakaya Department Stores Initiatives for Women's Volume Zone Clothing

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- Reduced women's clothing area and instead created newly curated spaces
- Newly curated space "KiKiYOCOCHO" in Sapporo store performed well, up 55.5% compared to LY sales in the same location
- Larger "KiKiYOCOCHO" opened in Nagoya store in March. Brake on shrinkage of volume market in each store

Newly curated space in Nagoya store
"KiKiYOCOCHO"
Combining cosmetics, food and drink, and accessories

Daimaru Matsuzakaya Department Stores Trend by Store

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- Causes of sales slowdown in 2H are reduced operating hours / temporary closing due to natural disasters and sluggish sales of clothing due to warm winter
- Kobe store increased sales 1.1% YoY excluding effect of transfer of shops around it to Real Estate Business
- Daimaru Yamashina suburban store, which had performed poorly, closed on March 31, 2019

<Daimaru Matsuzakaya Department Stores major stores gross sales YoY % change>

Fiscal year ended February 28, 2019	1H	2H	FY
Daimaru Shinsaibashi	9.3	0.2	4.4
Daimaru Umeda	2.1	1.0	1.5
Daimaru Tokyo	3.1	2.6	2.8
Daimaru Kyoto	0.6	(0.6)	(0.0)
Daimaru Kobe*1	(4.4)	(5.5)	(5.0)
Daimaru Sapporo	4.4	1.3	2.7
Matsuzakaya Nagoya	1.4	1.2	1.3
Matsuzakaya Ueno	3.6	(0.6)	1.5
Matsuzakaya Shizuoka	(2.4)	0.4	(1.0)
Total all stores	1.4	(0.2)	0.6
Total existing stores*2	2.5	0.7	1.6

*1 Sales of the Daimaru Kobe store excluding effect of transfer of some shops around it to the Real Estate Business were up 1.0% in 1H, up 1.1% in 2H, and up 1.1% in FY.
*2 Existing stores exclude the Daimaru Urawa Parco store, which closed on July 31, 2017 and effect of transfer of shops around the Kobe store to the Real Estate Business.

Daimaru Matsuzakaya Department Stores Analysis of Operating Profit (IFRS)

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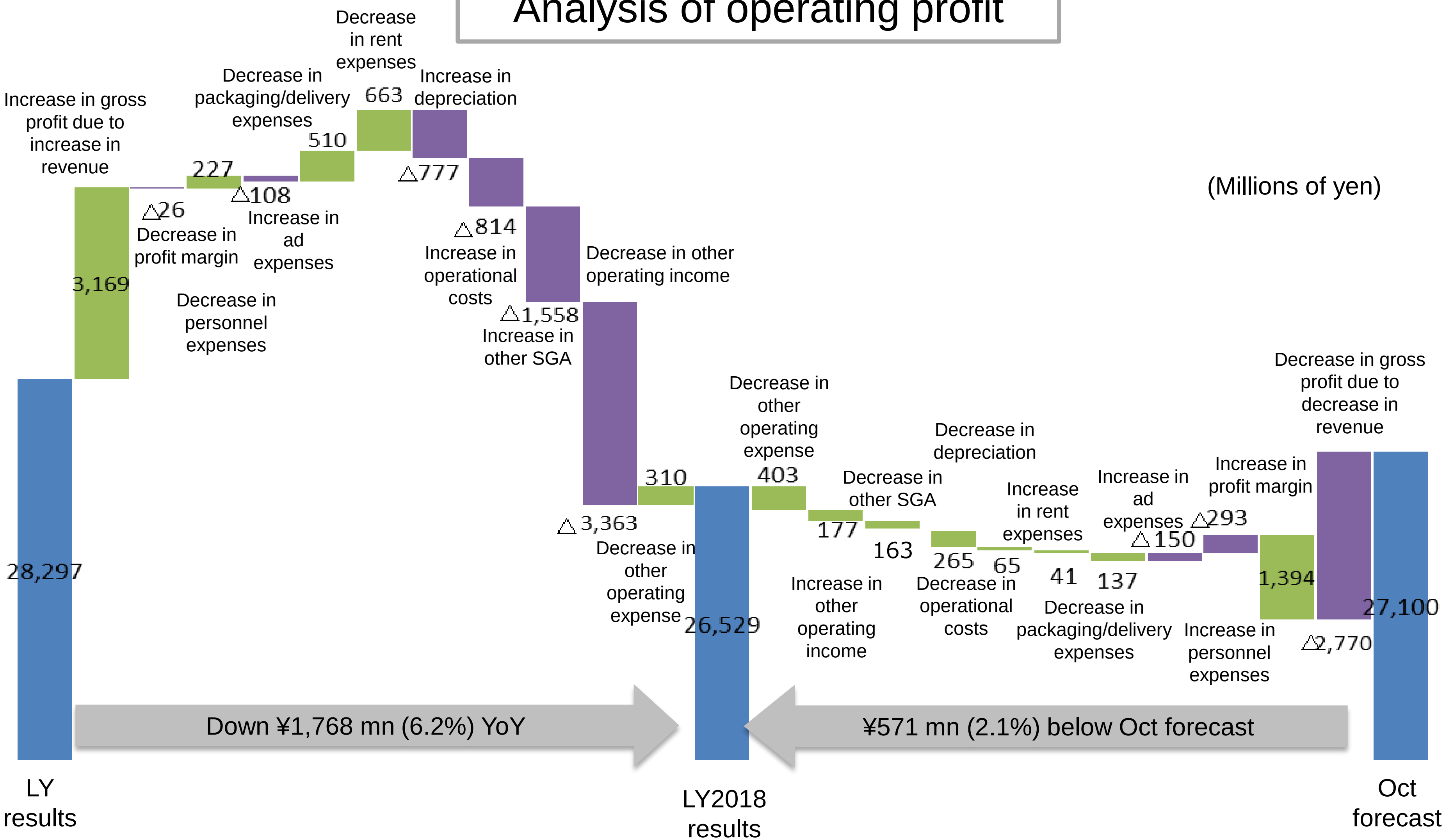
Analysis of operating profit

(Millions of yen)



B/S, CF (IFRS)

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- Equity attributable to owners of parent increased ¥17.1 bn to ¥412.7 bn, ratio of equity attributable to owners of parent was 40.1%
- Interest-bearing liabilities decreased ¥9.8 bn to ¥174.3 bn, D/E ratio was 0.42
- Operating CF was partly affected by absence of gain on sales of reserve floor area for redevelopment of Shibuya Parco recognized in LY

<Consolidated statements of financial position>

(Millions of yen, %)

Fiscal year ended February 28, 2019	Results	YoY change
Total assets	1,029,573	7,225
Interest-bearing liabilities	174,378	(9,824)
Equity attributable to owners of parent	412,700	17,181
Ratio of equity attributable to owners of parent	40.1	(RD) 1.4

(Ratio of equity to total assets)

<Cash flows>

(Millions of yen)

Fiscal year ended February 28, 2019	Results	YoY change
Operating cash flows	34,870	(22,209)
Investing cash flows	(26,836)	(7,806)
Free cash flows	8,033	(30,015)
Financial cash flows	(21,274)	9,774

Application of IFRS16 and FY2019 Forecast

Application of IFRS 16

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Operating leases kept off balance sheet under former IFRS are reported on balance sheet

Applicable to leased stores including “Daimaru Umeda store,” “Daimaru Tokyo store,” “Ikebukuro Parco,” and “Nagoya Parco”

Affect B/S, P/L, and CF

Key Impacts of Application of IFRS 16 (1) B/S

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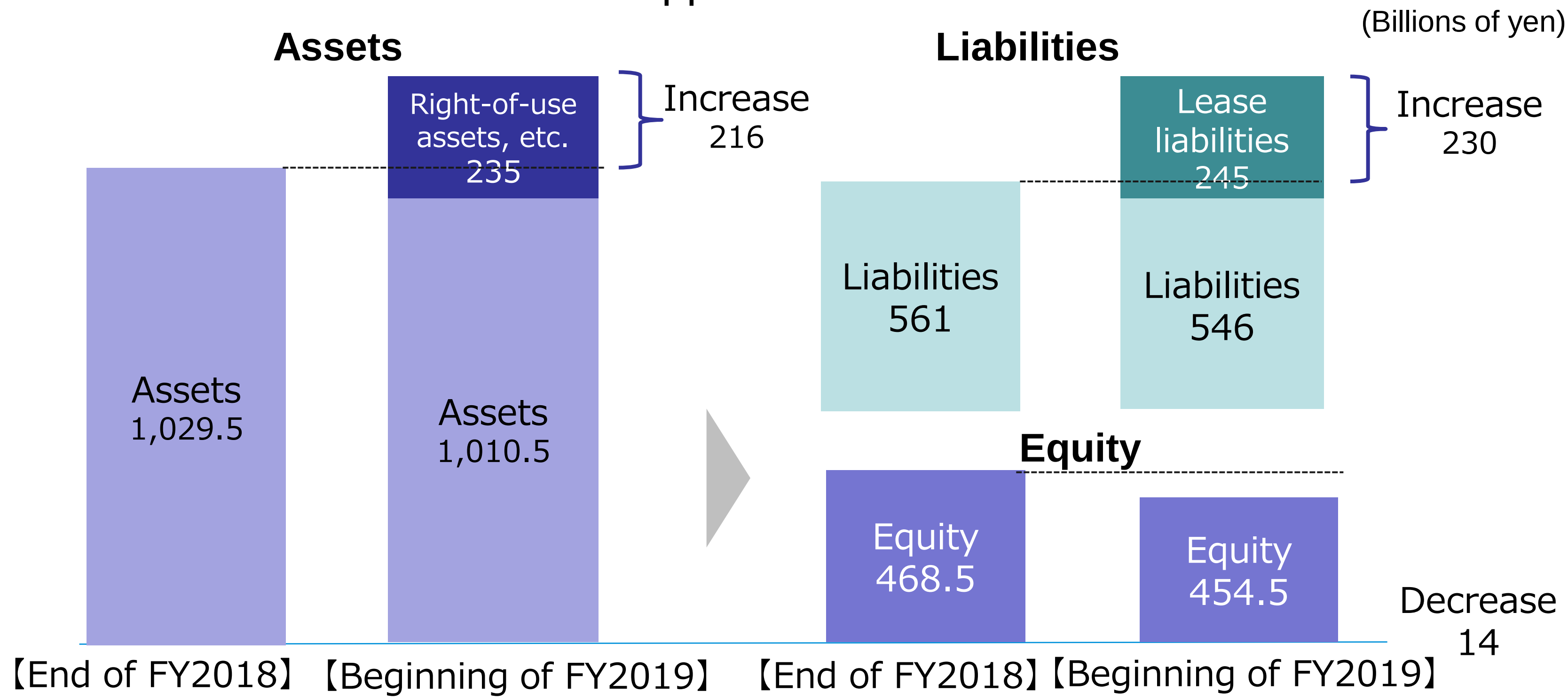
- Operating leases are recognized as right-of-use assets, consolidated total assets increase ¥216 bn, ROA and ratio of equity attributable to owners of parent decrease but ROE increases after application



＜End of FY2018 / Former standards＞

ROE	6.8%
ROA	4.0%
Ratio of equity attributable to owners of parent	40.1%

＜End of FY2018 / New standards＞

ROE	7.0%
ROA	3.3%
Ratio of equity attributable to owners of parent	32.2%

Figures at the beginning of FY2019 are estimates made before audit and may change in the future.

Key Impacts of Application of IFRS 16 (2) P/L

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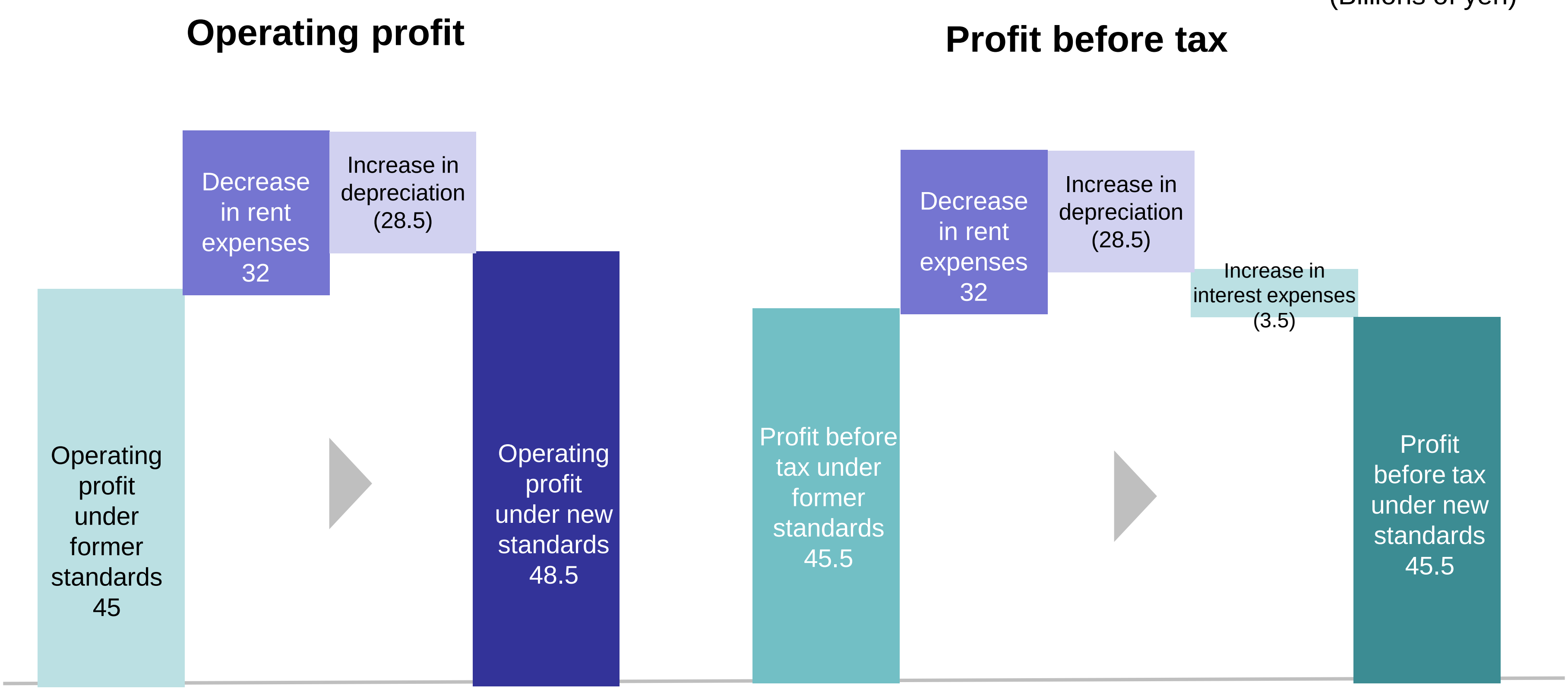
- Leases on balance sheet increase depreciation while decreased rent expenses increase operating profit ¥3.5 bn

(This increase is offset by increase in interest expenses and has little impact on profit before tax)

【FY2019 forecast】

(Billions of yen)

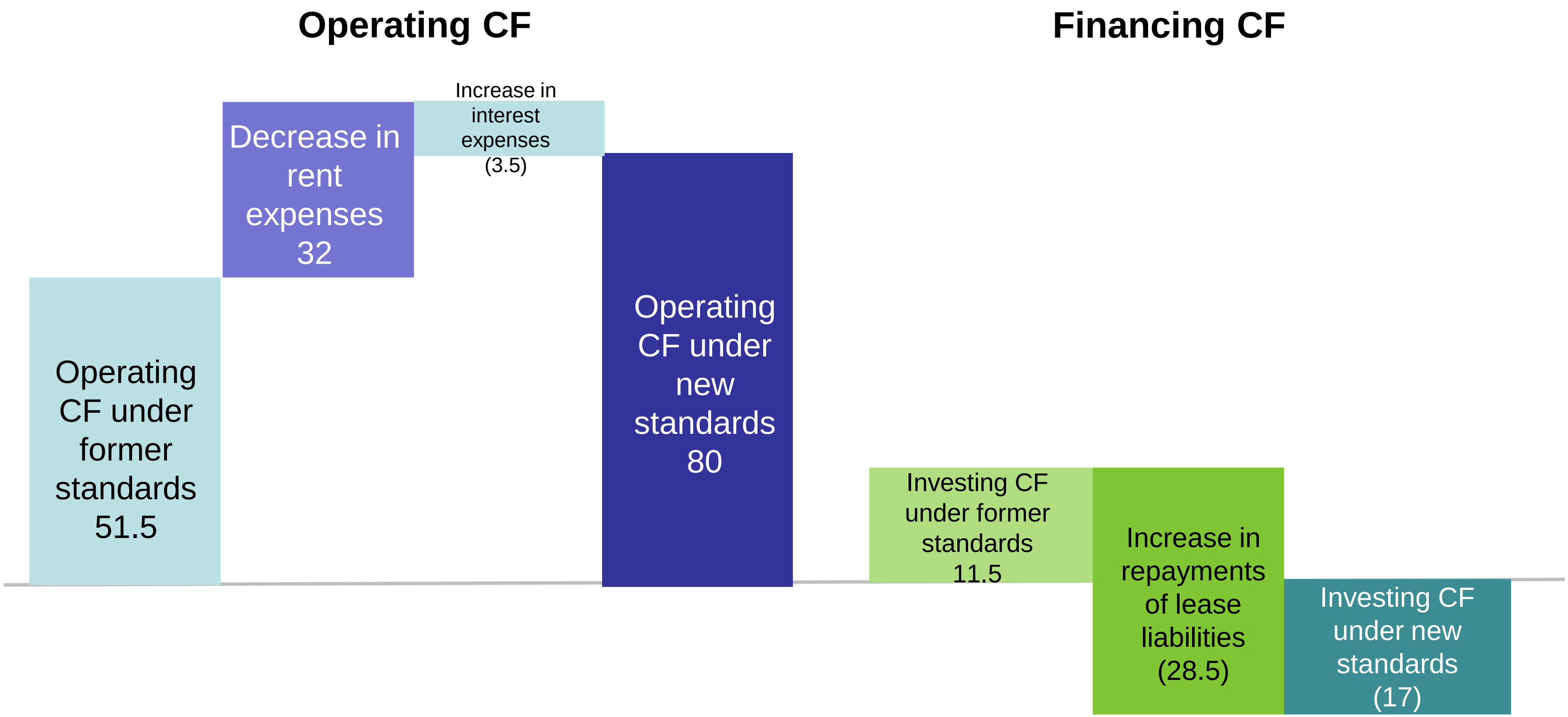


Key Impacts of Application of IFRS 16 (3) CF

- Rent expenses are replaced with non-cash depreciation, repayments of lease liabilities, and interest expenses. Accordingly operating cash flows increase and investing cash flows decrease.

【FY2019 forecast】

(Billions of yen)



FY2019 Business Environment Recognition

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The global economy seems to be at a “turning point” and uncertainty about the future is heightened

“Uncommon weather” occurs every year and is becoming “common”

Consumption tax hike planned in October 2019

Increasingly “polarized consumption” and “budget-minded consumer spending” are unavoidable

Social structure transformed by digitalization

Values shift from “possessing” to “sharing”

Positioning of FY2019

FY2019
Turn-around point of
“FY2017-2021 Medium-term Business Plan”

||

“Turning point”
for dramatic growth of the Group

Opening of Two Big Projects

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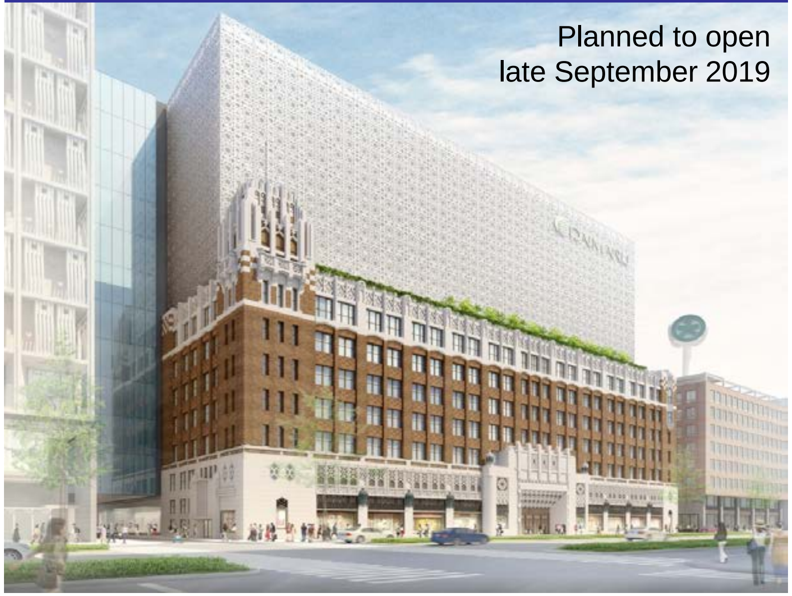
“Two big projects” as symbols of “turning point” will start operations

New main building of
Daimaru Shinsaibashi store



New Shibuya Parco

Show direction of “new business model” of retail for the future

Increase Revenue and Profit in Spite of Many Cost Increase Factors

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(－) Two big projects' contribution to profits will be limited because both will open in 2H

(－) Upward pressure on costs on various occasions against backdrop of labor shortage and rising material costs

(－) Rising costs for reinforcement of infrastructure supporting increasing digitalization and future growth

(＋) Expansion of gross profit

(＋) HR structure reform by changing business model

(＋) Overhaul of all operation processes and work style reform

The Group will put all efforts to increase revenue and profit

Consolidated P/L Forecast (IFRS 16)

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- Gross sales and revenue will increase in each segment such as Department Store and Parco
- Profit will increase under former standards as well as increase due to application of IFRS 16
- Planning annual dividend of ¥36 per share, up ¥1 YoY, 9th consecutive ordinary dividend increase

(Millions of yen, %)

Fiscal year ending February 29, 2020	1H forecast	YoY		Full year forecast	YoY	
		Change	% change		Change	% change
Gross sales	557,000	9,891	1.8	1,188,000	62,847	5.6
Revenue	229,000	1,794	0.8	500,000	40,160	8.7
Gross profit	106,300	1,350	1.3	218,000	5,604	2.6
SGA	82,300	1,622	2.0	168,500	1,618	1.0
Business profit	24,000	(271)	(1.1)	49,500	3,986	8.8
Other operating income	1,100	(554)	(33.5)	3,400	163	5.0
Other operating expense	1,500	(207)	(12.2)	4,400	(3,460)	(44.0)
Operating profit	23,600	(618)	(2.6)	48,500	7,609	18.6
Profit attributable to owners of parent	13,800	(2,110)	(13.3)	28,000	642	2.3
Dividend per share (Yen)	(Interim) 18	1	—	(Annual) 36	1	—

Segment Information Forecast (IFRS 16)

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- Department Store: Boosted by strong spending by inbound tourists and the affluent, store renovation, and close-out sale of north wing
- Parco: Boosted by opening of Shibuya Parco / Kinshicho Parco, renovation of major stores, and anniversary project
- Real Estate: Costs will increase due to transfer of north wing of Shinsaibashi store to Real Estate Business segment after opening its main building

(Millions of yen, %)

Full fiscal year ending February 29, 2020	Business profit			Operating profit		
	Forecast	YoY		Forecast	YoY	
		Change	% change		Change	% change
Department Store	28,500	3,346	13.3	26,000	1,806	7.5
Parco	10,500	1,777	20.4	12,700	7,255	133.2
Real Estate	4,400	(662)	(13.1)	3,600	(1,064)	(22.8)
Credit and Finance	1,980	(358)	(15.3)	2,000	(360)	(15.3)
Other	4,870	1,265	35.1	4,830	1,323	37.7
Total	49,500	3,986	8.8	48,500	7,609	18.6

Daimaru Matsuzakaya Department Stores Forecast P/L (IFRS 16)

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- Gross sales: Up 1.1% YoY in Department Store, up 4.4% YoY in Real Estate
- In spite of additional costs such as operational costs for introducing terminal for payment processing before customers and ad expenses for introducing mobile app, costs will decrease due to decrease in rent expenses after application of IFRS 16 and progress of HR structure reform
- Real Estate will increase costs due to transfer of north wing of Shinsaibashi store to Real Estate Business segment after opening its main building

(Millions of yen, %)

Fiscal year ending February 29, 2020	Department Store			Real Estate			Daimaru Matsuzakaya Department Stores Total		
	Forecast	YoY change	YoY % change	Forecast	YoY change	YoY % change	Forecast	YoY change	YoY % change
Gross sales	670,500	6,977	1.1	17,900	752	4.4	688,100	7,672	1.1
Revenue	247,700	1,467	0.6	17,700	705	4.1	265,100	2,116	0.8
Gross profit	145,200	752	0.5	7,800	381	5.1	152,700	1,076	0.7
SGA	119,200	(2,460)	(2.0)	3,400	1,043	44.2	122,300	(1,474)	(1.2)
Business profit	26,000	3,213	14.1	4,400	(662)	(13.1)	30,400	2,551	9.2
Operating profit	23,700	1,836	8.4	3,600	(1,064)	(22.8)	27,300	771	2.9
Profit	15,750	(404)	(2.5)	1,550	(875)	(36.1)	17,300	(1,279)	(6.9)

Daimaru Matsuzakaya Department Stores Forecast by Store

- Shinsaibashi store will decrease revenue in 2H because 65% of new main building, which will open late September, will be operated under fixed-term lease
- Expect all flagship stores to increase revenue but carefully forecast rural/suburban stores
- Attract inbound tourists, hold events for the affluent, etc. to counter consumption tax hike planned in October

<Daimaru Matsuzakaya Department Stores major stores gross sales YoY % change>

Fiscal year ending February 29, 2020	1H	2H	FY
Daimaru Shinsaibashi	5.9	(2.2)	1.8
Daimaru Umeda	1.8	3.8	2.9
Daimaru Tokyo	2.4	2.2	2.3
Daimaru Kyoto	2.1	3.2	2.7
Daimaru Kobe*1	(0.9)	1.3	0.2
Daimaru Sapporo	3.4	3.5	3.4
Matsuzakaya Nagoya*2	1.1	0.9	1.0
Matsuzakaya Ueno	0.9	5.8	3.3
Matsuzakaya Shizuoka	1.5	1.4	1.5
Total all stores	1.1	1.0	1.1
Total existing stores*3	2.1	1.8	1.9

*1 Sales of the Daimaru Kobe store excluding effect of transfer of some shops around it to the Real Estate Business will be up 1.3% in 1H, up 2.4% in 2H, and up 1.9% in FY.

*2 Sales of the Matsuzakaya Nagoya store excluding effect of change of the 2nd floor of its south wing to be operated under lease will be up 2.3% in 1H, up 1.7% in 2H, and up 2.0% in FY.

*3 Sales of existing stores exclude effect of transfer of shops around the Kobe store and operation of the 2nd floor of the south wing of the Nagoya store under lease and sales of the Daimaru Yamashina store, which closed on March 31, 2019.

Daimaru Matsuzakaya Department Stores SGA Forecast (IFRS 16)

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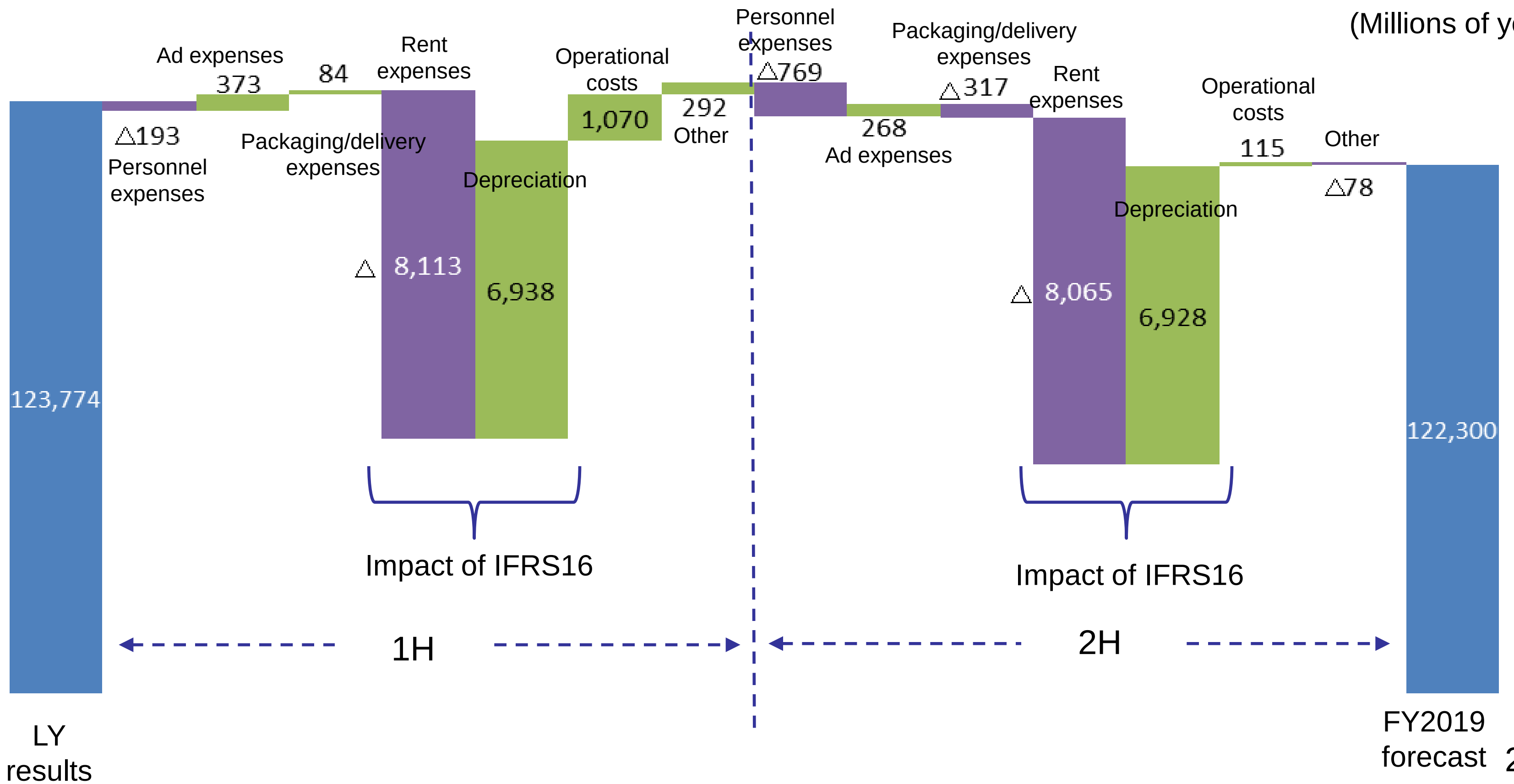
- Operational costs will increase ¥1.1 bn YoY due to renewal of POS systems and introduction of terminal for payment processing before customers
- Ad expenses will increase ¥0.6 bn due to opening of new main building of Shinsaibashi store and introduction of mobile app
- Personnel costs will decrease ¥0.9 bn due to HR structure reform and rent expenses will significantly decrease due to application of IFRS 16

<FY2019 Daimaru Matsuzakaya Department Stores SGA changes forecast>

(Millions of yen)



B/S and CF Forecast (IFRS 16)

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- Balance sheet and cash flows will greatly change due to application of IFRS 16
- Total assets will increase ¥243.4 bn YoY due to recognition of right-of-use assets on balance sheet
- Interest-bearing liabilities will increase ¥259.6 bn YoY partly due to recognition of lease liabilities
- Investing outflow will increase ¥32.1 bn partly due to opening of new main building of Shinsaibashi store and Shibuya Paco

<Consolidated statements of financial position>

(Millions of yen, %)

Fiscal year ending February 29, 2020	Forecast	YoY change
Total assets	1,273,000	243,427
Interest-bearing liabilities	434,000	259,622
Equity attributable to owners of parent	420,000	7,300
Ratio of equity attributable to owners of parent	33.0	(RD) (7.1)

(Ratio of equity to total assets)

<Cash flows>

(Millions of yen)

Fiscal year ending February 29, 2020	Forecast	YoY change
Operating cash flows	80,000	45,130
Investing cash flows	(59,000)	(32,164)
Free cash flows	21,000	12,967
Financial cash flows	(17,000)	4,274

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Progress of Medium-term Business Plan and Future Initiatives

Progress of Business Portfolio Transformation

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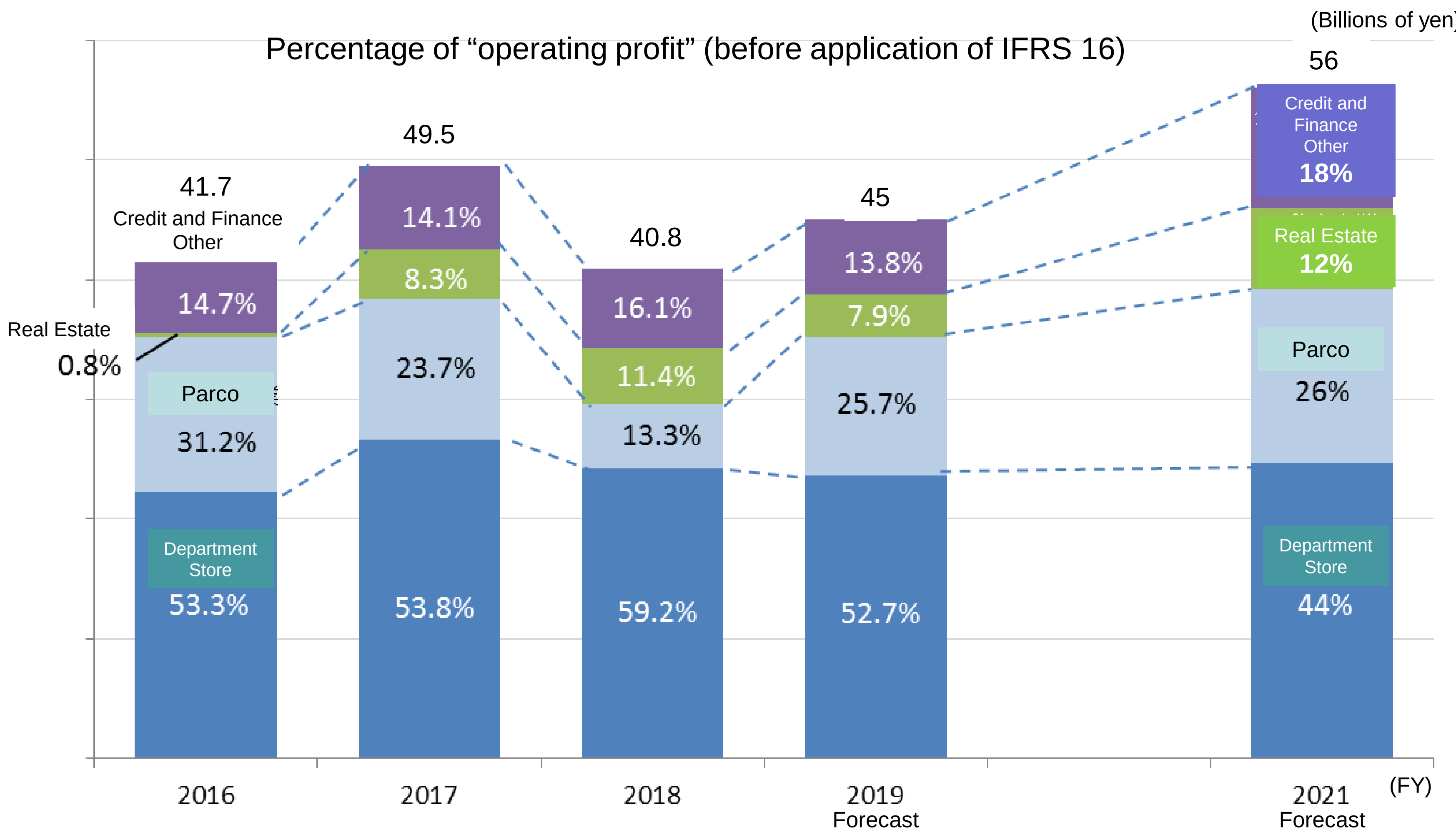
- "Real Estate Business" is growing steadily with opening of "Ginza Six" and "Ueno Frontier Tower"
- Parco Business reports loss on business liquidation in FY2018 due to decision to close Kumamoto Parco and Utsunomiya Parco



Future Progress of Medium-term Business Plan

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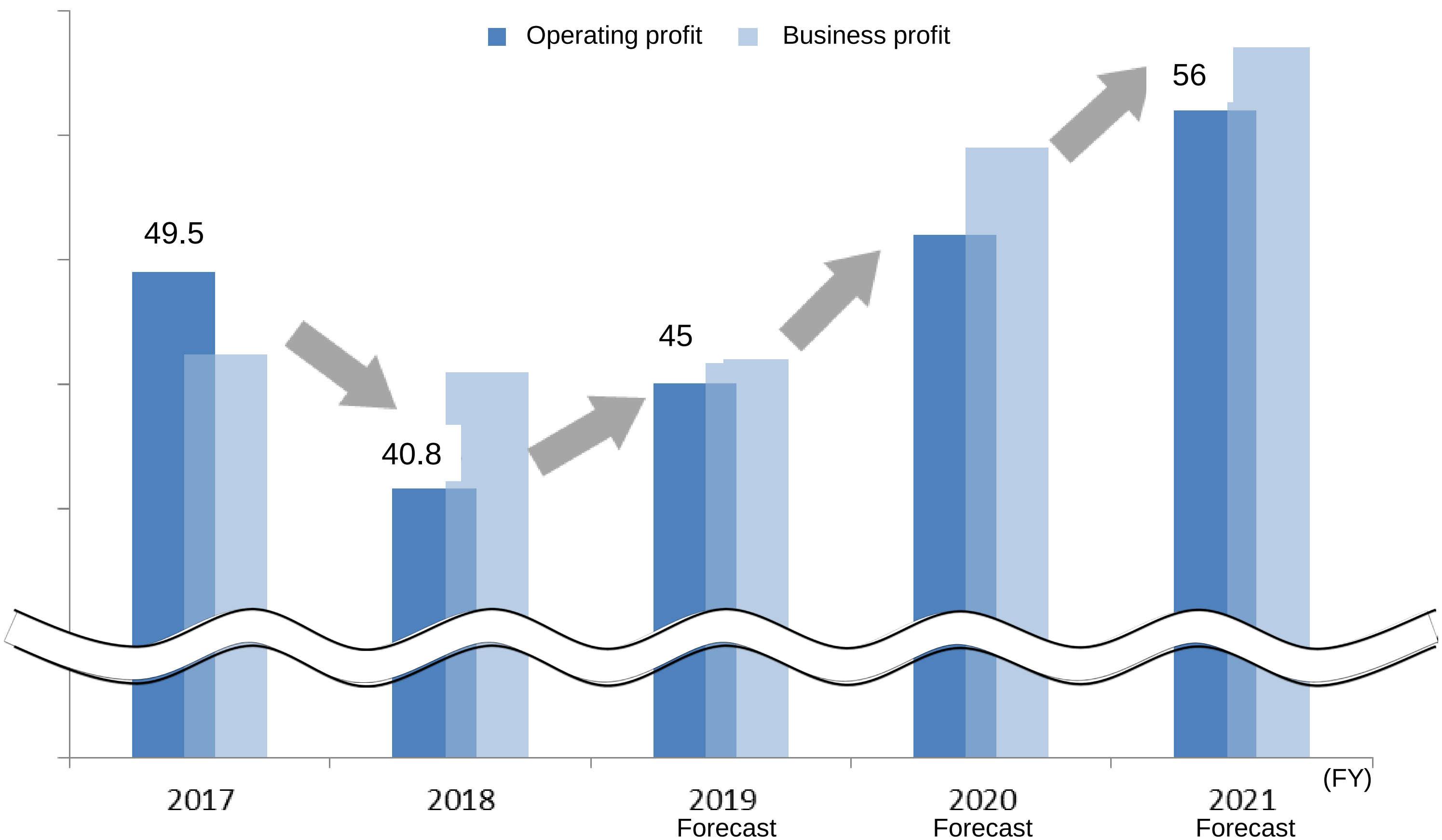
- “Business profit” hit bottom in FY2018 and profit growth curve will accelerate toward final FY2021
- FY2020: New main building of Shinsaibashi store and Shibuya Parco will be fully operated
  Credit and Finance Business will reverse its course
- FY2021: North wing of Shinsaibashi store and Shinsaibashi Parco will open
  Real estate Business will grow steadily

“Operating profit” growth curve forecast (before application of IFRS 16)

(Billions of yen)



Initiatives for Growth Strategy

I. Innovation of Department Store Business Model

II. New Openings Including New Shibuya Parco

III. Expansion of Real State Business Segment

IV. Credit and Finance Business Strategy

V. ICT Strategy

Innovation of Department Store Business Model

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Opening of new main building of Daimaru Shinsaibashi store (late September 2019)

- Create new store incorporating beauty of Vories' architecture throughout the store and combining "tradition" and "innovation"
- Create new commercial space providing physical store's unique "experience value"
- Cater to a wide range of customers as well as strengthening services to the affluent and inbound tourists to whom sales are already strong

*The photo is for illustrative purpose only.

<Store concept>

Delight the World

Globally adored Shinsaibashi

☐ Greatly increase floor space and number of brands of luxury, cosmetics, *depachika* (department store basement food floor) and drinking/eating

☐Cosmetics zones on some floors in addition to main floor

☐ About half of *depachika* and drinking/eating are new brands
Merchandising combining product sale and drinking/eating conscious of experience-based consumption

☐ Revise traditional store planning such as composition by gender/item and actively introduce new brands

… Details will be released around summer

Department Store with Unprecedented Structure

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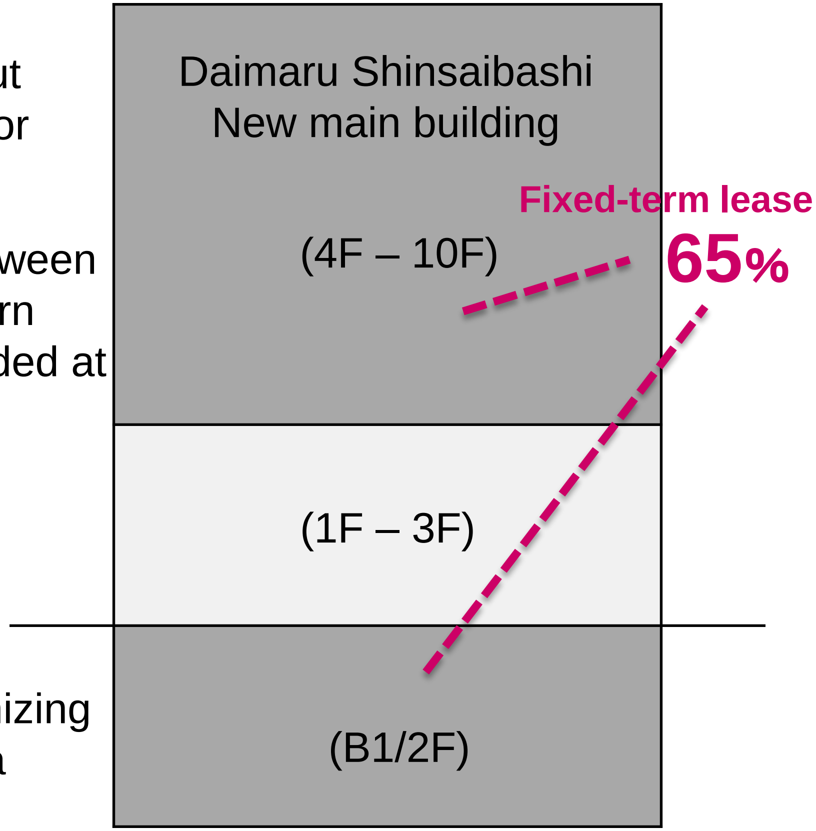
"Hybrid" business model

- Completely seamless from customer perspective but fixed-term lease accounts for about 65% of total floor area
- Build hybrid business model optimizing balance between *kaitori* (Products are purchased on a no/limited return basis.), *shoka shiire* (Purchase of products is recorded at the time of sale.), and fixed-term lease

Apply the results obtained to other stores by customizing them to suit the characteristics of the store/area



Complete Commercial Complex with More Than 80,000 ㎡ Floor Area in 2021

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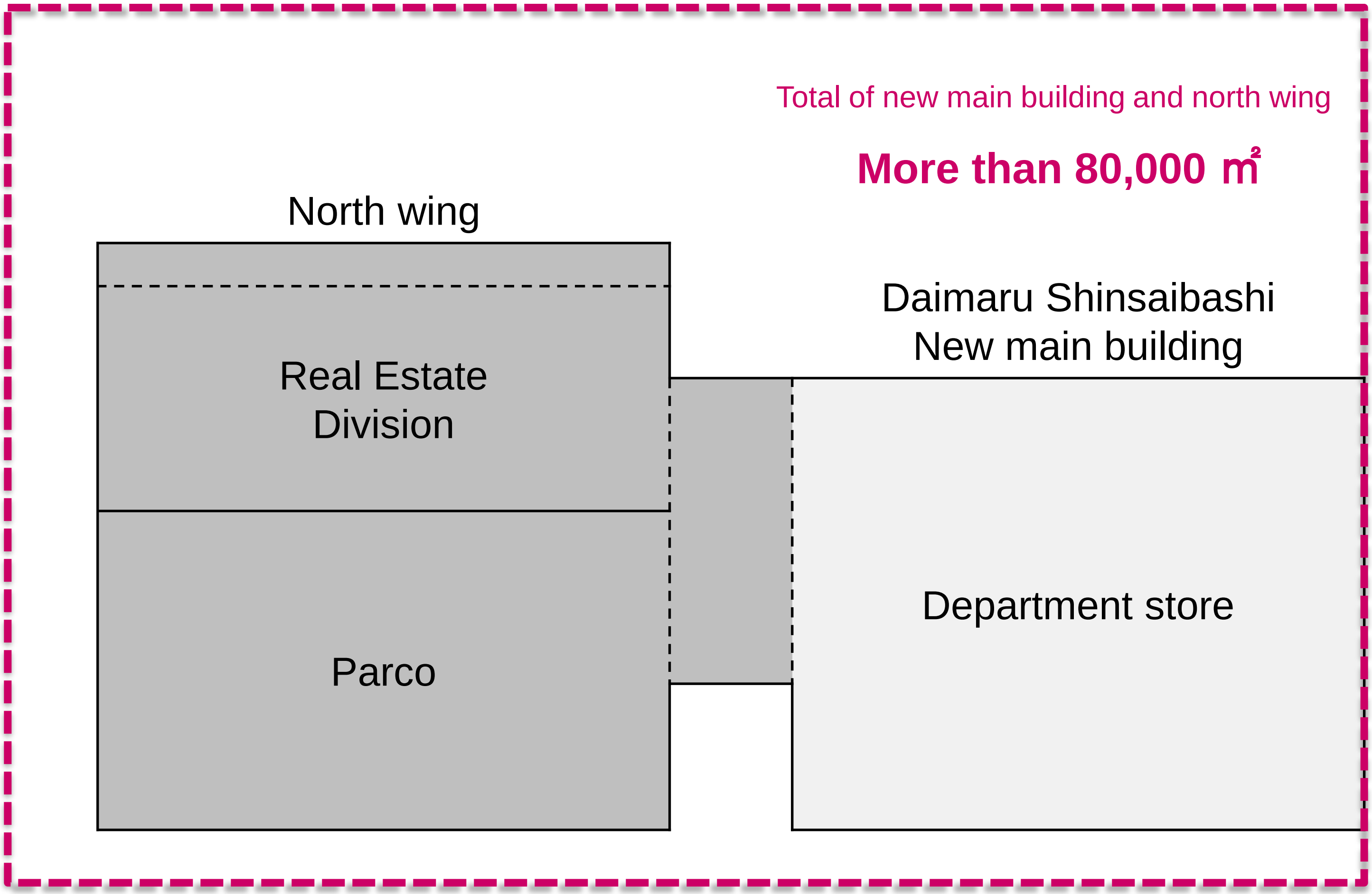
- Open new north wing with “Parco” as core tenant in spring 2021
- Create commercial complex with more than 80,000 ㎡ floor area by connecting new main building and north wing as one



New Phase of Customer Strategy

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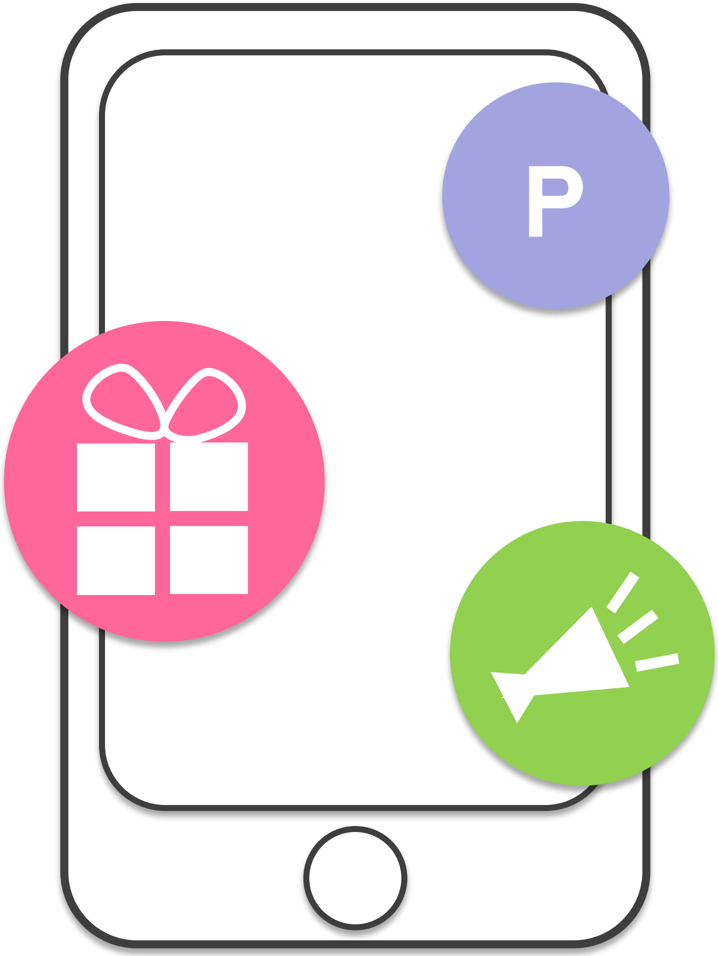
- Expand customer touch points and deepen CRM activities using mobile app

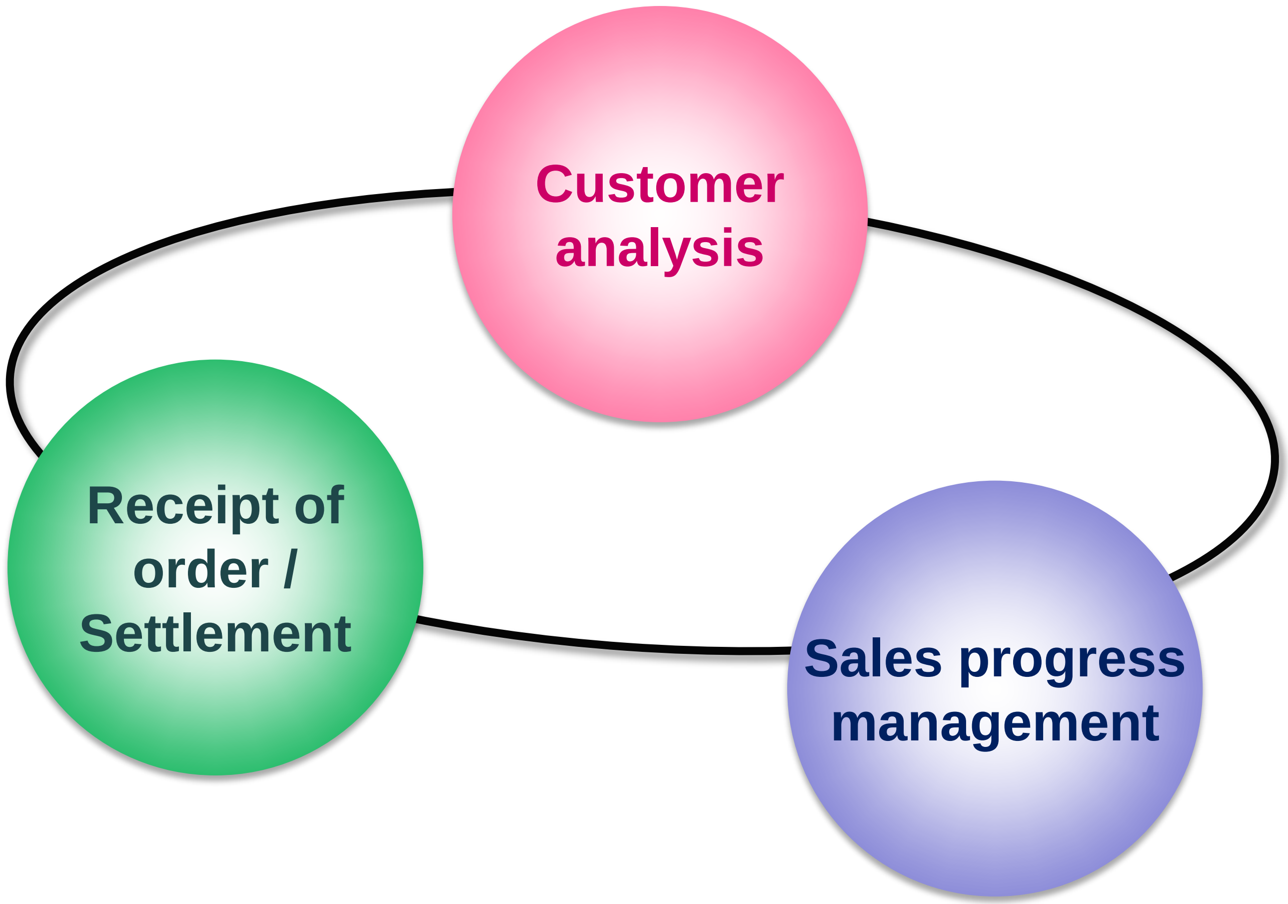
- Install communication function as well as promotion function and point giving function

*Demonstration test is going on at Daimaru Tokyo store
Planned to be released at all stores around early summer



Advance *Gaisho* Activities Using ICT

- Introduced new ICT tool (SFA) in March 2019
  Increase productivity by digitalizing operation processes in an organized manner



"Next-generation Commercial Space"
New Shibuya Parco

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- Rebuilding using special urban renaissance district and redevelopment project
- Open Japan's first "Nintendo Tokyo" and increase experience-based contents by expanding Parco Theater, etc.
- Deepen Parco brand by re-proposing fashion and creating future-oriented store using ICT

≪Creation of new Shibuya Parco≫

■Create next-generation commercial space by rebuilding Shibuya Parco

■Bring together new initiatives that have never been applied to conventional shopping complexes to provide evolved values such as "growth opportunities for business owners" and "new inspiration for urban consumers"

・Increase opportunities to newly connect with companies through multi-use complex building
・Create advanced tenant services in anticipation of developments in e-commerce
・Partnership on creation of Shibuya Entertainment City, expansion of soft content
・Increase Parco brand's global presence

Promote Scrap-and-Build Policy

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- Open “Kinshicho Parco,” “San-A Urasoe West Coast Parco City,” “Kawasaki Zero Gate,” etc. while decided to close Utsunomiya Parco and Kumamoto Parco
Promote scrap-and-build actions

San-A Urasoe West Coast Parco City

Kawasaki Zero Gate

Kinshicho Parco

Promote Urban Dominant Strategy

Key areas for promoting Urban Dominant strategy

Shinsaibashi

Ueno

Nagoya

Kobe

Kyoto

(Example) Urban Dominant Strategy of Nagoya Area

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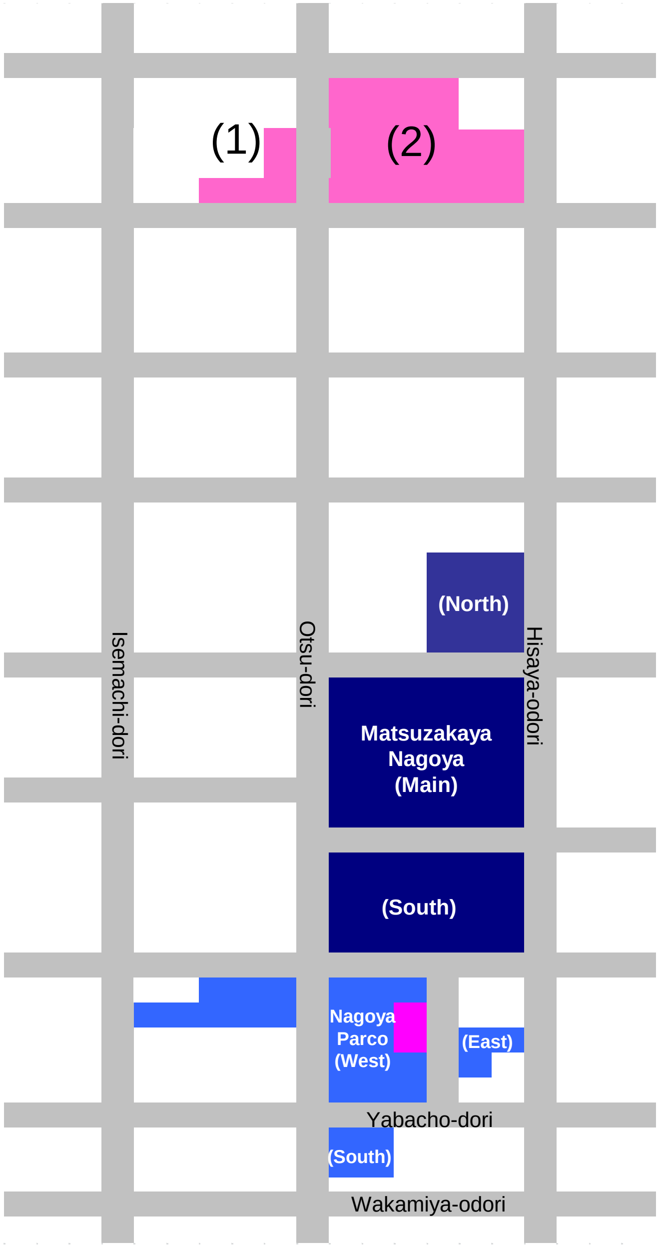

“Nihon Seimei Sakaemachi Building” (provisional)･･･(1)

- 2 underground floors, 6 aboveground floors, total floor space of 6,343 m^2
- Master-leased by Daimaru Matsuzakaya Department Stores for commercial development
- Planned to open in November 2020

Development of Nishiki 3-chome District 25 ･･･(2)

- Daimaru Matsuzakaya Department Stores and Nagoya City concluded basic agreement in January 2019 to mutually cooperate in developing the land owned by them
- Planned to complete construction and open in 2024

Promote Urban Dominant strategy for growing with local communities in each key area

Credit and Finance Business Strategy

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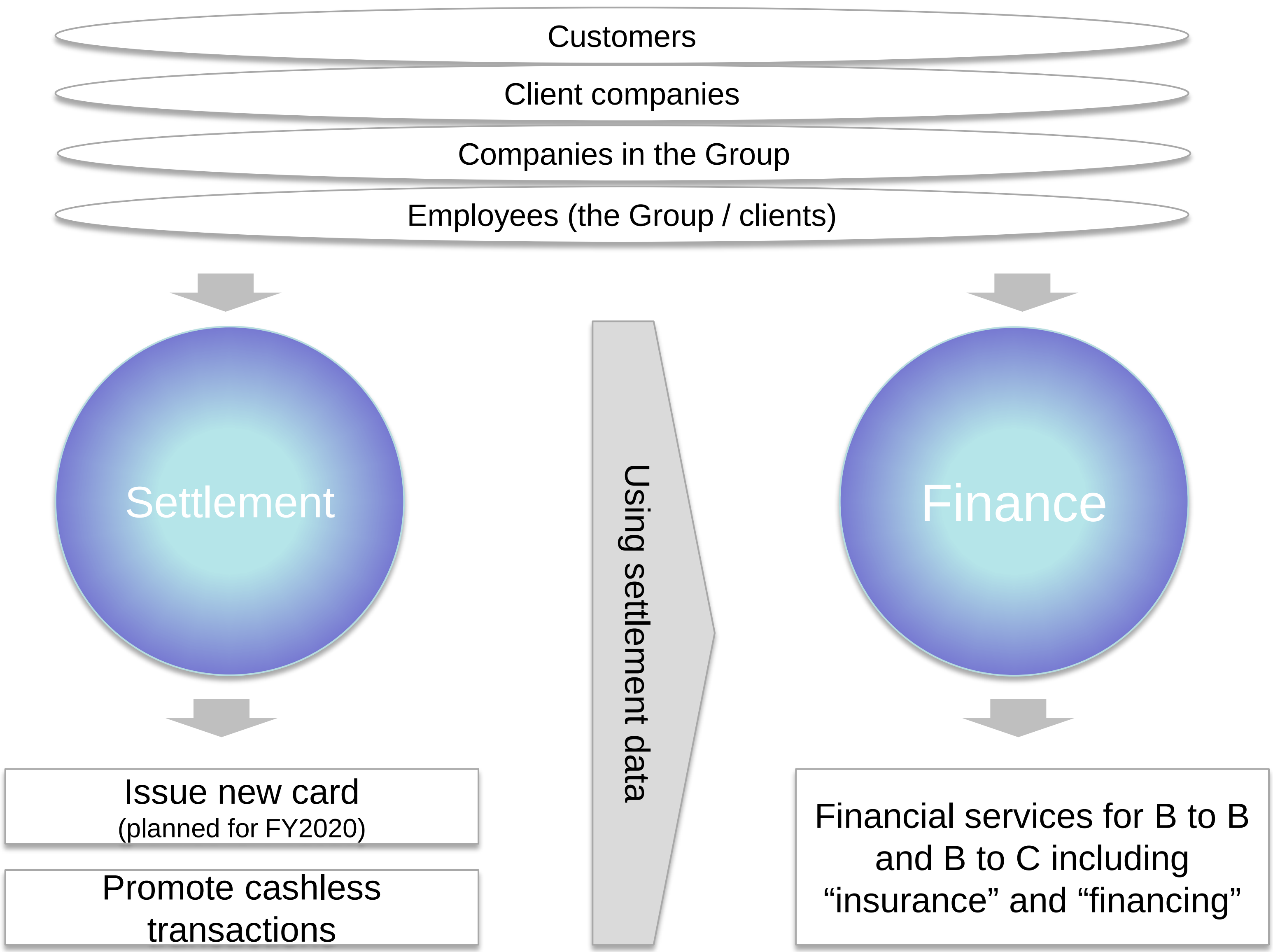
The Group's transaction value of more than ¥1 trillion and good customer assets as strengths



Credit and Finance Business Strategy

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Promote employment of highly professional HRs well versed in settlement/finance
Strengthen organizational structure to speed up implementation of business strategy

=

Preceded by personnel and other costs until FY2019

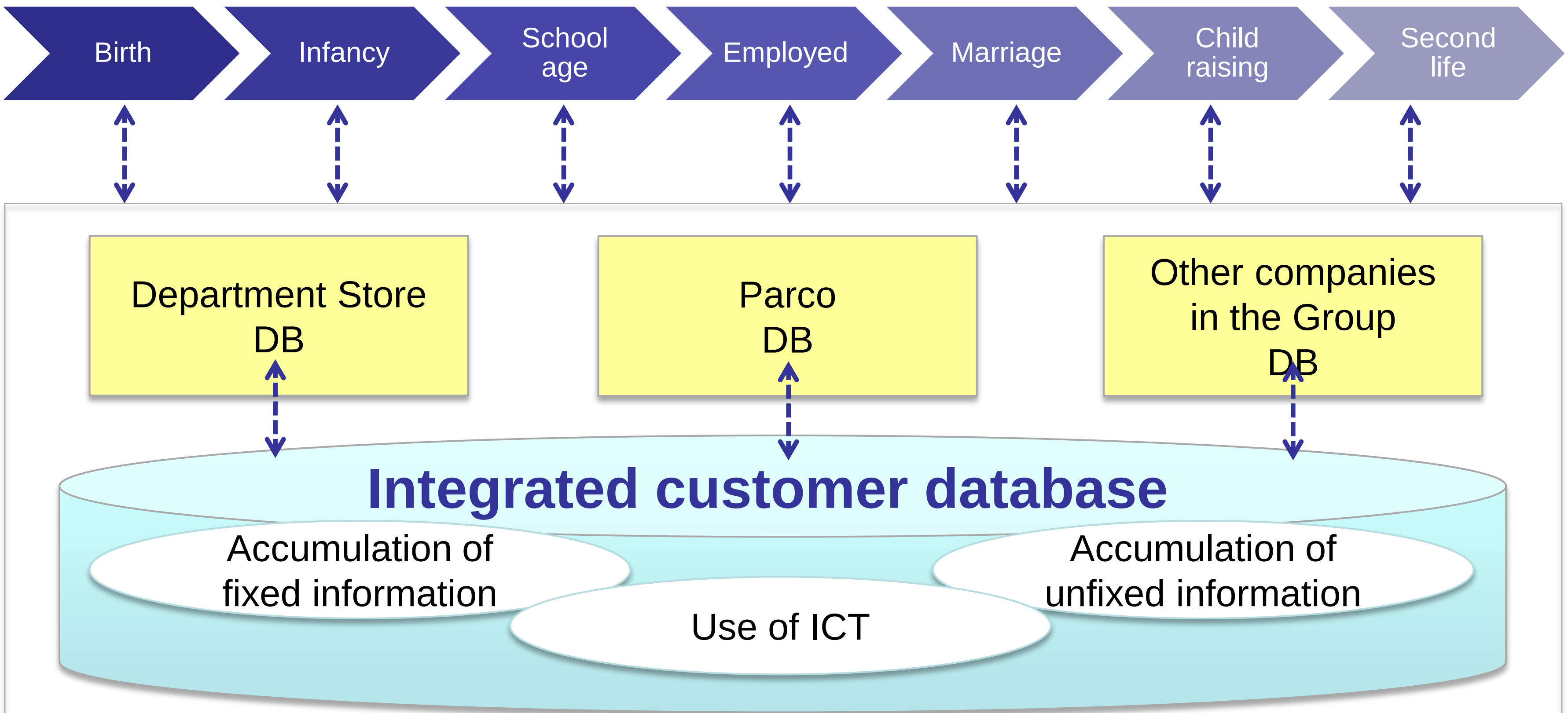
Profit will increase from FY2020 onwards

Medium-term growth as one of the Group's pillars by expanding business scope in "finance" and "settlement"

Concept of “Lifetime Service Hub” (LTS-HUB)

～ “Era of 100-year life expectancy” ～

Provide new products and services to relieve customers’ “frustrations” and “concerns” on various occasions and milestones for their entire lives beginning from birth



Schedule of LTS-HUB Concept

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FY2019

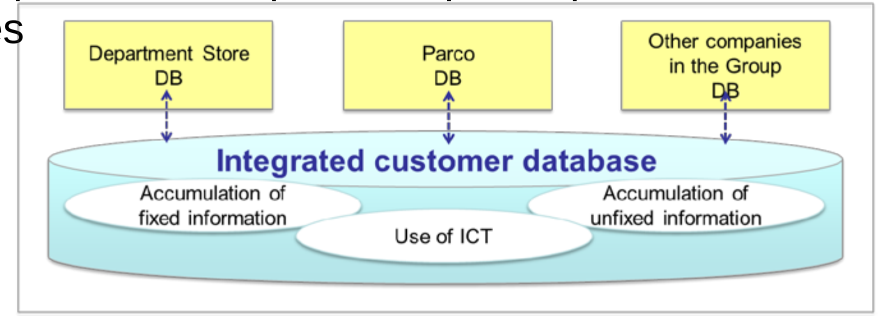
- Accumulate new information collected by Department Store in integrated DB
  Start demonstration test of using chat at Daimaru Umeda store and test the potential of conversation data

FY2020

- Expand into Parco and other companies in the Group, integrate and centralize DB as the Group
  Group-wide upgrading of data

FY2021

- Group-wide full-scale operation
  →Expand opportunities to provide optimal products/services, develop new businesses



Strategic Investment

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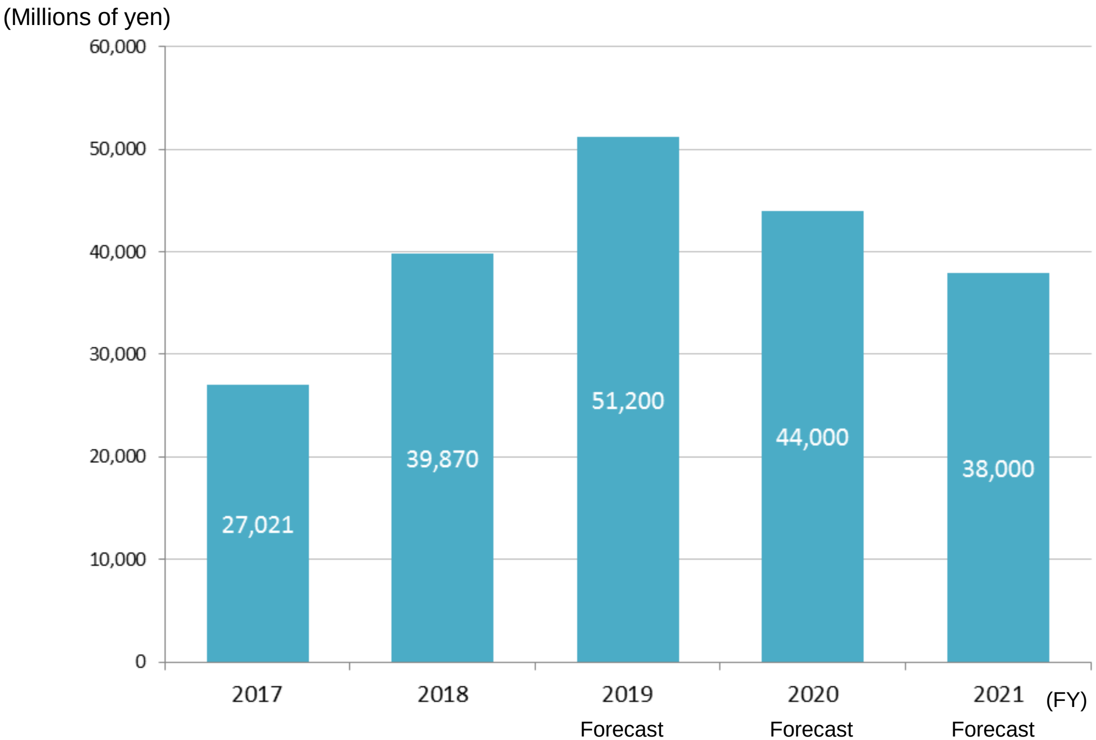
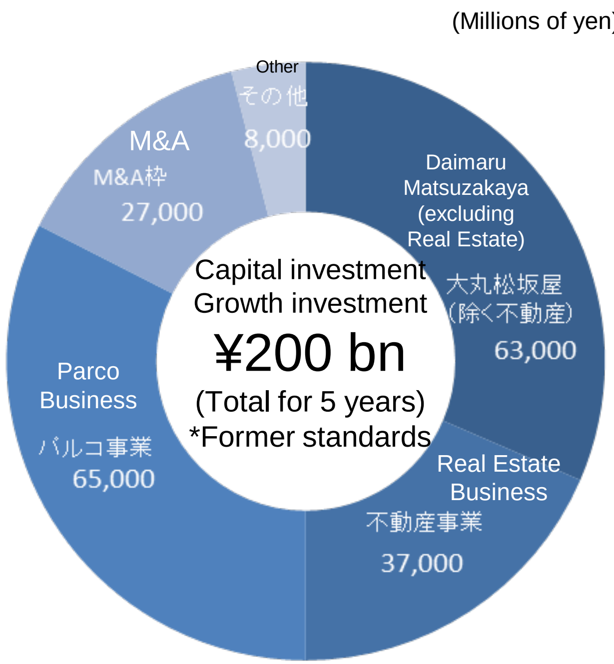
- Capital investment will peak in FY2019, and subsequently free CF will turn significantly positive
- “Investment Project Review Committee” properly judges investment matters from both quantitative and qualitative perspectives

<Forecast of capital investment and share by business segment>





Balance-oriented Capital Policy

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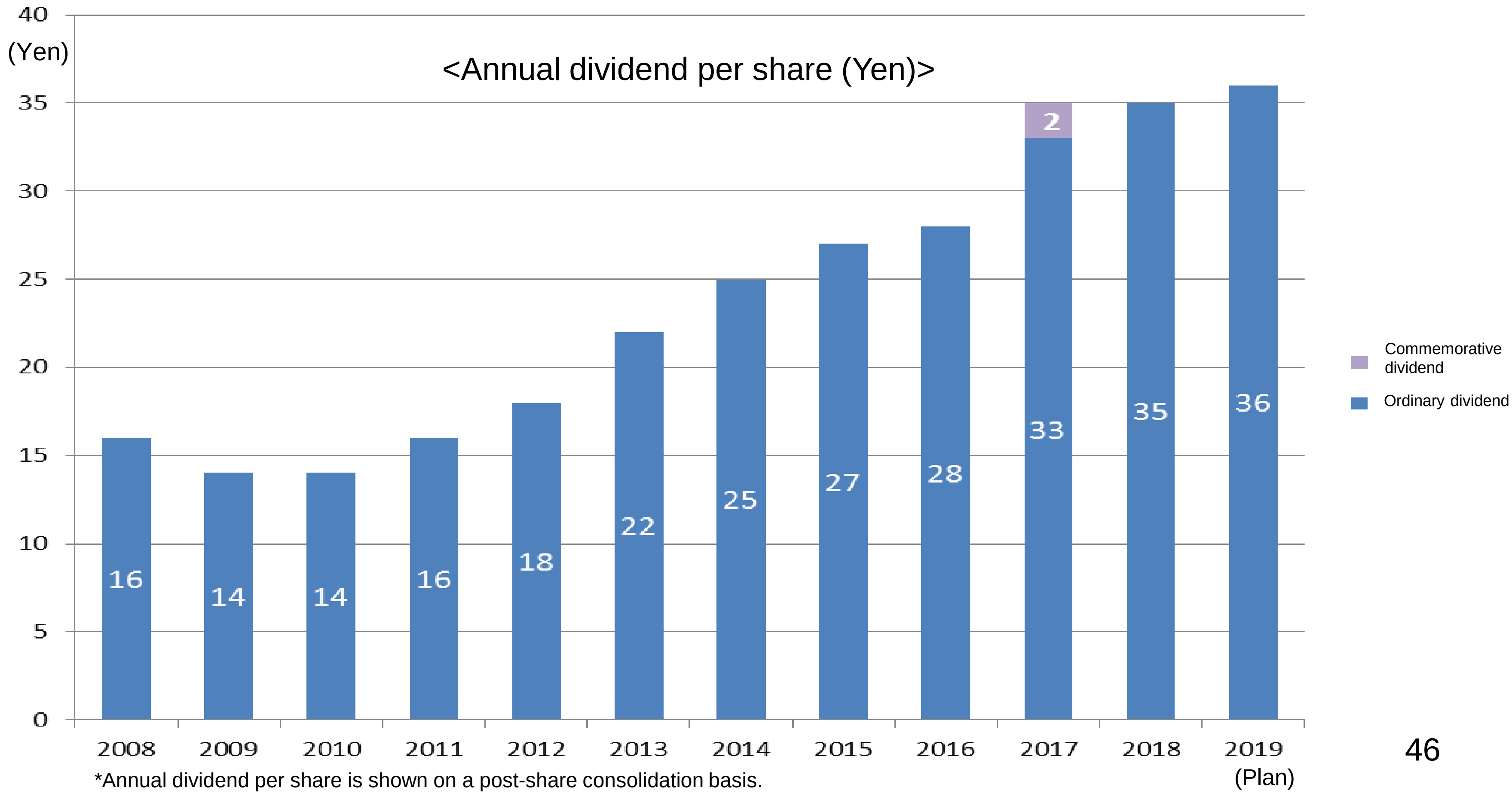
- Continuing shareholder return based on profit allocation according to performance and targeting dividend payout ratio of at least 30%
- Purchasing own shares as appropriate in consideration of strategic investment, financial condition, etc. as a whole
- Create structure that can achieve ROE of 8% continuously by promoting balance-oriented capital policy



*Annual dividend per share is shown on a post-share consolidation basis.

ESG Initiatives

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Started full-scale initiatives
to create sustainable society
under long-term quantitative goals

<Specific actions>

- Promote store planning from ESG perspective
- Develop KPIs to promote women to managerial positions
- Efforts to acquire SBT certification
-
-
-

Ensure understanding among all suppliers and employees to enhance action levels

Speed Up to Create Concrete Results

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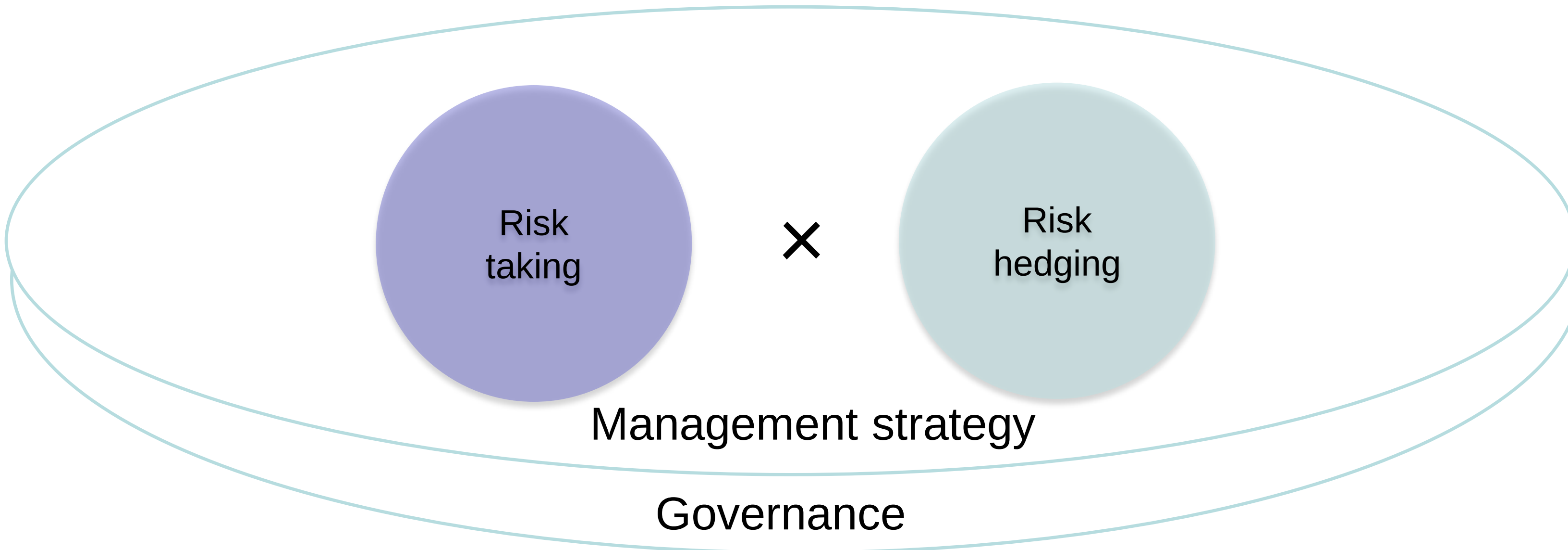
Uncertainty is “opportunity” and “threat”



It is essential to nimbly keep up with speed of changes of the times

Gear up at the Group’s “turning point”
to promote the Group’s business structural changes

Risk Recognition (1)

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Risk associated with consumption tax hike and post-Olympic recession

Multiple recessions such as consumption recession due to consumption tax hike in 2019 and post-Olympic reactionary recession are likely to occur in the near future and they will become threats unless we can develop measures early to meet last-minute demand and address restraint in buying.

In the meantime, policy changes and the enforcement and easing/abolition of laws and regulations can become opportunities if seeing a different perspective. For example, free-of-charge education financed by consumption tax hike can increase spending by young couple households e.g. by transferring education costs to general spending. By thus seeing risks from a different perspective and changing mindset, we can convert risks into the Group's opportunities to acquire new consumers.

Risk associated with changes in customers, particularly, low birthrate and longevity

Low birthrate and longevity are the greatest change in environment that is sure to occur in the future and the "era of 100-year life expectancy" is sure to come in the near future. It is essential to respond to this big change, and since increased competition from competitors is inevitable, the change will become a threat if we fall behind in responding to it.

In the meantime, the senior market is sure to expand due to low birthrate and longevity. Growth opportunities will expand if the Group can expand the lineup of products and services that meet changing lifestyles early by building and using new customer information base using technologies to respond to this big market change.

Risk associated with polarized income

The illusion that all Japanese are middle class disappeared and income is polarized. Accordingly decrease of existing middle class is inevitable and it will become a threat unless we can change our business model.

In the meantime, new growth opportunities will expand if we can redefine the potential of the Group's strong affluent market, expand the scope of activities of *gaisho* divisions in terms of quantity and quality, and provide high-end services as well as products. With regard to the struggling middle class market, regrowth opportunities will expand if we can reduce space for traditional volume zone products and introduce new products/services that meet the middle class market needs. At the same time, it is important to respond to "consumption polarization of one consumer" that one consumer takes various spending actions. Growth opportunities will expand if we can pull out of customer segment as an extension of the past consumption and develop products, services, and selling methods that respond to new consumption behaviors of new customers to accurately capture these changes in consumption.

Risk associated with the development of sharing economy

With the development of sharing economy, increase in asset value due to sharing and use of owned assets is a big consumption trend and this trend is sure to further expand in the future. Accordingly the market involving product sale may be eroded, which can pose a threat.

In the meantime, if we can stimulate various potential demands through initiatives to share products in addition to existing product sale and use of offices, show rooms, entertainment facilities, and public facilities for use of urban locations owned by the Group, value in use of the Group's assets will increase and growth opportunities will expand.

Sharing economy has a great impact on employment and it can lead to work style reform by establishing a system that accommodates personnel systems not based on employment for professionals, etc.

Risk associated with evolving technologies

Technologies are evolving at an accelerated pace and there are many concerns such as cyber terrorism. Accordingly it will become a threat unless we ensure that we strengthen digital security initiatives in line with the evolution of technologies. If we fail to keep up with improvement of productivity using RPA (Robotic Process Automation) due to the evolution of technologies, it will become a threat.

In the meantime, if we can combine technologies with existing businesses and change them to a new business model, opportunities that lead to success will expand. If we can maximize customer lifetime value by building a customer base using digital, establishing a business model using data on payment, etc. that are linked with customer identities, which monetizes by creating a new value, and increase over-the-counter sales by improving convenience by responding to the evolution of settlement function at stores, opportunities for growth will expand.

Risk associated with increasing importance of CSR

It is inevitable that CSR initiatives from an ESG perspective as a key element of corporate value will become more important in the future and we will be required to address environmental, social, and governance issues. In particular, response to environmental issues is impossible to avoid as a company and if the Group falls behind in promoting it, it will become a great threat.

In the meantime, if we can change our mindset to "CSV (Creating Shared Value)" beyond the traditional concept of CSR and resolve social issues through business activities, we can increase reputation among customers and investors as well as increasing sales and opportunities for the Group's sustainable growth will expand.

Risk associated with disasters, etc.

The Group's head offices, major stores, etc. are located in Japan and if business activities are suspended or large expenses are incurred for repairing facilities due to natural disasters including earthquakes and tsunami, accidents including fire and blackout, misconducts including terrorism, etc., it may have an impact on the Group's performance and financial condition.

In addition, if system failures occur due to defects in software/hardware, computer virus, hacking networks, etc., it will disrupt business operation and may have an impact on the Group's performance and financial condition.

In the meantime, if we can develop the Group's BCP, create stores that can respond to natural disasters, and develop the Group-wide digital security measures, we can minimize the impact, and at the same time, we can advance our preparation for future disasters.

Risk Recognition (2)

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Risk associated with impairment

The Group has non-current assets for the purpose of business activities including land and buildings for stores. If profitability declines or land prices fall due to worsening economic conditions and fiercer competition concerning these assets, we have to recognize impairment and this may have an impact on the Group's performance and financial condition.

In the meantime, accelerating our efforts to increase the profitability of these assets with an awareness of impairment risk when promoting business activities can result in improving our ability to generate cash flows.

Risk associated with funding

The Group raises funds concerning new openings, renovation, M&A, etc. directly from financial markets, which includes borrowings from financial institutions and issuance of bonds and commercial papers. If financial institutions change terms and conditions including lending facilities and credit lines due to changes in financial markets and other causes, rating agencies significantly lower the Group's credit ratings due to the Group's worsening financial condition, or investor motivation to invest declines due to economic recession, the Group will not be able to raise necessary funds when necessary on terms and conditions deemed appropriate, which may result in restriction of funding and higher funding costs.

In the meantime, by accurately managing our funds and appropriately building a portfolio of borrowings from financial institutions and direct funding from financial markets, we can achieve efficient and effective funding.

Risk associated with interest rate fluctuations

The Group has financing receivables and interest-bearing liabilities and changes in their interest rates affect interest expenses and interest income and values of financial assets/liabilities and the Group's performance and financial condition may worsen.

In the meantime, we strive to reduce interest expenses, increase interest income, and expand financial assets by appropriately managing the portfolio of long-term finance and interest-bearing liabilities.

Risk associated with stock market fluctuations

The Group holds shares in Japanese companies, etc. as part of financial assets and the portion attributable owners of parent may decrease due to decline in stock value such as decline in stock prices. Since this may decrease the assets of the affluent who are the Group's core *gaisho* customers, *gaisho*-related sales may decrease.

In the meantime, we can minimize the impact of stock value fluctuations by appropriately managing the portfolio of shareholdings.

Risk associated with exchange rate fluctuations

The Group's suppliers include many overseas brands that are affected by exchange rate fluctuations. Accordingly product prices at stores may change depending on movement of exchange rates and the Group's performance may worsen. The number and purchase amount of tourists from overseas including China are affected by exchange rate fluctuations and store sales may decrease.

In the meantime, we can enhance the appeal of stores, which will result in improvement of the Group's performance, by spreading the suppliers of overseas brands, appropriately balancing between overseas brands and Japanese brands offered at stores, and expanding and improving product lineups and services for inbound tourists.

Risk associated with information management

The Group handles personal information provided by customers and receives confidential information on other companies and such information may be leaked outside the Group illegally or by mistake.

The Group's trade secrets may also be leaked illegally or by mistake, and as a result, this may have an impact on the Group's performance and financial condition.

Risk associated with laws and regulations and their revision

The Group is subject to laws and regulations concerning opening of large-scale retail stores, antimonopoly, subcontracts, consumer protection, various restrictions, and environment- and recycling-related matters.

It is difficult to forecast the enforcement and changes of these laws, regulations, policies, accounting standards, etc. and their impacts, and if the Group's business activities are restricted by these laws and regulations and their revision, this may result in cost increase and revenue decrease and have an impact on the Group's performance and financial condition.

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