

## Phase of changing the Group structure

# Got off to a Good Start toward Changing Business Portfolio

### FY 2017 to 2021 Medium-term Business Plan

We have defined the five years from fiscal year 2017 to 2021, when the big development projects launched under the FY 2014 to 2016 Medium-term Business Plan will be completed and generate revenue, as the period of the current Medium-term Business Plan. We will achieve dramatic growth by completing these development projects. And at the same time, positioning the period as a turning point to drastically alter the course of the management of the Group toward realizing discontinuous growth based on the new Group Vision, that is, a “phase of changing the Group structure,” we aim to achieve ROE of 8% or more in fiscal year 2021.

To this end, by taking 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 retail while further accelerating our efforts to identify unprofitable business fields, we will aggressively promote business reshuffle.

With these initiatives, we will achieve the Group’s sustainable growth and medium- to long-term enhancement of corporate value.

#### Idea on business portfolio

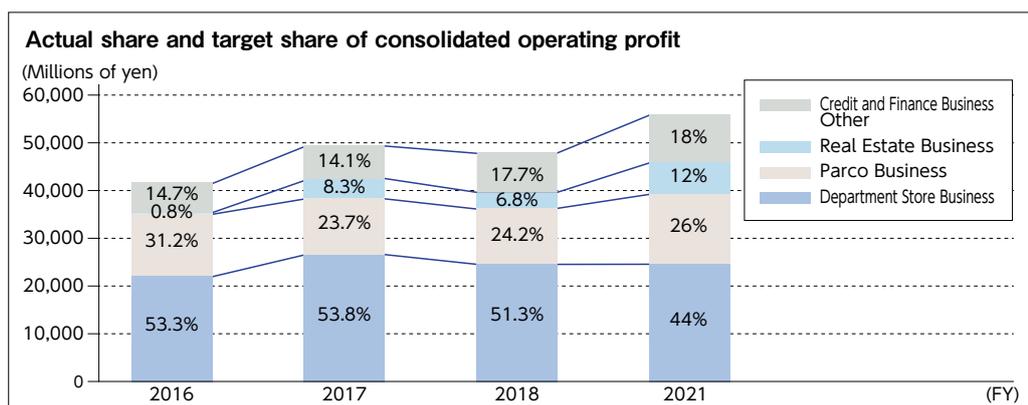
The “Real Estate Business” was newly added as a reportable segment in fiscal year 2017 and the Group has a total of four segments including the “Department Store Business,” the “Parco Business” and the “Credit and Finance Business.” We will decrease the share of the Department Store Business and the 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.

In fiscal year 2017, which is the first year of the current Medium-term Business Plan, the Real Estate Business segment grew substantially due to opening of “Ginza Six” and “Ueno Frontier Tower” for which preparations we had proceeded with as big projects. Thus we got off to a good start toward changing business portfolio at which we are aiming.

#### Transition to the International Financial Reporting Standards (IFRS)

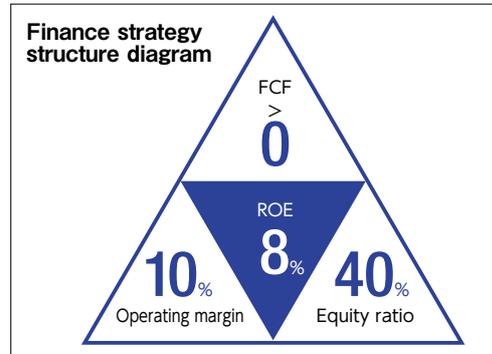
For the purpose of implementing efficient management based on appropriate asset evaluation and managing our business with a focus on profit for the current period as well as strengthening accountability to domestic and overseas investors by improving the international comparability of financial information, we decided to voluntarily apply the International Financial Reporting Standards (IFRS) beginning in March 2017 when the current Medium-term Business Plan started. We will disclose the Group’s business forecasts and results including the quantitative management objectives of the Medium-term Business Plans under IFRS.

When disclosing our financial results, considering comparability with our past performance and our peers, we release “gross sales” close to net sales under Japanese generally accepted accounting principle (JGAAP) and “business profit” as our own reference indicators.



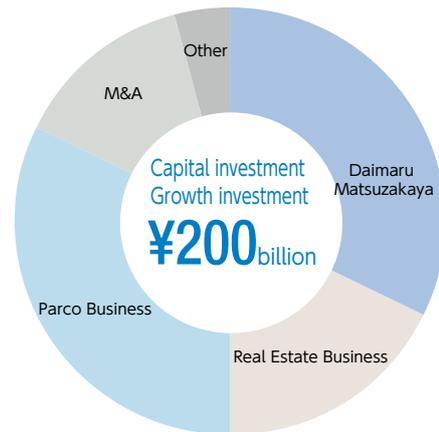
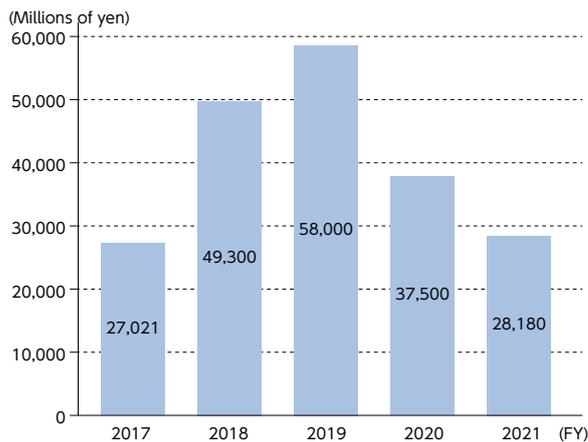
### Qualitative management objectives (IFRS)

	Target FY2021
Consolidated operating profit (IFRS)	¥56 billion
Consolidated operating margin (IFRS)	10.0%
Consolidated ROE (IFRS) (Ratio of profit to equity attributable to owners of parent)	8.0% or more
	Total FY 2017 - 2021
Consolidated operating cash flows	¥260 billion or more
Capital investment and growth investment	¥200 billion



### Capital investment under the Medium-term Business Plan

Capital investment is expected to peak in fiscal year 2019 when the new main building of the Daimaru Shinsaibashi store and new Shibuya Parco, which are being rebuilt, will open, and in the following fiscal year 2020 and beyond, free cash flows of ¥20 to 30 billion level are projected to be generated each year.



### Overview of Medium-term Business Plan

	FY 2014-2016 Medium-term Business Plan 〈Phase of building foundations〉	FY 2017-2021 Medium-term Business Plan 〈Phase of changing the Group structure〉	Realizing the Vision
<b>1</b> Growth strategy	<b>1</b> Multi Service Retailer Strategy	Promoting the expansion of business fields including service fields beyond the framework of retail and strengthening highly efficient businesses to realize the new Group Vision in consideration of increasingly diverse lifestyles	
	<b>2</b> Urban Dominant Strategy	Expanding real estate lease area by strengthening the function of the Real Estate Business and expanding Urban Dominant initiatives for growing with local communities	
	<b>3</b> ICT Strategy toward IoT era	Developing ICT infrastructure and strengthening EC to increase profitability and strengthening relations with customers and creating new businesses using ICT	
	<b>4</b> Initiatives to innovate existing businesses	Heightening the appeal of real stores including department stores and Parco and enhancing soft contents to respond to increasingly diverse means of seeking enjoyment	
<b>2</b> Strengthening business foundations that support growth strategy		Promoting strengthening of corporate governance [transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees)], the Group finance strategy (transition to IFRS), renovation of the Group operations systems, the Group organization/HR reform and CSR activities	