



“Aggressive” and “Defensive” toward Full-scale IoT Era

“Lifetime Service Hub” concept

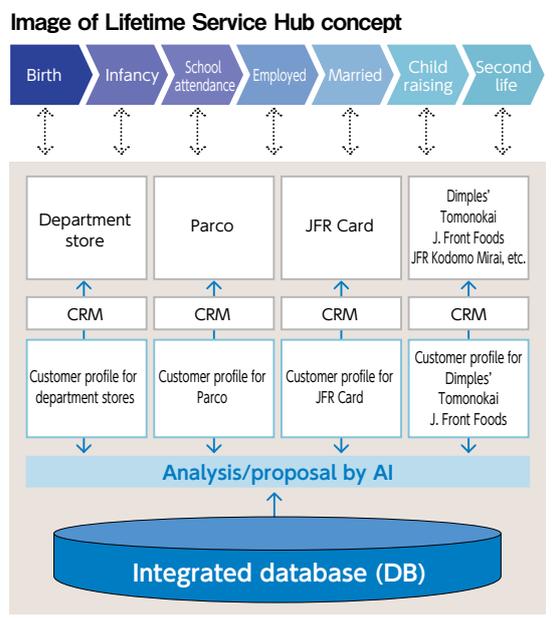
The Group has a great advantage of holding good customer assets mainly through Daimaru, Mtsuzakaya and Parco. Currently, however, most of our contact points with these customers are real stores and other retail, which is only a small part of their lives.

Therefore, we intend to build a new customer base named “Lifetime Service Hub” and create a system for “strengthening lifetime customer engagement.” And thereby we will collect and use not only “fixed information” obtained when providing products and services but also “unfixed information” obtained through daily conversations with customers and communities to understand customers more deeply than ever and dramatically enhance engagement.

The “Lifetime Service Hub” is illustrated by the chart on the right. With so-called “era of 100-year life expectancy” in mind, we will provide new products and services that help relieve customers’ “frustrations” and “concerns” by having more contact points than ever and building long and deep relations with them on various occasions and milestones throughout their lives beginning from birth to expand our business fields.

The “entry into early childhood education business”

through the establishment of a new company “JFR Kodomo Mirai Co., Ltd.” is a part of our initiatives based on the concept mentioned above. By contacting with people in their infancy, which is the beginning of life under the “Lifetime Service Hub” concept, and having many day-to-day communications with their parents while putting the provision of high quality and advanced early childhood education first, we would like to create opportunities for providing new value.

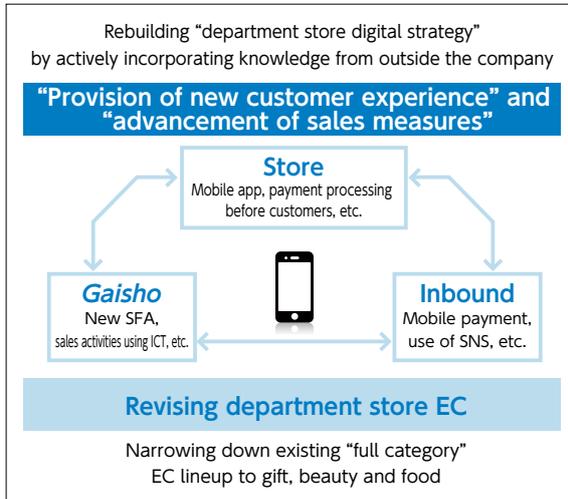


Advancing sales activities using digital technology

What is expected in the use of ICT particularly in department stores is the perspectives of the “provision of new customer experience” and the “advancement of sales measures.” Beginning in the current fiscal year, Daimaru Matsuzakaya Department Stores will promote full-scale digital strategy by incorporating knowledge from outside the company.

Specifically, by introducing a communication-based mobile application equipped with point card function (The payment function is scheduled to become available next fiscal year.) starting from the Daimaru Tokyo store in fall 2018, improving *gaisho* sales activities using digital tools (SFA), and increasing sales areas where inbound tourists can make mobile payments, we will overhaul all sales process operations to reform department store operations so that they catch up with the era of ICT.

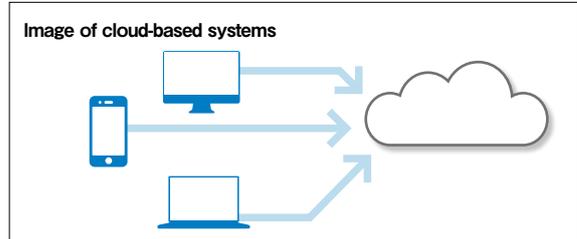
With respect to department store e-commerce (EC), we will revise the conventional “full category” lineup conscious of real department stores by narrowing it down to gift, beauty and food products in which the strength of department stores can be shown, we would like to achieve tangible results.



Shift to cloud-based systems in the Group

It is necessary to introduce “high speed,” “low cost” and “secure” systems in order to diversify businesses and develop new businesses using IT. Therefore, the Group decided to build IT infrastructure, which serves as a basis for creating and operating systems, in the cloud, and beginning in fiscal year 2018, the systems of J. Front Retailing, Daimaru Matsuzakaya Department Store and other subsidiaries and associates in the Group will be basically developed and operated in the cloud. At the same time, we will study hundreds of

systems in the Group, mainly department stores, including how the aging of existing systems is addressed, and take inventory of these systems and we will start a full-scale shift to cloud-based systems according to the system policy developed based on their results.



Work style reform starting from RPA

We are introducing RPA (Robotic Process Automation) to realize the “work style reform” using ICT. Specifically, at three companies including J. Front Retailing, Daimaru Matsuzakaya Department Stores and JFR Service, routine operations such as expense calculation, download and tabulation of accounting data, checkup of data and creation of and input to performance management table are picked up to be covered by RPA. In fiscal year 2017, RPA was introduced to 48 operations among them, reducing about 4,400 man-hours. In fiscal year 2018, RPA will cover additional 60 operations, expecting about 5,400 man-hour reduction. During the five-year period of the current Medium-term Business Plan, we will automate about 28,000 man-hours by expanding RPA to 300 operations across the Group to increase productivity.

While going paperless using this initiative, we will realize BYOD (Bring Your Own Device) ensuring system security and create a telework environment for full-scale “work style reform.”

