Steadily Changing Business Portfolio

FY 2017 to 2021 Medium-term Business Plan

We position the FY 2017 to 2021 Medium-term Business Plan 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” and aim to realize ROE of 8% or more in fiscal year 2021.

To this end, by taking a step forward from the past idea of a Multi 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.

Growth strategy and foundation reinforcement strategy to achieve the Medium-term Plan

1. “Expansion of business fields” beyond the framework of retail (Multi Service Retailer strategy)
   - Promoting the expansion of business fields including service fields beyond the framework of retail to realize the new Group Vision

2. “Expansion of the Real Estate Business” through expansion of real estate area under management (Urban Dominant strategy)
   - Expanding lease area by strengthening the function of the Real Estate Business and expanding Urban Dominant initiatives

3. “Full-scale implementation of ICT strategy” to keep up with the IoT era
   - Increasing profitability by developing ICT infrastructure, realizing new businesses using ICT, designing digital communication

4. Initiatives to innovate existing businesses
   - Department Store Business: Setting a goal to "offer future standard" lifestyles for five years ahead by changing its business structure to realize creative ideas in order to realize the Group Vision. Changing core department store operations and maximizing store value to achieve the goal
   - Parco Business: Changing store portfolio, strengthening new type store area strategy, expanding small-scale commercial business by promoting development, expanding soft business (strengthening of soft content)
   - Associated businesses: Expanding external revenue, expanding new business fields, strengthening highly efficient associated businesses

5. Promotion of ESG activities

6. Renovation of the Group operations systems
   - Building high quality and highly productive resilient infrastructure for the Group operations systems, promoting the Group cost structure reform

7. The Group finance strategy (transition to IFRS)
   - Improving asset efficiency (ROE), realizing business profitability (positive FCF)

8. The Group organization / human resources reform
   - Maximizing "energy of human resources and organization" to realize the Group Vision

9. Strengthening of corporate governance (transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees))
   - Strengthening the Board of Directors, strengthening the Group governance function, strengthening managerial human resource function
Management Strategy

Progress of changing business portfolio
(Billions of yen) Share of “operating profit” (before application of IFRS 16)

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Estate Business</th>
<th>Parco Business</th>
<th>Department Store Business</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.8%</td>
<td>53.8%</td>
<td>31.2%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>14.1%</td>
<td>59.2%</td>
<td>23.7%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>16.1%</td>
<td>52.7%</td>
<td>13.3%</td>
<td></td>
</tr>
<tr>
<td>2019 (forecast)</td>
<td>18%</td>
<td>44%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>2021 (forecast)</td>
<td>12%</td>
<td>45%</td>
<td>7.9%</td>
<td></td>
</tr>
</tbody>
</table>

Major topics so far during the current Medium-term Plan

Results of initiatives for new growth

Expansion of the Real Estate Business (Urban Dominant strategy)
- Opening of "Ginza Six" (April 2017)
- Opening of "Ueno Frontier Tower" (November 2017)

Innovation of the Department Store Business
- Opening of the "new main building of the Daimaru Shinsaibashi store" (planned for September 2019)

Innovation of the Parco Business
- Opening of "Parco_ya" (November 2017)
- Opening of "Kinshicho Parco" (March 2019)
- Opening of "new Shibuya Parco" (planned for November 2019)

New format / small-scale commercial business
- Opening of "Kyoto Zero Gate" (November 2017)
- Opening of "Harajuku Zero Gate" (March 2018)
- Opening of "Sannomiya Zero Gate" (September 2018)
- Opening of "San-A Urasoe West Coast Parco City" (June 2019)
- Opening of "Kawasaki Zero Gate" (planned for August 2019)

Expansion of business fields
- Opening of "Daimaru Matsuzakaya Kids Duo International" (April 2019)

Withdrawal from unprofitable businesses / business reshuffle
- Business transfer of a consolidated subsidiary "JFR Online" (March 2017)
- Closing of the "Daimaru Urawa Parco store" (July 2017)
- Closing of "Otsu Parco" (August 2017)
- Share transfer of a consolidated subsidiary "Forest" (August 2017)

Strengthening of ESG initiatives
- Introduction of stock-based remuneration system for officers (April 2017)
- Transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) (May 2017)
- Reduction of cross-shareholdings by 19 issues (FY 2017 - 2018)
- Identification of materiality and setting of KPIs (FY2018)
- Participation in the Global Compact (FY2018)
- Support for the Japan Climate Initiative (FY2018)
- Application for SBT certification, support for the TCFD (FY2019)