

# New Medium-term Business Plan (FY2021 – FY2023)

## Review of the previous Medium-term Business Plan

Some of our initiatives such as portfolio reform and business model transformation in the previous Medium-term Business Plan, which started in fiscal 2017, are steadily achieving results, but as a whole the plan is only half done and we think we need to drastically re-examine the process of promoting it.

On the other hand, the business environment is changing even more rapidly than before. We feel COVID-19 has shifted up the speed of these changes by two or three steps. It is not too much to say that currently we are in the very situation where a delay in responding to changes and a delay in decision-making may be detrimental to the company's survival.

	Major initiatives	Results	Evaluation
Growth strategy	Multi Service Retailer (expansion of business domain)	<ul style="list-style-type: none"> <li>Entered into childcare business</li> <li>Invested in only 2 companies to develop new businesses</li> <li>Could not show path for the growth of 3 key businesses (JFR Card, J. Front Design &amp; Construction, Dimples)</li> </ul>	×
	Urban Dominant (development project)	<ul style="list-style-type: none"> <li>Promoted redevelopment projects</li> <li>Opened GINZA SIX, Ueno Frontier Tower</li> </ul>	○
	Urban Dominant (Real Estate Business)	<ul style="list-style-type: none"> <li>Expanded real estate rental business</li> <li>Renovated <i>machiya</i>, Gion <i>machiya</i>, Blue Bottle Kyoto Café, beauty &amp; health BINO (Higashinotoin, Okachimachi, Sakae)</li> </ul>	○
	ICT (defense)	<ul style="list-style-type: none"> <li>Formulated the Group IT governance</li> <li>Created IT governance definition, policy, regulations, rules</li> <li>Developed systems to strengthen security</li> </ul>	○
	ICT (offense)	<ul style="list-style-type: none"> <li>Created the Group integrated customer DB (LTS-Hub)</li> <li>Developed digital communication base using ICT</li> <li>Introduced department store smartphone app, <i>gaisho</i> SFA</li> </ul>	△
	Innovation of Department Store Business	<ul style="list-style-type: none"> <li>Right-sized women's wear space - Decreased 10,240 m<sup>2</sup> in total for FY2017 - FY2020 (down 21% from FY2016)</li> <li>Main building of Daimaru Shinsaibashi opened as a hybrid model</li> <li>Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya/Suma, closed Daimaru Yamashina</li> </ul>	△
	Innovation of Parco Business	<ul style="list-style-type: none"> <li>Opened Shibuya PARCO, Ueno PARCO_ya, Kinshicho PARCO, Shinsaibashi PARCO</li> <li>Expanded small commercial business by promoting development</li> <li>Opened ZERO GATE (Sannomiya, Kyoto, Harajuku), SAN-A Urasoe West Coast PARCO CITY</li> </ul>	△

## Overview of FY2021 – FY2023 Medium-term Business Plan

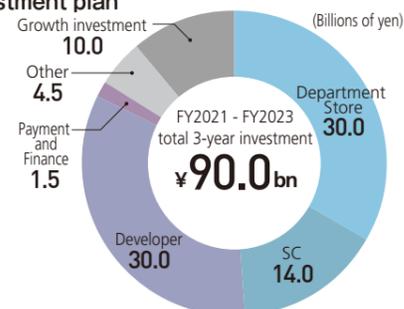
We position this Medium-term Business Plan as the period for achieving "full recovery" from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels and for getting back on track for "regrowth" from fiscal 2024 onward.

### Key performance indicator targets

	FY2023	
Capital profitability	ROE 7%	ROIC 5%
Business growth	Operating profit ¥40.3bn	Business profit ¥44.0bn
Financial health	Interest-bearing liabilities*1 ¥260.0bn	Net D/E 0.6 times
Sustainability	GHG emissions*2 △40%	Ratio of women in management positions 26%

\*1 Lease liabilities are excluded. \*2 Scope 1 and 2 emissions compared to FY2017

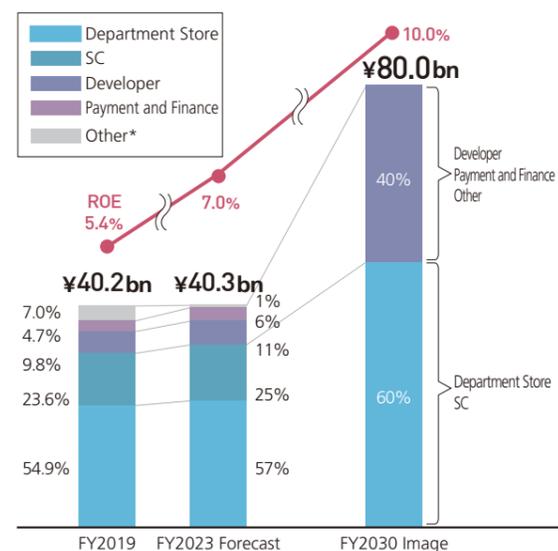
### Capital investment plan



## Portfolio reform

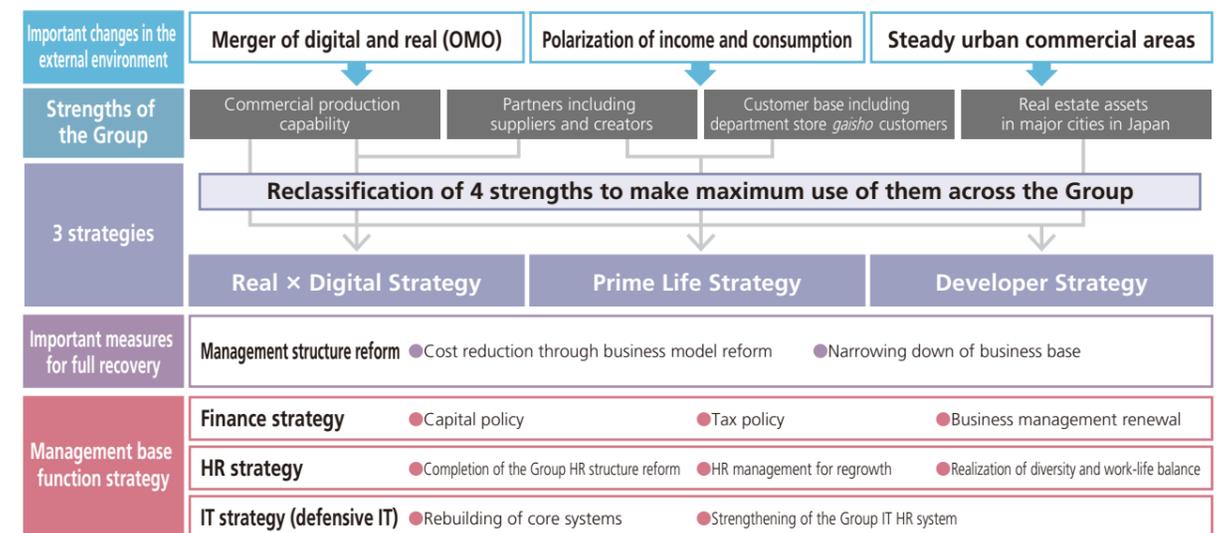
When we achieve full recovery in fiscal 2023, the operating profit share of retail businesses including the Department Store and Parco is expected to remain more than 80%. However, the share will be reduced to around 60% in fiscal 2023. On the other hand, we would like to increase the share of non-retail businesses such as the Developer and the Payment and Finance to around 40%. Through these initiatives, we will strive to change our portfolio to a highly resilient one.

### "Operating profit" share of each segment



\*"Other" includes consolidation adjustments.

## Whole picture of the Medium-term Business Plan



## Three strategies

The Group's strengths are "commercial production capability," "good customer base," "partners including suppliers and creators" and "real estate assets in major cities." Considering these strengths and medium- to long-term environmental changes, we have decided to focus our initiatives for growth on "three key strategies" in the new Medium-term Business Plan.

### Real x Digital Strategy

- We will convert physical stores into places not only for buying but also for finding attractive products and services and enjoying high quality customer experiences.
- Using digital technologies with stores as a starting point, we will transform our commercial model into one that provides new experience value beyond time and space.
- We will improve customer data analysis and the use of digital tools so that individual workers including sales staff, *gaisho* staff and buyers will deepen relationships with customers.
- We will diversify revenue streams into real estate, commissions earned using digital technologies, and so forth, in addition to sales.

### Prime Life Strategy

- We will further strengthen our proposals for consumers who value culture and art and enjoy fulfilling and sustainable lifestyles.
- We will improve our content by utilizing the Group's entertainment and art, as well as developing new products and services that provide premium experiences through alliances with other companies.
- We will promote the acquisition of customers beyond department store's *gaisho*, such as the nouveau riche in Japan and affluent people in Asia who sympathize with such lifestyles, for example, through alliances with other companies.
- By improving customer management using digital technologies, we will capture diversified customer insights and strengthen our proposal capability to maximize the lifetime value of good customers.

- We will increase the number of loyal customers by offering new payment methods and will provide high value added financial services through life planning for customers.

### Developer Strategy

- We will maximize the value of real estate assets held by the Group. In the redevelopment of complexes and so forth, we will right-size department stores and Parco stores and make use of relaxed restrictions on their floor area ratios. We will increase the share of non-commercial use to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to attracting crowds to the areas by making them more attractive in a way that respects their uniqueness such as local histories and environments to increase consumers' mind share.
- We will diversify revenue streams, for example, by acquiring and developing new real estate, forming private funds, and engaging in asset management. In addition, we will expand our development areas to include semi-urban areas.

### Management structure reform

#### <Reduction of fixed costs>

- We will reduce fixed costs by ¥10.0 billion compared to fiscal 2019 through organizational and personnel structure reform and cost structure reform to lower our break-even point.

#### <Increase of management efficiency and asset efficiency>

- We will narrow down the Group businesses based on the future and growth potential of each business and identify idle assets and low-yield assets to increase efficiency.

### Policy on alliance, M&A, and wing expansion

- We will actively work on creation of new businesses and alliances with other companies and business acquisitions that will expand our capabilities, which will contribute to increasing the scale of and accelerating the speed of our three key strategies.