Overview of FY2021-FY2023 Medium-term Business Plan

We positioned the current 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 in its final fiscal year 2023 and for getting back on track for "regrowth" from fiscal 2024 onward.

This fiscal year is the final year, but the forecast figures compared to the initial target have been revised downward due to the delay in top-line recovery caused by the longer-than-expected impact of the COVID-19 pandemic, as well as the expected sharp rise in raw material costs, especially fuel costs, triggered by geopolitical risks, which are expected to lead to a significant increase in costs.

In order to achieve an early profit recovery, we will concentrate on remodeling and digital investment in flagship stores under one of our key strategies Real × Digital Strategy and on strengthening our customer base based on the Department Store’s gala sales under the Prime Life Strategy. Under the Developer Strategy, as a medium- to long-term growth driver, we will increase investment allocations ahead of schedule during the period of this plan.

At the same time, we will carry out "management restructuring" to reduce fixed costs, replace businesses and assets, and reduce interest-bearing liabilities.

Key performance indicators (FY2023)

| Capital profitability | ROE | 7.0% | 
| Business growth | Operating profit | ¥38.5 bn | Business profit | ¥40.0 bn | 
| Financial health | Interest-bearing liabilities | ¥225.0 bn | Debt ratio | 6.6 times | 
| Sustainability | GHG emissions | -40% | 
| Values and Vision | Women in management positions | 26% | 

Portfolio reform

In fiscal 2023, the final year of the current Medium-term Business Plan, the share of the retail business, including the Department Store and Parco, is still expected to exceed 70%, but in fiscal 2030, we will reduce this share to about 60%. On the other hand, we hope to increase the share of non-retail businesses, such as the Developer, the Payment and Finance, and new businesses, to around 40%. Through these initiatives, we will change our portfolio to a highly resilient one.

“Operating profit” share of each segment

- Department Store
- SC
- Developer
- Payment and Finance
- Other (including consolidation adjustments)

<table>
<thead>
<tr>
<th>FY2019</th>
<th>FY2023 Forecast</th>
<th>FY2030 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>54.0%</td>
<td>40.2%</td>
<td>37.0%</td>
</tr>
<tr>
<td>14.0%</td>
<td>13.5%</td>
<td>12.0%</td>
</tr>
<tr>
<td>13.0%</td>
<td>13.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>4.0%</td>
<td>2.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>13.6%</td>
<td>16.0%</td>
<td>17.8%</td>
</tr>
</tbody>
</table>

Future growth track for “regrowth” from fiscal 2024 onward.
Management Strategy

Review of the Previous Medium-term Business Plan and the Current Medium-term Business Plan

Overall composition of the current Medium-term Business Plan

1. Real × Digital Strategy
2. Prime Life Strategy
3. Developer Strategy

3 strategies for earning recovery and growth

- Department Store: Making stores attractive and transitions to media commerce with a focus on customer experience.
- Prime Life: Reforming store branding value and creating a digital platform.
- Creation: Development of new content from a CSV perspective.

Promotion of strategies across the Group by committees for regrowth

Digital Strategy Committee
- Cost reduction through business model reform
- Narrowing down of a business base

Prime Life Strategy Committee
- Capital policy
- Tax policy
- Realization of diversity and work-life balance

Developer Strategy Committee
- Completion of Group workforce restructuring
- Strengthening of the Group IT talent system
- Redesign of core systems

Important measures for ful recovery

Management base strategy
- Cost reduction through business model reform
- Narrowing down of a business base

Human resource strategy
- Capital policy
- Tax policy
- Realization of diversity and work-life balance

Digital tools strategy
- Completion of Group workforce restructuring
- Strengthening of the Group IT talent system
- Redesign of core systems

Three strategies

Our 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 changes, we have decided to focus our initiatives for growth on “three key strategies” in the current Medium-term Business Plan.

(1) Real × Digital Strategy
- We will convert physical stores into spaces not only for making purchases, but also for encountering attractive products and services, and enjoying high-quality customer experiences.
- With the use of digital technologies based on stores, we will transform the business model into one that provides new value experience beyond time and space.
- We will enhance customer data analysis and the use of digital tools for individual sales staff, gaisho staff, and buyers to deepen the relationships with customers.
- In addition to sales revenue, we will diversify revenue streams, such as real estate-related revenue and commission revenue through the use of digital technologies.

【Major progress to date】
- Number of department store app users: 1.77 million (results in FY2022)
- Department store online sales: ¥13.7 billion (results in FY2022)
- Sales via app: ¥237.1 billion (results in FY2022)

(2) Prime Life Strategy
- We will further strengthen our proposals for customers who value culture and art and enjoy fulfilling, sustainable lifestyles.
- We will enhance 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 gaisho, such as the new rich in Japan and affluent people in Asia, for example, through alliances with other companies.

【Major progress to date】
- Matsumoto PARCO will close (scheduled for February 28, 2025)
- Shintokorozawa PARCO will close (scheduled for February 29, 2024)
- Tsudanuma PARCO closed (February 28, 2023)
- Daimaru Matsuzakaya Sales Associates merged into Daimaru Matsuzakaya Department Stores (September 2021)
- Transferred all shares of a subsidiary (November 2022)

(3) Developer Strategy
- We will maximize the value of the Group’s real estate assets. In complex redevelopment and so forth, we will rightsize our department stores and PARCO and make use of relaxed building volume restrictions. We will increase the share of non-commercial applications 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 attractive in a way that respects local individuality in terms of the environment and the evolution to consumer mindedness.
- We will diversify revenue streams by acquiring and developing new real estate, organizing private placement funds, and engaging in asset management. In addition, we will expand our development area to include semi-urban areas.

【Major progress to date】
- “Prime Life” in the current Medium-term Business Plan.
- “Three key strategies” in the current Medium-term Business Plan.

3. Developer Strategy
- We will redefine fixed costs by ¥10.0 billion or more compared to fiscal 2019 and lower our breakeven point through organization/efficiency restructuring and cost restructuring.

【Major progress to date】
- “Three key strategies” in the current Medium-term Business Plan.

Improvement of management efficiency and asset efficiency

- We will improve efficiency by narrowing down the Group businesses based on the future and growth potential of each business and identifying idle and low-yield assets.

【Major progress to date】
- Matsumoto PARCO will close (scheduled for February 28, 2025)
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The Group human resource strategy

Human resource management for regrowth

To secure human resources that will carry out the key strategies, we will strengthen employee skills development and the recruitment of professional human resources from outside the Group, while working to establish frameworks and systems that enable their maximum utilization in the Group.

【Major progress to date】
- Number of professional human resources hired from outside the Group: 244 (cumulative total for FY2019-FY2022)

Policy on alliances, M&As, and wing expansion

- We will aggressively engage in alliances with other companies and business acquirers to create new businesses and expand our capabilities, which will contribute to scale expansion and acceleration of the three key strategies.

【Major progress to date】
- Acquired a 50.8% stake in XENOZ Co., Ltd. and converted it into a subsidiary (November 2022)
- Invested in Financie, Inc. (April 2023)

Cash flow allocation

In the current Medium-term Business Plan, we have decided to prioritize balance sheet improvement by reducing investment compared to the initial plan and proceeding with asset sales, in preparation for the investment phase of the next Medium-term Business Plan and beyond.

Investing CF
- ¥38.6 bn*
- Including proceeds from asset sales

Operating CF
- ¥190.2 bn

FCF
- ¥151.6 bn

*Excluding proceeds from asset sales

Toward the next medium-term plan

The next Medium-term Business Plan will start in fiscal 2024. This is a phase in which initiatives currently underway to prepare for medium- to long-term regrowth will take shape. How will the results of grants that have been seen be channeled and expanded in the future? We would like to more clearly show the path to the portfolio transformation that the Group is aiming for 2030, including the pipeline of the Developer Business, which is one of the growth drivers.