

Medium-term Business Plan

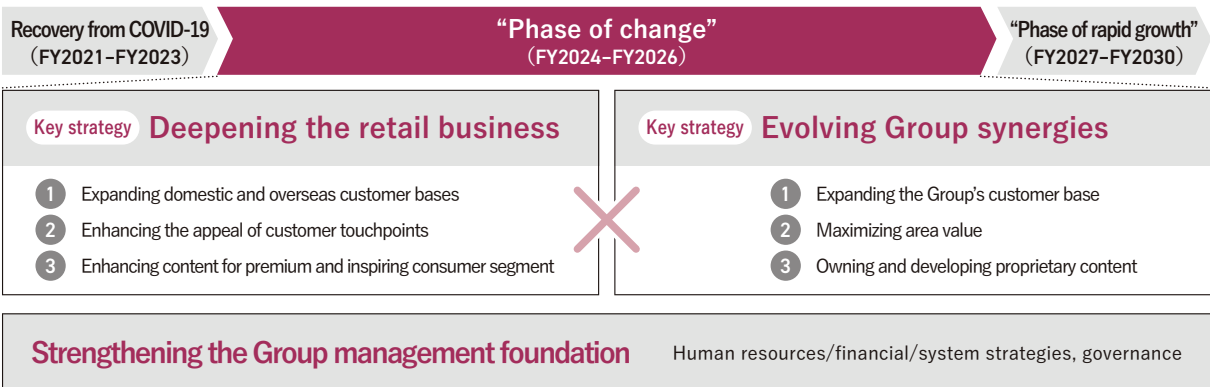
Medium-term Business Plan (FY2024-FY2026)

Review of the Previous Medium-term Business Plan (FY2021-FY2023)

Full recovery from the COVID-19 pandemic and building a foundation for regrowth

- Although the impact of the COVID-19 pandemic persisted longer than initially envisioned, working to steadily capture the recovery in demand from the latter half of the previous Medium-term Business Plan onwards, we were able to recover our consolidated operating profit to pre-pandemic levels as a result of the strategies for the core Department Store and SC Businesses and management structural reforms such as reducing fixed costs, and also broadly improve our financial position by reducing interest-bearing liabilities and other means.
- With 2030 as our regrowth milestone, in our strategy for the Developer Business, as well as the core businesses, we formulated medium- to long-term plans and promoted business restructuring, and from the perspective of business portfolio transformation, we worked to improve management efficiency through such efforts as making investments and establishing a fund for the creation of new businesses and assessing businesses.

Medium-term Business Plan (FY2024-FY2026)



Strengthening the Group management foundation

Human resources/financial/system strategies, governance

The current Medium-term Business Plan is positioned as a “phase of change” to realize our vision for 2030 and to ensure medium- to long-term growth, and while striving to generate profits mainly in our mainstay retail business (the Department Store and SC Businesses), we will expand upfront investments

and growth strategy investments to realize Group synergies. Aiming to improve capital return over the medium to long term, we will take measures to “realize profitable growth” and “optimize the level of shareholders’ equity and strengthen shareholder returns.”

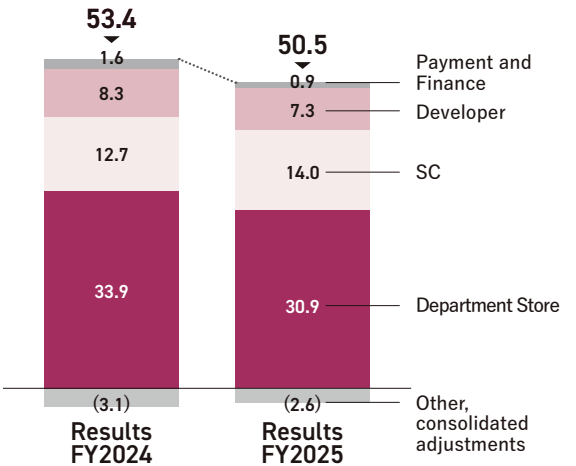
Key performance indicator targets

Key performance indicator	Initial target	Revised target
Consolidated business profit	¥52.0 billion	¥56.0 billion
Consolidated ROE	8.0% or higher	8.0% or higher
Consolidated ROIC	5.0% or higher	6.0% or higher
Interest-bearing liabilities ^{*1}	¥285.0 billion	¥270.0 billion
GHG emissions ^{*2}	58.0% reduction	70.0% reduction
Female management ratio	31.0%	31.0%

^{*1} Interest-bearing liabilities exclude lease liabilities.
^{*2} Reduction rate for Scope 1 and 2 compared to FY2017

Since we achieved the business profit target for the final year of the current Medium-term Business Plan in fiscal year 2024, we revised our key performance indicator targets upward at the start of fiscal year 2025.

Trends in business profit by segment (Billions of yen)



1) Deepening the retail business

(1) Expanding domestic and overseas customer bases

- In the Department Store Business, we will work to expand the customer base through such initiatives as expanding the scope of app-based services targeting loyal customers and broadening gaisho activities.
- In the SC Business, we will work with JFR Card to acquire cardholders, taking advantage of the issuance of new cards, as well as app users.
- In both the Department Store Business and the SC Business, we will work to strengthen relations with overseas customers through not only initiatives to send foreign tourists visiting Japan to our stores and strengthen communication to customers, but also partnerships with overseas companies mainly in Asia.

(2) Enhancing the appeal of customer touchpoints

- In the Department Store Business, we will enhance the charm of stores, which are the starting points of customer touchpoints, and establish competitive advantages in each area.
- We will work on enhancing customer communication through initiatives to renew both the department store app and the dedicated website for loyal customers.
- In the SC Business, in order to enhance Parco's unique brand value and the value of visiting its stores, we will carry out strategic renovations aimed at gaining greater popularity among the MZ generation and overseas customers, focusing on four key stores.
- We will work to make customer touchpoints more attractive by enhancing communication to customers through company-wide use of customer data obtained at PARCO stores and online, and introducing new services for members.

(3) Enhancing content for premium and inspiring consumer segment

- In the Department Store Business, in addition to continuously strengthening luxury brands and watches, which enjoy a high level of popularity among both domestic and overseas customers, we will propose new lifestyles that respond to market changes.
- Furthermore, we will work on expanding new products and services through collaboration with external companies with the aim of strengthening our efforts to attract the affluent market.
- In the SC Business, through store renovations, we will develop Japan pop culture zones, introduce brands in collaboration with the Department Stores, and enhance entertainment, in which Parco excels.

2) Evolving Group synergies

(1) Expanding the Group's customer base

- We will consolidate the issuance of proprietary cards of GINZA SIX, Parco, and other companies within the Group. Also, we will work on expanding the Group's customer base and enhancing the lifetime value (LTV) of customers.
- We will plan and promote the Group customer strategies through customer referral beyond the boundaries of businesses and stores, and analysis and utilization of customer databases, among other methods.

(2) Maximizing area value

- In the current Medium-term Business Plan, among the seven key cities, we will focus intensively on creating synergy in the “Sakae area in Nagoya.”
- Through significant renovations at the Matsuzakaya Nagoya store and Nagoya PARCO, in conjunction with the opening of a commercial complex by the Developer Business (in 2026), and the expansion of external merchants by JFR Card, we will promote cross-referrals between the Group's facilities and encourage customer circulation within the area.
- In addition to the opening of commercial complexes in the “Sakae area in Nagoya” and the “Shinsaibashi area in Osaka” (in 2026), we will strengthen investments in the Developer Business to promote the development project in the “Tenjin area in Fukuoka.”

- We consolidated and reorganized the interior design and construction business and building management business to steer business expansion mainly toward the creation of high-quality space value, the improvement of service quality such as in maintenance and management of facilities, and the securing and training of specialized personnel.

(3) Owning and developing proprietary content

- To achieve new growth in the retail business, we will develop and own proprietary content and services, etc. and also develop new businesses through collaboration with other companies, targeting such business expansion not only in Japan but also overseas and in the digital sector.
- Leveraging the strength of having a business presence in major cities throughout Japan, we will work on discovering and nurturing unique products that are characteristic of each area.
- We will consider the development, ownership, etc. of content such as games centered around subcultures.
- Alongside efforts to strengthen the subscription business, we will promote the development of new businesses through collaboration with other companies.
- We will proceed more strongly with growth strategy investments through M&A, alliances with other companies, and our business succession and CVC funds.

3) Strengthening the Group management foundation

(1) Human resources strategy

- We will promote a human resources strategy integrated with the management strategy, including the strengthening of the recruitment and development of highly specialized personnel, planned nurturing of next generation talents, and the promotion of women's empowerment.
- We will invigorate the internal exchange of personnel within the Group to achieve a fusion of “knowledge” possessed by employees, as well as expand opportunities to play an active role, thereby fostering a challenging mindset.
- We will create an environment and establish systems where every employee can take on challenges, drawing out employees’ ideas, motivations, and abilities, and work towards realizing a human resource development company that aims for the sustainable growth of people and organizations.

(2) Financial strategy

- To improve medium- to long-term capital profitability, we will thoroughly manage investments based on growth and profitability, and enhance ROIC management, mainly by entrenching its practice throughout the Company with the cooperation of the operating companies.
- Considering trends in capital markets, we will strengthen our financial position through such efforts as generating free cash flow, securing long-term stable funds, and controlling interest-bearing liabilities.

(3) System strategy

- We will build a common system and groupware for the entire Group to encourage collaboration between the operating companies, and enhance internal and external communication.
- By making the common accounting system for the entire Group fully operational, we aim to enhance management control and streamline operations. Additionally, we will promote IT governance, by strengthening our response to information security and business continuity, as well as by implementing system investments and advancing asset management.

(4) Corporate governance

- Under the new management structure launched in fiscal year 2024, we strive to accelerate management decision-making and execution, while also enhancing governance through such efforts as strengthening the supervisory function of the Board of Directors, to achieve medium- to long-term growth and sustainably enhance corporate value.