Results Presentation for Fiscal Year Ended February 29, 2020

April 13, 2020

J. Front Retailing Co., Ltd.
YAMAMOTO Ryoichi
President and Representative Executive Officer

Create and Bring to Life “New Happiness.”

J. FRONT RETAILING

We would like to express our heartfelt sympathy for all affected by COVID-19 and all concerned.

New Management (as of May 28, 2020)

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【Oversight function】

Director and Chairperson of Board of Directors	YAMAMOTO Ryoichi

【Execution control function】

Director, President and Representative Executive Officer	YOSHIMOTO Tatsuya
Director and Senior Managing Executive Officer President and Representative Director Daimaru Matsuzakaya Department Stores Co. Ltd.	SAWADA Taro
Director and Senior Managing Executive Officer Director, President and Representative Executive Officer PARCO CO., LTD.	MAKIYAMA Kozo

Today’s Agenda

Ⅰ. FY2019 Results

Ⅱ. 1H/Full FY2020 Forecast

Ⅲ. Review of Promotion System for Medium-term Growth

Business forecasts in this document have been calculated based on information on the impact of the spread of COVID-19 we have at the end of March. Customer traffic is expected to decrease mainly in the Department Store Business and the PARCO Business and these impacts are expected to continue mainly in 1Q and through 1H and full fiscal year. However, these forecasts may change considerably depending on when the pandemic will actually end. In case we need to revise our business forecasts in light of future trends in business performance, we will disclose promptly.

FY2019 Results (IFRS)

Consolidated P/L (IFRS)

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- Business profit was below forecast mainly in Department Store and PARCO partly affected by record warm winter and COVID-19
- Operating profit was affected by unplanned increase in other expenses including loss on retirement of fixed assets and impairment
- Year-end dividend is ¥18 per share, resulting in annual dividend of ¥36 combined with interim dividend, up ¥1 compared to previous year

(Millions of yen, %)

Fiscal year ended February 29, 2020	Results	YoY		Vs October forecast	
		Change	% change	Change	% change
Gross sales	1,133,654	8,501	0.8	(33,346)	(2.9)
Revenue	480,621	20,781	4.5	(11,379)	(2.3)
Gross profit	206,953	(5,443)	(2.6)	(7,447)	(3.5)
SGA	161,590	(5,292)	(3.2)	(3,310)	(2.0)
Business profit	45,363	(151)	(0.3)	(4,137)	(8.4)
Other operating income	8,663	5,426	167.6	1,463	20.3
Other operating expenses	13,740	5,880	74.8	4,040	41.7
Operating profit	40,286	(605)	(1.5)	(6,714)	(14.3)
Profit attributable to owners of parent	21,251	(6,107)	(22.3)	(4,549)	(17.6)
Dividend per share (Yen)	(Annual) 36	1	―	―	―

Segment Information (IFRS)

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- Department Store: Both inbound and domestic consumption stalled partly affected by record warm winter and COVID-19
- PARCO: Weak performance of rural stores and NEUVE A in spite of opening of Shibuya PARCO and Kinshicho PARCO
- Real Estate: Affected by cost increase resulting from transfer of north wing of Shinsaibashi store in spite of strong performance of Ginza Six
- Credit and Finance: Above plan in spite of cost increase partly due to employment of specialized HRs

(Millions of yen, %)

Fiscal year ended February 29, 2020	Business profit				Operating profit			
	Results	YoY		Vs Oct forecast	Results	YoY		Vs Oct forecast
		Change	% change	Change		Change	% change	Change
Department Store	26,461	1,307	5.2	(2,039)	17,625	(6,569)	(27.2)	(4,075)
PARCO	8,582	(141)	(1.6)	(1,918)	10,823	5,378	98.7	(1,677)
Real Estate	4,364	(698)	(13.8)	(236)	6,725	2,061	44.2	(275)
Credit and Finance	1,901	(437)	(18.7)	201	1,908	(452)	(19.1)	158
Other	4,926	1,321	36.7	(74)	4,700	1,193	34.0	(200)
Total	45,363	(151)	(0.3)	(4,137)	40,286	(605)	(1.5)	(6,714)

Segment Information <Business Profit> (IFRS)

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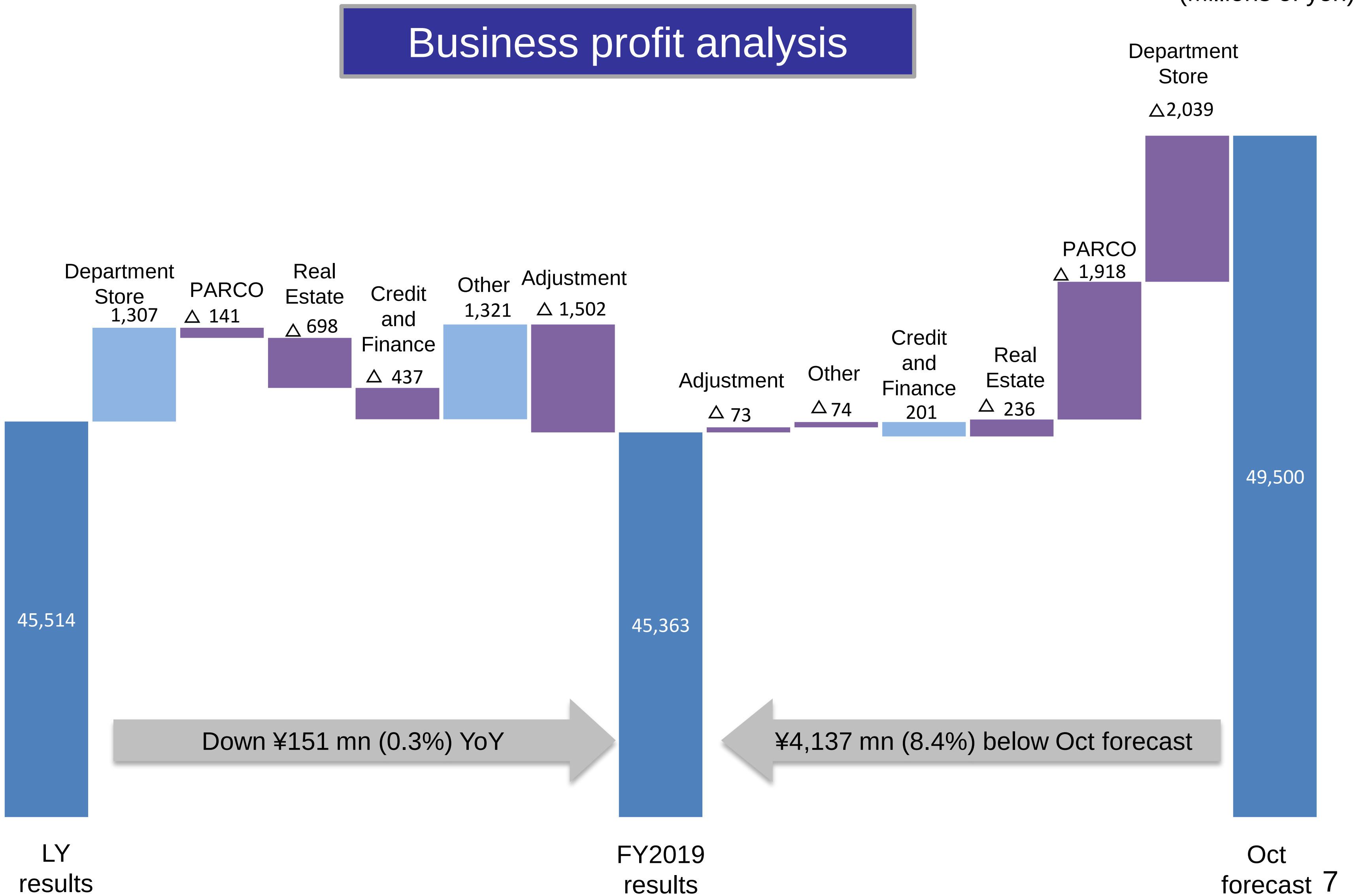
(Millions of yen)



Segment Information <Operating Profit> (IFRS)

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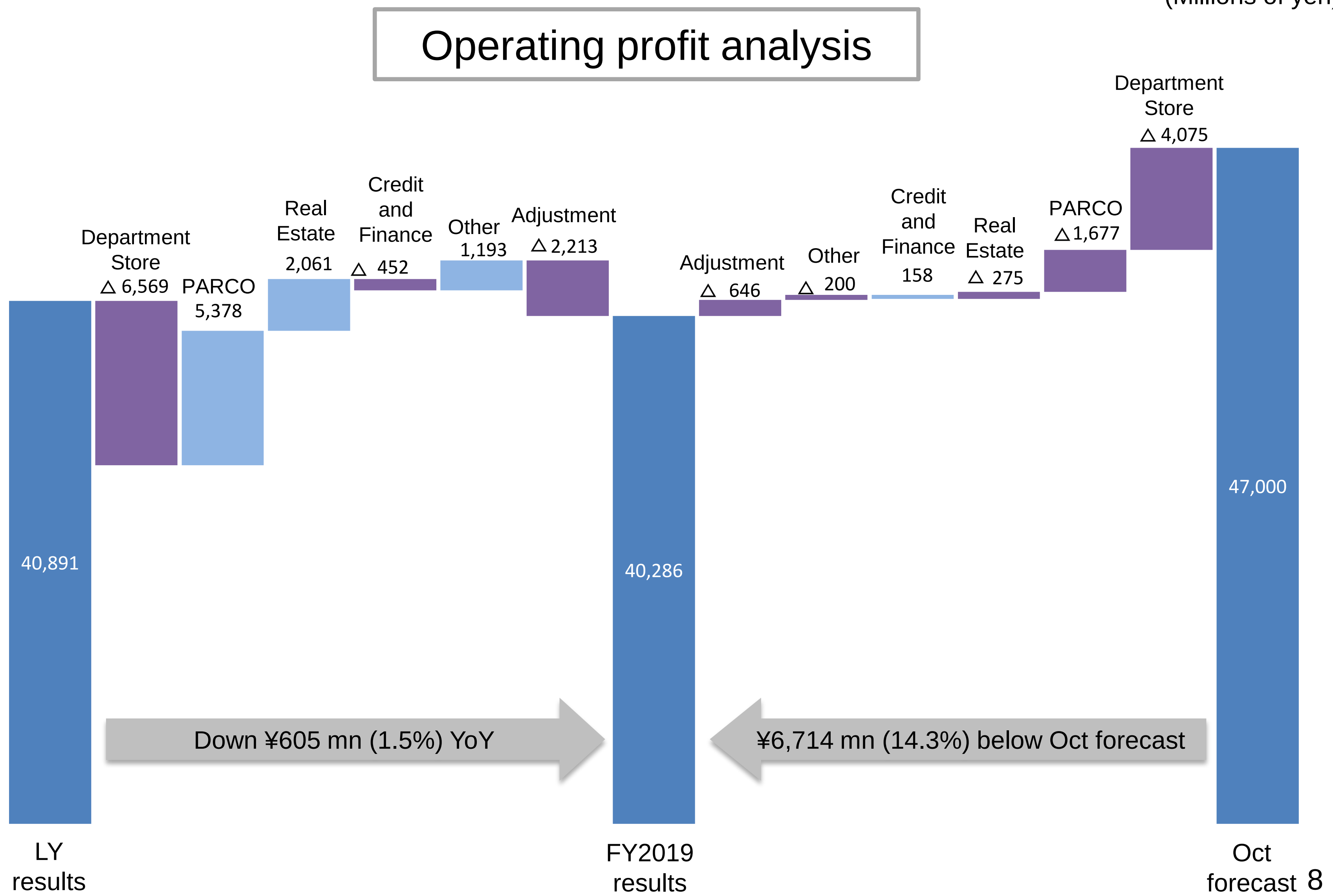
(Millions of yen)



Segment Performance (1) Department Store Business (IFRS)

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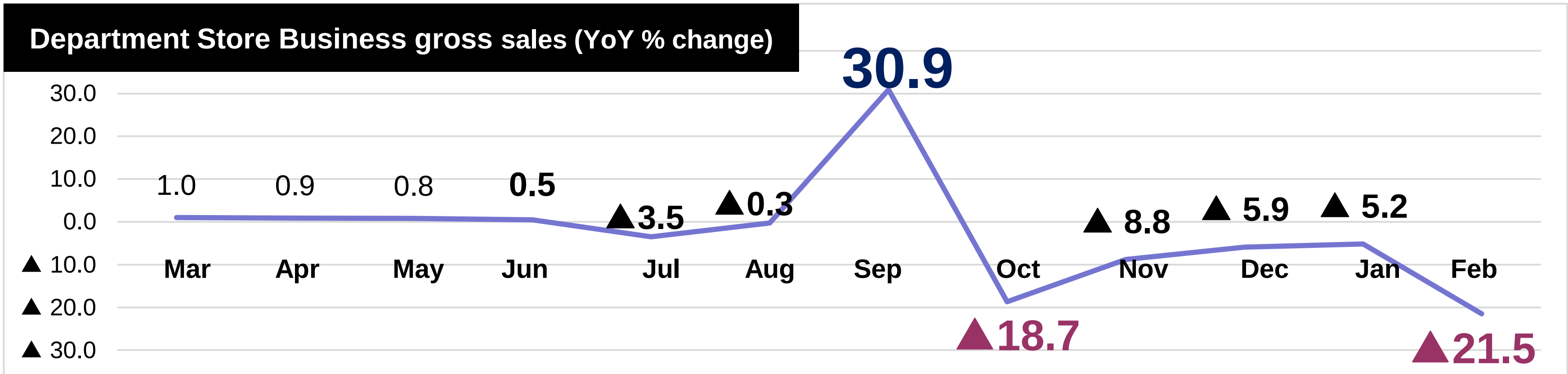
- In addition to sluggish consumption after tax hike, COVID-19 caused heavy damage to both inbound and domestic consumption
- Business profit increased due to cost reduction such as significant decrease in retirement benefit expenses resulting from extension of retirement age



(Millions of yen, %)

Fiscal year ended February 29, 2020	Results	YoY		Vs October forecast	
		Change	% change	Change	% change
Gross sales	715,039	(28,301)	(3.8)	(22,661)	(3.1)
Revenue	263,748	(11,693)	(4.2)	(7,852)	(2.9)
SGA	129,127	(7,910)	(5.8)	(1,753)	(1.3)
Business profit	26,461	1,307	5.2	(2,039)	(7.2)
Operating profit	17,625	(6,569)	(27.2)	(4,075)	(18.8)

Daimaru Matsuzakaya Department Stores P/L (IFRS)

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- Sales rapidly slowed down in 4Q partly affected by record warm winter and COVID-19
- Business profit was below Oct forecast mainly due to decrease in gross profit for the reason above
- Operating profit was below Oct forecast due to increase in one-time expenses such as loss on retirement

(Millions of yen, %)

Fiscal year ended February 29, 2020	Department Store			Real Estate			Total Daimaru Matsuzakaya Department Stores		
	Results	YoY % change	Change vs Oct forecast	Results	YoY % change	Change vs Oct forecast	Results	YoY % change	Change vs Oct forecast
Gross sales	638,569	(3.8)	(19,231)	17,832	4.0	(168)	656,152	(3.6)	(19,348)
[Of which: real estate rental income]	6,768	59.9	268	17,699	4.7	(101)	24,217	15.9	117
Revenue	236,341	(4.0)	(6,059)	17,793	4.7	(107)	253,886	(3.5)	(6,114)
Gross profit	138,790	(3.9)	(3,110)	7,368	(0.7)	(532)	145,910	(3.8)	(3,590)
SGA	113,785	(6.5)	(1,715)	3,004	27.4	(296)	116,543	(5.8)	(1,957)
Business profit	25,005	9.7	(1,395)	4,364	(13.8)	(236)	29,367	5.4	(1,633)
Operating profit	17,831	(18.4)	(3,669)	6,725	44.2	(275)	24,555	(7.4)	(3,945)
Profit	-	-	-	-	-	-	15,578	(16.2)	(2,622)

Daimaru Matsuzakaya Department Stores SGA Analysis (IFRS)

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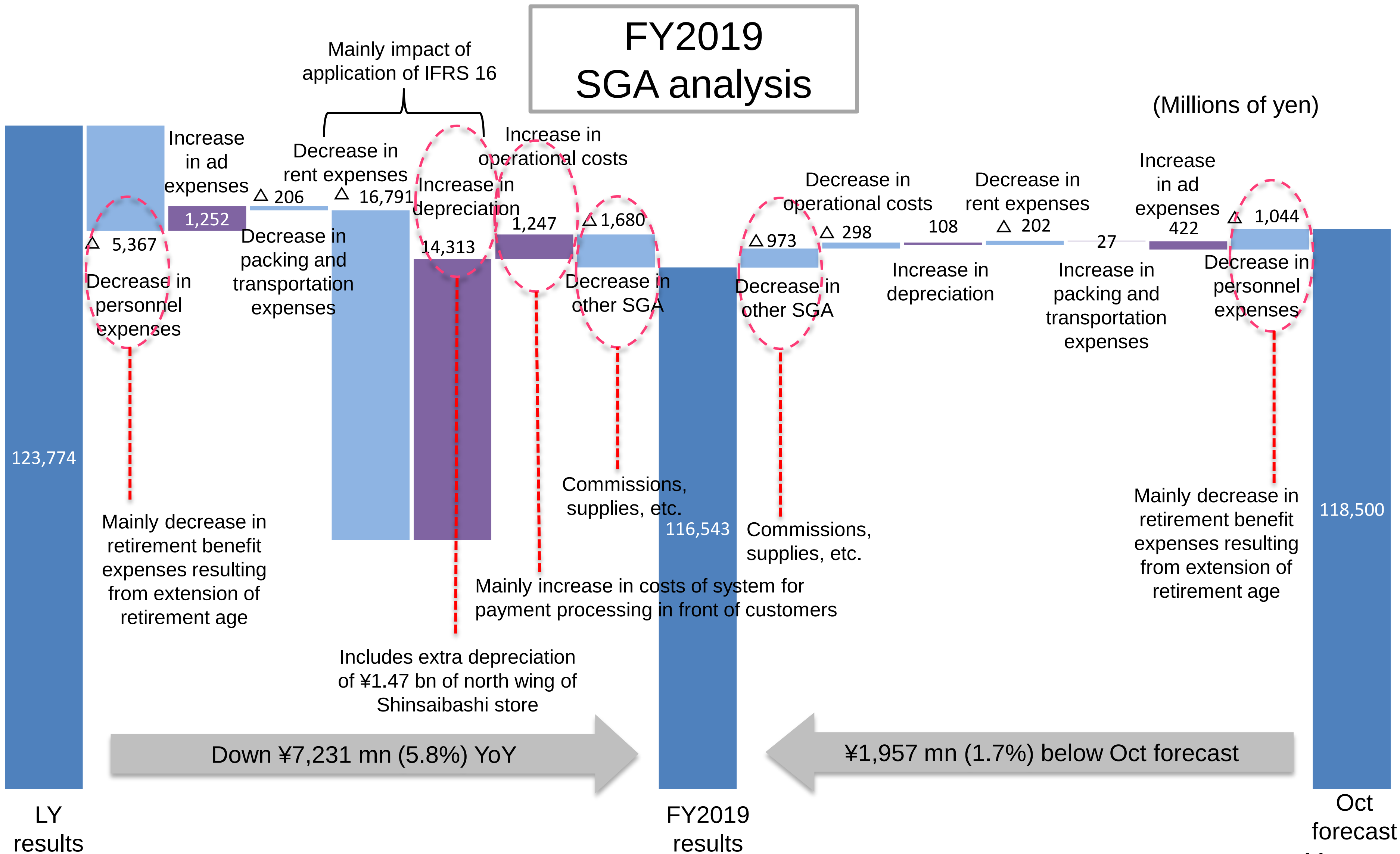
FY2019 SGA analysis



Daimaru Matsuzakaya Department Stores Other Expenses (IFRS)

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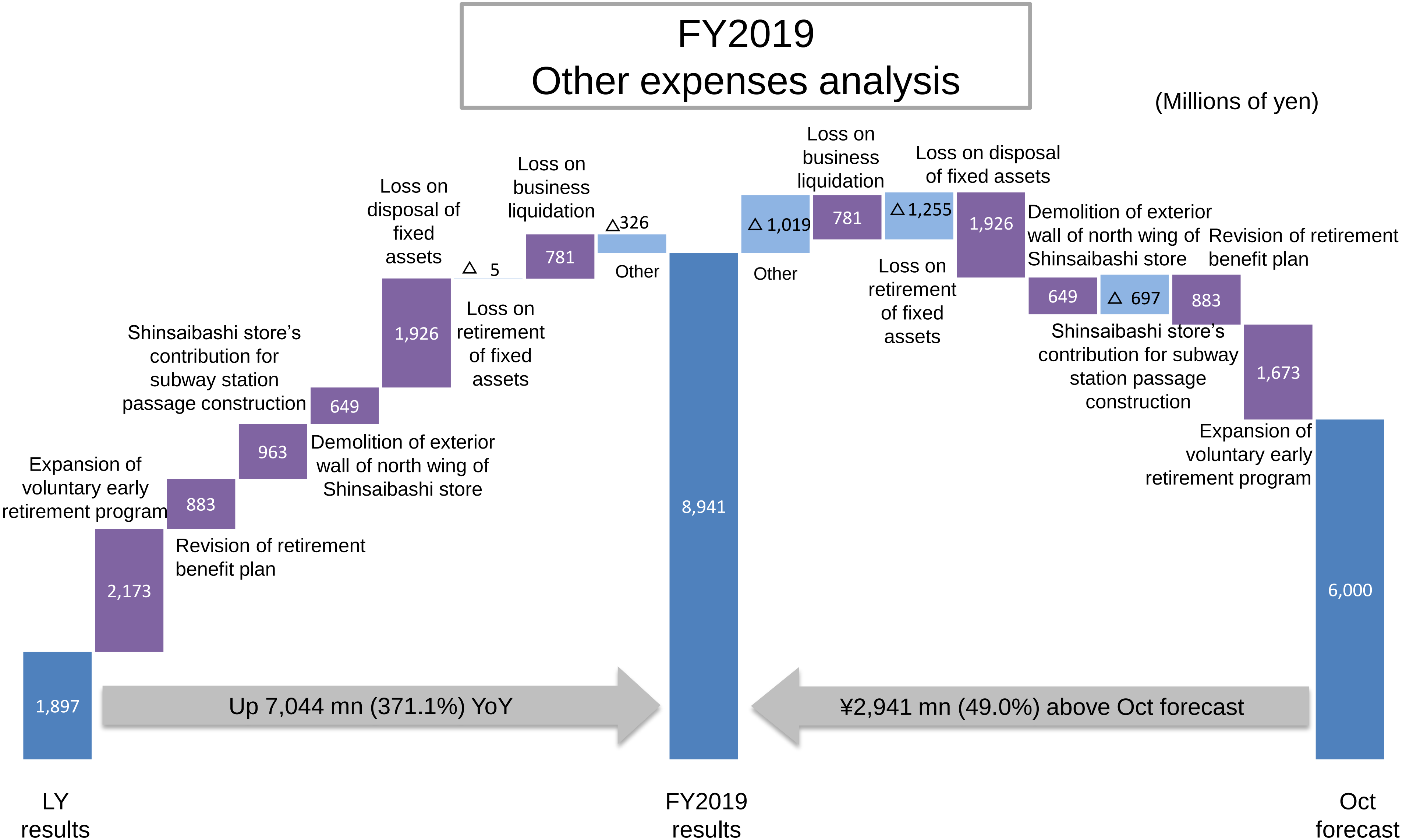

Segment Performance (1) Department Store Business

Daimaru Matsuzakaya Department Stores: Main Building of Daimaru Shinsaibashi Store

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► Main building of Daimaru Shinsaibashi store opened as new "hybrid business model" in September 2019

Opened on Sep 20, 2019

Total transaction volume
+15.0 %

Customer traffic
+11.1 %

Purchase by young people (aged 25 to 34)
+40 %

*The figures above are total for the period from Sep 2019 to Jan 2020.

Speed up to expand this business model to other flagship stores

Segment Performance (2) PARCO Business (IFRS)

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- Boosted by opening of Shibuya PARCO, Kinshicho PARCO, Kawasaki ZERO GATE, etc.
- Revenue equal to sales of reserve floor space of Shibuya PARCO (¥21.7 bn) was recognized as cost
- Business profit slightly decreased due to weak performance of some rural stores and NEUVE A
- Operating profit significantly increased YoY mainly in reaction to loss on store closure recorded in previous year

(Millions of yen, %)

Fiscal year ended February 29, 2020	Results	YoY		Vs October forecast	
		Change	% change	Change	% change
Gross sales	311,107	32,154	11.5	(9,093)	(2.8)
Revenue	112,212	22,243	24.7	(1,888)	(1.7)
SGA	19,837	453	2.3	(44)	(0.2)
Business profit	8,582	(141)	(1.6)	(1,918)	(18.3)
Operating profit	10,823	5,378	98.7	(1,677)	(13.4)

Shibuya PARCO

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- New Shibuya PARCO as a symbol of PARCO brand made its grand opening in November 2019

Contents on higher floors attract foot traffic

Expanded luxury brands

Unconventional floor composition and zones

Newly curated sales areas

Succeeded in bringing in a wide age range of customers

Opened on Nov 22, 2019

Apply achievements in other PARCO stores to suit their characteristics

Segment Performance

(3) Real Estate (4) Credit and Finance (5) Other (IFRS)

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- Real Estate: Business profit decreased due to cost increase resulting from transfer of north wing of Shinsaibashi store to Real Estate Business segment
- Credit and Finance: Revenue increased due to increase in external merchant fees but cost increased partly due to strengthening of organization
- Other: Driven by J. Front Design & Construction with interior construction of main building of Shinsaibashi store

(Millions of yen, %)

Fiscal year ended Feb 29, 2020	Real Estate				Credit and Finance				Other			
	Results	YoY		Vs Oct forecast	Results	YoY		Vs Oct forecast	Results	YoY		Vs Oct forecast
		Change	% change	Change		Change	% change	Change		Change	% change	Change
Gross sales	17,832	684	4.0	(168)	12,187	290	2.4	(213)	132,645	11,622	9.6	(2,355)
Revenue	17,793	798	4.7	(107)	10,719	146	1.4	(161)	123,275	19,025	18.2	1,575
SGA	3,004	647	27.4	(296)	8,817	582	7.1	(363)	26,174	1,243	5.0	(468)
Business profit	4,364	(698)	(13.8)	(236)	1,901	(437)	(18.7)	201	4,926	1,321	36.7	(74)
Operating profit	6,725	2,061	44.2	(275)	1,908	(452)	(19.1)	158	4,700	1,193	34.0	(200)

Consolidated B/S and CF (IFRS)

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- Total assets increased partly due to recognition of “right-of-use assets” on balance sheet
- Interest-bearing liabilities increased ¥304.3 bn YoY partly due to recognition of “lease liabilities” and TOB fund
- Free cash flows were positive at ¥23.7 bn, slightly negative if impact of IFRS 16 is excluded

<Consolidated statements of financial position>

(Millions of yen, %)

Fiscal year ended February 29, 2020	Results	YoY change
Total assets	1,240,308	210,735
[Of which: right-of-use assets]	202,516	202,516
Interest-bearing liabilities	478,773	304,395
[Of which: lease liabilities]	220,497	220,497
Equity attributable to owners of parent	387,188	(25,512)
Ratio of equity attributable to owners of parent	31.2	(RD) (8.9)

(Ratio of equity to total assets)

<Cash flows>

(Millions of yen)

Fiscal year ended February 29, 2020	Results	YoY change
Operating cash flows	73,358	38,488
Investing cash flows	(49,559)	(22,723)
Free cash flows	23,799	15,766
Financing cash flows	(14,829)	6,445

1H/Full FY2020 Forecast

Major Business Risks

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	Negative risk (threat)	Positive risk (opportunity)	Direction for considering how to address risk
Risk associated with disasters, etc.	･Spread of COVID-19 ･Opportunity loss from business suspension ･Increase in cost to repair damage to facilities and core systems	･Growing need for minimizing/avoiding risk ･Increase of existence value as infrastructure in disasters ･Progress of work style reform	･Promote redevelopment of BCP plan, establishment of HQ, strengthening of drills, investment in aging infrastructure and stocking of disaster supplies ･Create backup center for important data ･Promote telework and online meetings by constructing IT infrastructure
Risk associated with advanced technologies	･Attack by digital disruptors ･Progress of D2C	･Sophistication of services and streamlining of operations using technologies	･Maximize lifetime value by building integrated customer database ･Provide new customer experiences using VR/AR ･Improve convenience by introducing new payment methods
Risk associated with the progress of sharing economy	･Expansion of C2C ･Decline of real stores due to decreased product sales	･Development of new business from the perspective of sharing	･Consider new sharing service business of products, places, skills, etc. ･Develop services that lead to new entertainment and regional development by cloud funding
Risk associated with growing importance of ESG	･Loss of consumers, deteriorating relations with local communities and divestment due to poor reputation caused by delayed response	･Enhancement of reputation by appropriate response ･Enhancement of competitiveness using diverse HRs ･Reinforcement of business base with high transparency	･Promote highly transparent management in the Company with Three Committees (Nomination, Audit and Remuneration Committees) ･Obtain certification ･Actively disclose information and improve quality of dialogue
Risk associated with changes in customers, low birthrate and longevity	･Loss of senior market due to delayed response	･Emergence of new markets in the era of multiple stages ･Expansion of active senior market due to increased healthy life expectancy	･Develop new products/services using integrated customer database ･Operate high quality early childhood education business ･Consider service business for the elderly
Risk associated with polarized income	･Further shrinkage of middle class market	･Expansion of our strong affluent market	･Develop products/services with new asset value that meets diversified interests of the affluent ･Strengthen touch points with the affluent combining online magazines, our websites and real stores ･Recreate sales spaces for the middle class that meet new customer needs

Response to Impact of COVID-19

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Spread of COVID-19

Growing tendency to voluntarily refrain from leaving home

Increasing risk against the ability to attract customers

- Temporary closing and shorter business hours
- Cancellation of big events that attract many customers
- Change/postponement/cancellation of events

Increasing risk associated with commuting

- Promotion of telework
- Active adoption of online meetings

Promote initiatives that consider safety of customers and employees and review of existing operations through “work style reform” to the extent possible

Idea on Guidance for FY2020

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When COVID-19 will end and how consumption will recover remain uncertain

Maximize consideration for “risks” that are expected to have negative impact on the Company’s sales

Overhaul nonessential costs and investments on a zero basis

Consolidated Forecast P/L (IFRS)

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- The entire Group, mainly Department Store and PARCO, is expected to struggle due to impact of COVID-19
- Gross sales and operating profit are expected to decrease ¥165 bn and ¥3.3 bn, respectively, affected by COVID-19
- Annual dividend has not yet been decided and will be decided comprehensively in view of future progress of performance

(Millions of yen, %)

Fiscal year ending February 28, 2021	1H forecast	YoY		Full year forecast	YoY	
		Change	% change		Change	% change
Gross sales	437,500	(108,341)	(19.8)	1,010,000	(123,654)	(10.9)
Revenue	182,000	(43,664)	(19.3)	411,000	(69,621)	(14.5)
Gross profit	82,800	(21,859)	(20.9)	183,600	(23,353)	(11.3)
SGA	80,300	(615)	(0.8)	166,600	5,010	3.1
Business profit	2,500	(21,243)	(89.5)	17,000	(28,363)	(62.5)
Other operating income	500	(3,597)	(87.8)	800	(7,863)	(90.8)
Other operating expenses	3,000	334	12.5	5,800	(7,940)	(57.8)
Operating profit	0	(25,175)	-	12,000	(28,286)	(70.2)
Profit attributable to owners of parent	(1,000)	(15,367)	-	5,000	(16,251)	(76.5)

Full Year Forecast P/L (IFRS) Difference from Original Plan

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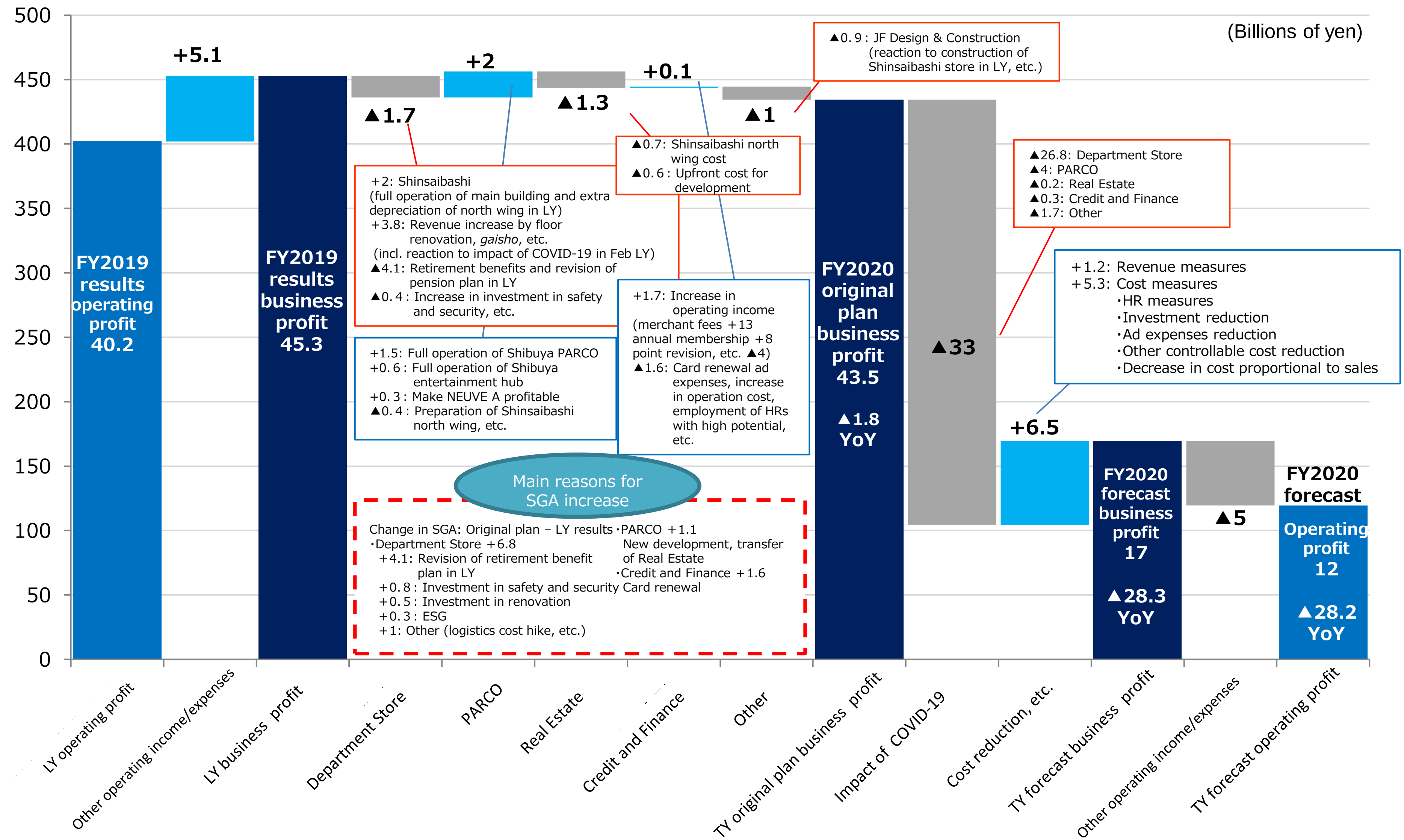

Segment Information Forecast (IFRS)

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- Department Store: Strictly project sales mainly for 1H, expect operating loss in 1H, ensure profit in full year
- PARCO: Expect sluggish entertainment but contribution of full operation of Shibuya PARCO
- Real Estate: Expect cost related to “north wing” of Shinsaibashi store and percentage rent decrease due to sales decrease

(Millions of yen, %)

Fiscal year ending February 28, 2021	Business profit				Operating profit			
	1H forecast	YoY % change	Full year forecast	YoY % change	1H forecast	YoY % change	Full year forecast	YoY % change
Department Store	(3,500)	-	4,500	(83.0)	(4,700)	-	2,300	(87.0)
PARCO	2,700	(49.8)	6,600	(23.1)	2,400	(59.1)	6,000	(44.6)
Real Estate	2,400	(28.8)	2,900	(33.6)	2,200	(61.6)	2,500	(62.8)
Credit and Finance	230	(78.3)	1,700	(10.6)	230	(78.9)	1,700	(10.9)
Other	900	(57.0)	2,650	(46.2)	900	(55.2)	2,580	(45.0)
Total	2,500	(89.5)	17,000	(62.5)	0	-	12,000	(70.2)

Changes of Each Segment（IFRS）

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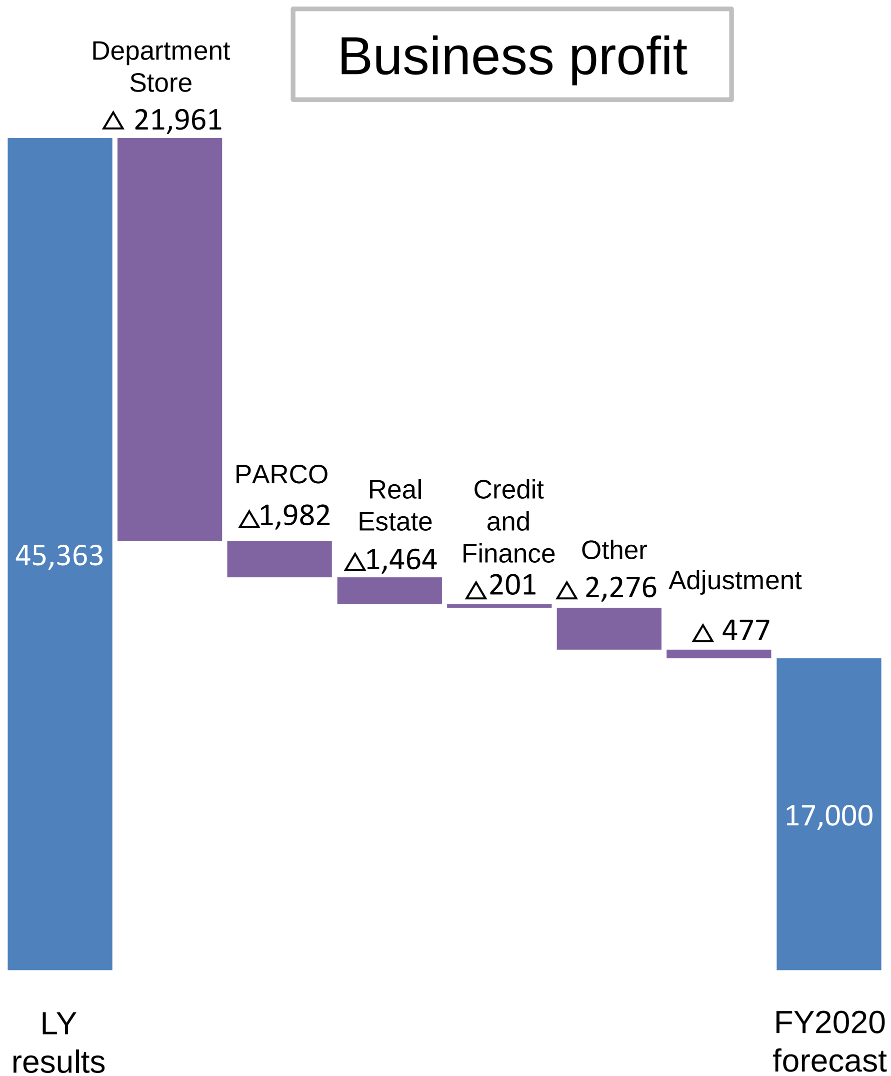
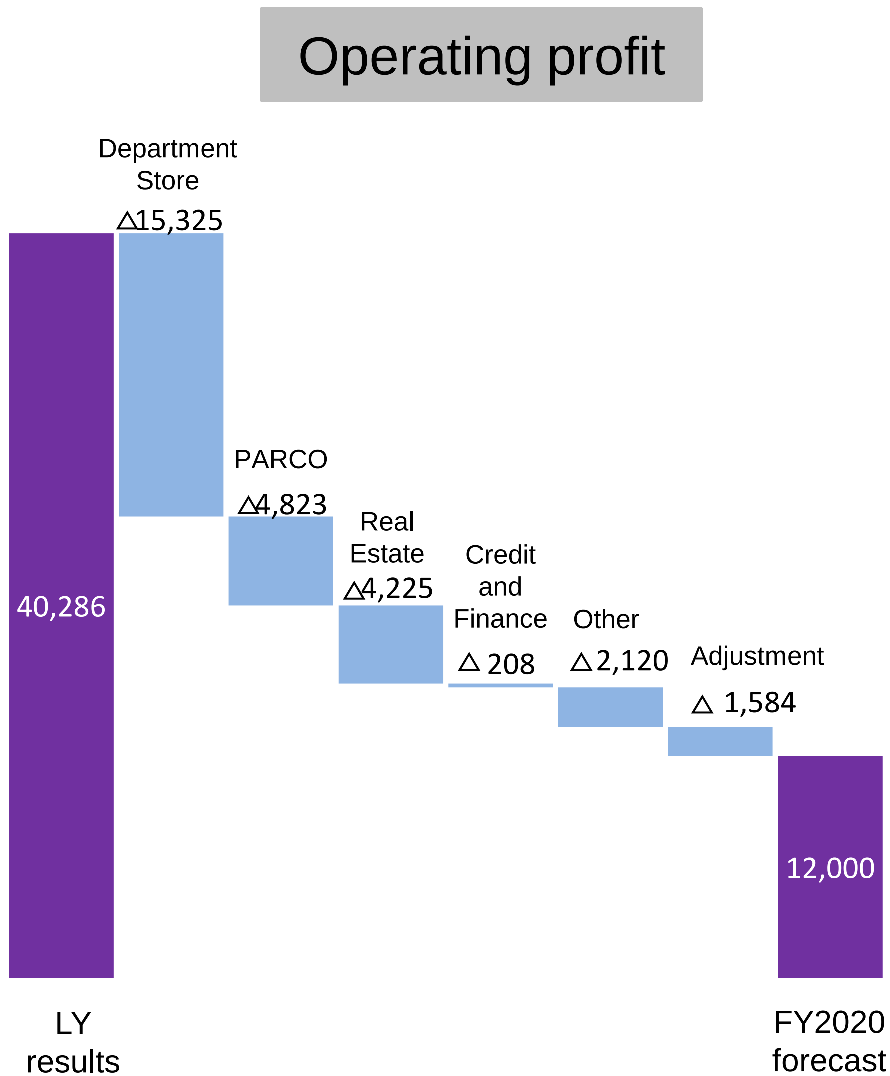
(Millions of yen)





Daimaru Matsuzakaya Department Stores Forecast P/L (IFRS)

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(Millions of yen, %)

Fiscal year ending February 28, 2021		Department Store		Real estate		Total Daimaru Matsuzakaya Department Stores	
		Forecast	YoY % change	Forecast	YoY % change	Forecast	YoY % change
1H	Gross sales	244,700	(22.7)	8,600	(3.1)	253,200	(22.2)
	[Of which: real estate rental income]	4,500	99.2	8,600	(1.8)	13,000	19.3
	Revenue	90,600	(23.3)	8,600	(2.5)	99,100	(21.8)
	Gross profit	53,000	(23.5)	4,200	(10.2)	57,100	(22.7)
	SGA	56,000	(3.6)	1,800	38.0	57,700	(2.7)
	Business profit	(3,000)	-	2,400	(28.8)	(600)	-
	Operating profit	(4,100)	-	2,200	(61.6)	(1,900)	-
Full year	Gross sales	564,000	(11.7)	20,000	12.2	583,800	(11.0)
	[Of which: real estate rental income]	9,200	35.9	20,000	13.0	29,000	19.8
	Revenue	207,200	(12.3)	20,000	12.4	227,000	(10.6)
	Gross profit	121,900	(12.2)	5,900	(19.9)	127,600	(12.5)
	SGA	117,700	3.4	3,000	(0.1)	120,500	3.4
	Business profit	4,200	(83.2)	2,900	(33.6)	7,100	(75.8)
	Operating profit	2,200	(87.7)	2,500	(62.8)	4,700	(80.9)

Daimaru Matsuzakaya Department Stores SGA Analysis (IFRS)

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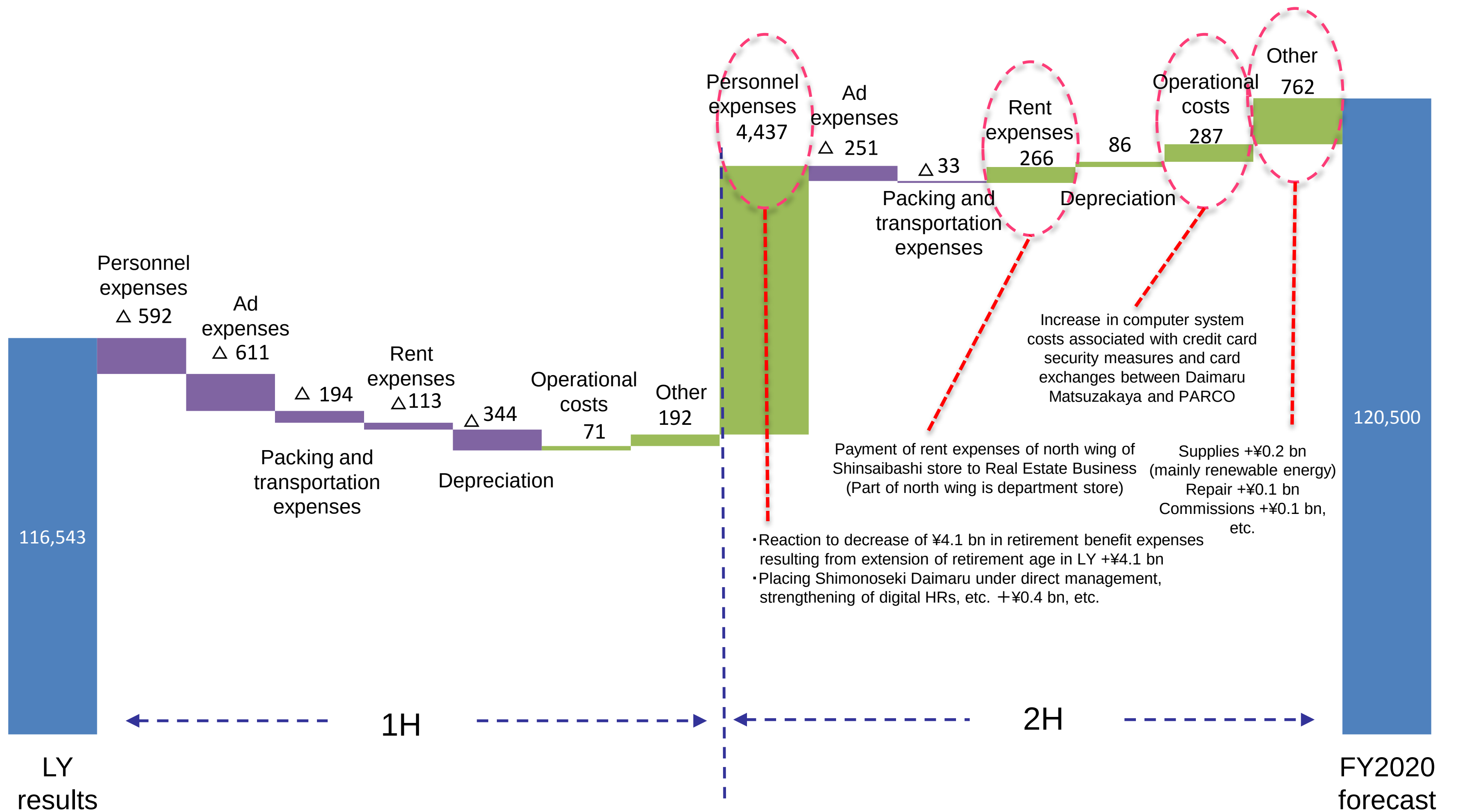
<FY2020 Daimaru Matsuzakaya Department Stores SGA analysis>

(Millions of yen)



Consolidated B/S and CF Forecast (IFRS)

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- Despite severe outlook for operating CF due to impact of COVID-19, we intend to maximize decrease in free CF by scrutinizing investment plan, etc. again
- Ensure sufficient funds on hand and availability of funding through CP, commitment lines, etc.
- We recognize financing and funding will not be significantly affected for the time being

<Consolidated statements of financial position>

(Millions of yen, %)

Fiscal year ending February 28, 2021	Forecast	YoY change
Total assets	1,240,000	(308)
[Of which: right-of-use assets]	183,800	(18,716)
Interest-bearing liabilities	477,500	(1,273)
[Of which: lease liabilities]	204,000	(16,497)
Equity attributable to owners of parent	386,500	(688)
Ratio of equity attributable to owners of parent	31.2	(RD) 0.0

(Ratio of equity to total assets)

<Cash flows>

(Millions of yen)

Fiscal year ending February 28, 2021	Forecast	YoY change
Operating cash flows	58,000	(15,358)
Investing cash flows	(38,000)	11,559
Free cash flows	20,000	(3,799)
Financing cash flows	(26,000)	(11,171)

Review of Promotion System for Medium-term Growth

Look Back on Past Three Years (Growth Strategy)

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	Major initiatives	Results/progress	Challenge	Evalua-tion
Growth strategy	Multi Service Retailer (expansion of business domain)	◆Launched child care business ･Established JFR Kodomo Mirai, opened 1st facility ◆Invested in only 2 companies to develop new business ◆Developed direction for growth of JFR Card. Could not show the path to growth of JF Design & Construction and Dimples'	◆Realization of new businesses other than child care area ◆Review of structure and method of development of new business as a group ◆Strengthening of HR base and investment of resources of JF Design & Construction and Dimples'	×
	Urban Dominant (development project)	◆Promoted redevelopment projects ･Opened Ginza Six, Ueno Frontier Tower, Shinsaibashi Daimaru and Shibuya PARCO	◆Spread of success factors of Shinsaibashi Daimaru and Shibuya PARCO to flagship stores	○
	Urban Dominant (Real Estate Business)	◆Expanded real estate rental business ･Renovated *machiya* as "Gion Machiya" "Blue Bottle Coffee Kyoto Café" and beauty & health "Bino" (Higashinotoin and Okachimachi)	◆Growth strategy of Real Estate Business after transfer to PARCO	○
	ICT (defense)	◆Formulated Group IT governance ･Created IT governance definition, policy, regulations, rules ◆Developed system to strengthen security	◆Employment of HRs specialized in IT from outside the Group and development of HRs in the Group	○
	ICT (offense)	◆Created the Group integrated customer DB (LTS-Hub) ◆Developed digital communication base using ICT ･Introduced department store smartphone app and *gaisho* SFA	◆Achievement using the Group integrated customer DB (LTS-Hub) ◆Review of core systems	△
	Innovation of Department Store Business	◆Promoted initiatives to enhance appeal of stores ･Appropriate women's wear area (down 30% vs FY2016) Total FY2017 to 2019: 7,492 m^2 (down 15% vs FY2016) ･Newly curated sales areas (Kikiyococho, michi kake) ◆Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya and Suma, closed Daimaru Yamashina	◆Creation of new value of existing stores (development of next generation merchandise/contents pursuing customer perspectives/insights)	△
	Innovation of PARCO Business	◆Promoted change of store portfolio ･Opened Shibuya PARCO, Ueno PARCO_ya ◆Expanded small commercial business by promoting development ･Opened ZERO GATE (Sannomiya, Kyoto, Kinshicho, Harajuku) and SAN-A Urasoe West Coast PARCO CITY	◆Creation of new value of existing stores (reform of store business by spreading success of Shibuya PARCO to other stores) ◆Assessment of future growth of Retail Business (NEUVE A)	△

Look Back on Past Three Years (Reinforcement of Base)

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	Major initiatives	Results/progress	Challenge	Evaluation
Reinforcement of base	Strengthening of corporate governance	◆Strengthened the Group governance function ・Transition to Company with Three Committees (Nomination, Audit and Remuneration Committees) (FY2017) ◆Strengthened oversight function (Board of Directors) and execution function, improved accuracy of oversight ・Reviewed criteria for submitting agenda items to Board of Directors ・Evaluated effectiveness of Board of Directors ・Set management rules of Group companies ・Changed from "single-person audit" of Company with Audit & Supervisory Board to "organization audit" ◆Strengthened management HR function ・Evaluation of management HRs by third-party organization ・Started to operate new officer remuneration system	◆Review of functions of holding company and operating companies after converting PARCO into wholly owned subsidiary ◆Strengthening of governance function of each operating company ◆Ensuring of diversity of management HRs	○
	Group financial strategy	◆Changed mindset about investment recovery to achieve ROE ・Manage companies by phase management ・Revitalized/withdrew from unprofitable businesses ◆Sophisticated business management ・Introduced IFRS, applied new lease accounting ◆Enhanced communication with investors ・IR by each business (department store, financial service, finance)	◆Formulation of capital policy and shareholder return measures to achieve ROE of 8% ◆Clear indication of linkage between ESG initiatives and operating revenue ◆Review of management of revenue forecast ◆Continuation/sophistication of business IR	○
	Group organization/HR reform	◆Employed specialized HRs (11 of 41 were mothers.) ◆Developed various systems based on new HR strategy (extension of retirement age, termination of transfer at 55, revision of retirement benefits / pension plan, time-limited support for career selection)	◆Employment/development of HRs specialized in IT, etc. ◆Effective posting at a group level	△
	ESG initiatives	◆Identified materiality issues, formulated various policies such as Sustainability Policy, Eco Vision and Social Vision ◆Set goals for 2030/2050 and promoted initiatives to achieve them ◆Provided/disclosed information through ESG presentations, etc.	◆CSV initiatives ・Promotion of initiatives to enhance corporate value and increase market cap ◆Achievement of goals through steady promotion ◆Strengthening of information disclosure	○

Changes in “Business Profit” (IFRS)

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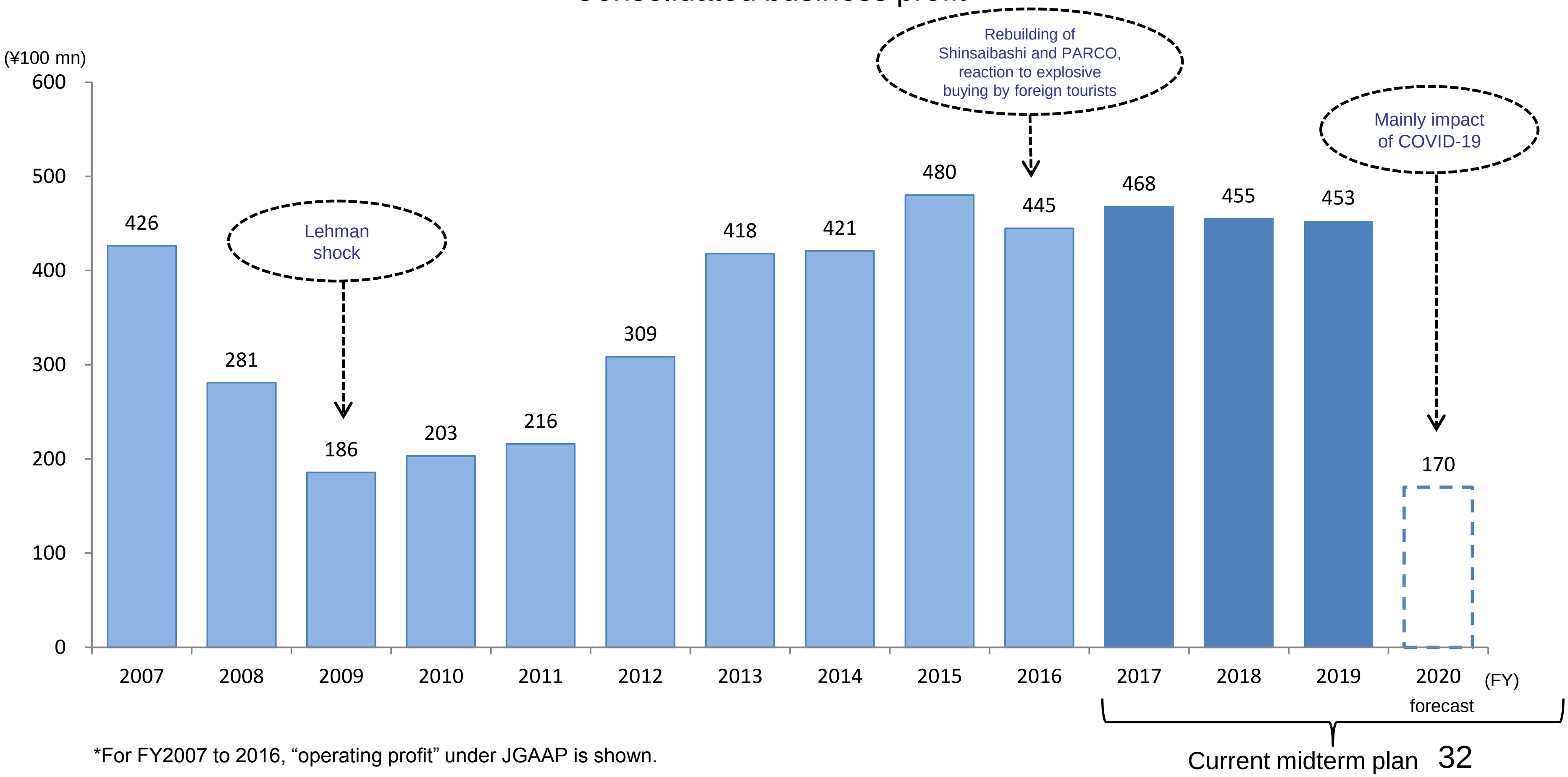
- Our intention in current midterm plan was that business profit would turn up after bottoming out in FY2019 but business environment drastically changed
- In FY2020, impossible to avoid substantial decline in profit levels due to tremendous impact of COVID-19 and delayed response to changes
- Extremely difficult to achieve operating profit target in FY2021, final year of current midterm plan

Consolidated business profit*



*For FY2007 to 2016, “operating profit” under JGAAP is shown.

Progress of Business Portfolio Transformation

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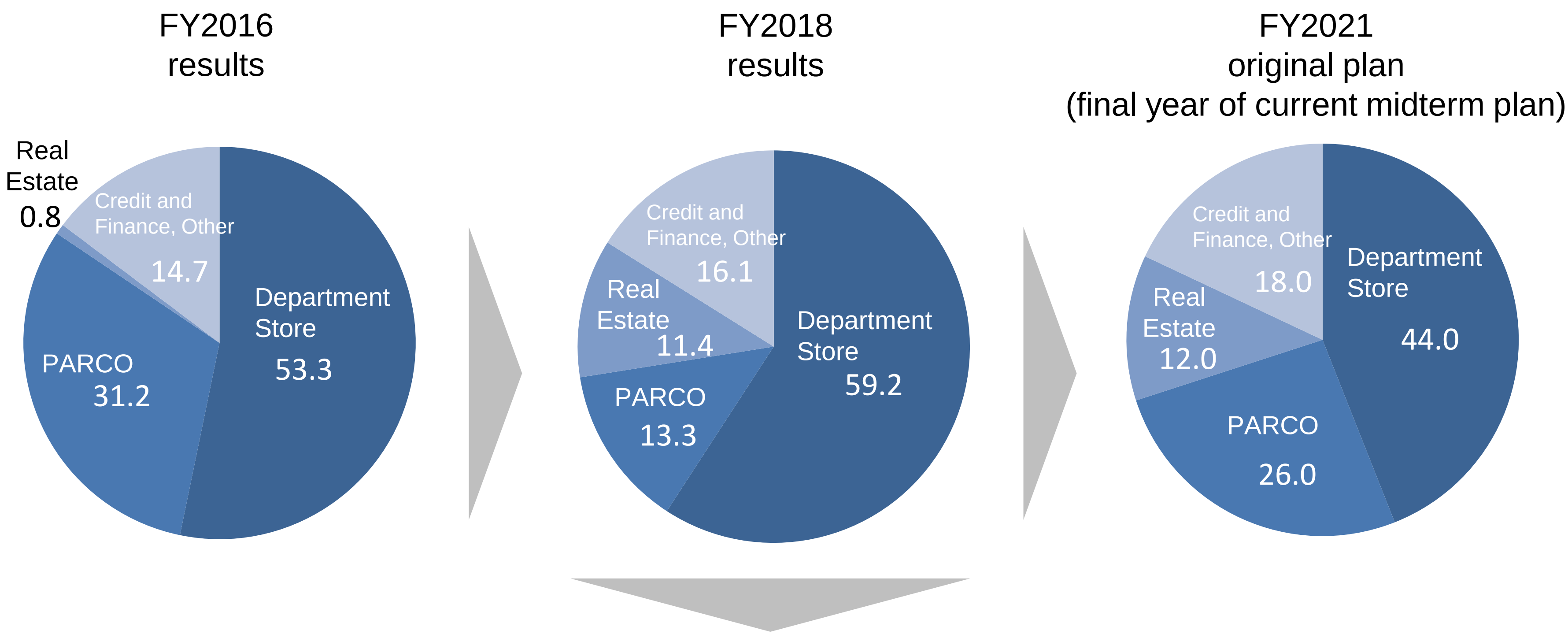
- Real Estate is steadily growing but Department Store still has a majority share
- Balance of business composition of the Group has not been improved, ability to respond to environmental changes weakens

Composition of "operating profit" (before application of IFRS 16) (%)



Need to rebuild structure to transform business portfolio

Changes in Assumptions (1) External Environment

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More than expected weakening of middle class, particularly abruptly accelerated shrinkage of apparel market after consumption tax hike

Declining competitiveness of urban flagship stores as well as declining rural stores

Vulnerability of group structure became more visible due to pandemic risk

Upward pressure on costs in IT and ESG, where prompt response is required

Assumptions changed at more than expected "scale" and "speed" compared to when developing current midterm plan

Important “turning point” of the Group

Converted PARCO into wholly owned subsidiary

Initiatives for dynamic business structural changes and drastic HR exchanges became possible

Readiness to build framework in which we can aim to maximize synergy at increased speed is a big plus factor

For True “Business Portfolio Transformation”

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Overhaul of management/organizational structure

Ambitious goal setting for a long term

Upgrade strategy to bring out the strength of the Group more than ever

Terminate current midterm plan in FY2020

=

“Cement a foothold” in FY2020

Direction of New Medium-term Business Plan

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<Construction of new mid- to long-term plan>

Quantitative goal setting for 10 years later (2030) using KPIs

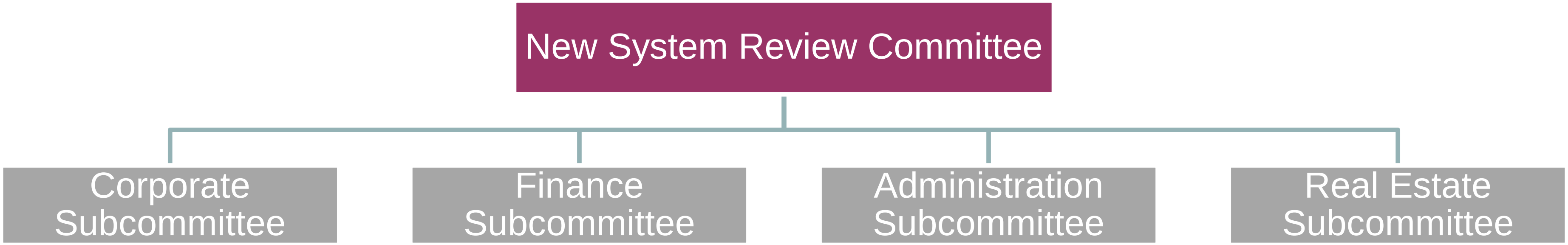
“Medium-term three-year plan” that will start in 2021 at the core

Management cycle with long-term and quantitative vision that achieves results during “three-year” term

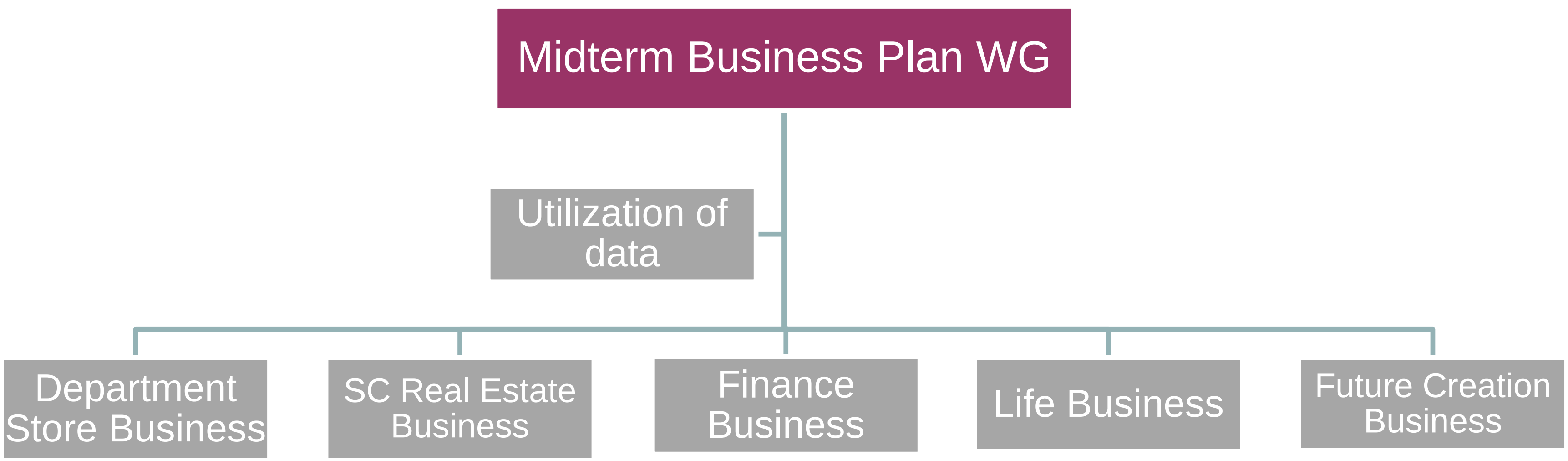
More “speed”-oriented decision making and “execution” that leads to results promptly are absolutely necessary

New Promotion System

- Created “New System Review Committee” to generate the Group synergy and promote highly efficient management



- Created “Medium-term Business Plan Working Group” to give a new clear picture of the future of the Group



Maximize Synergy with PARCO

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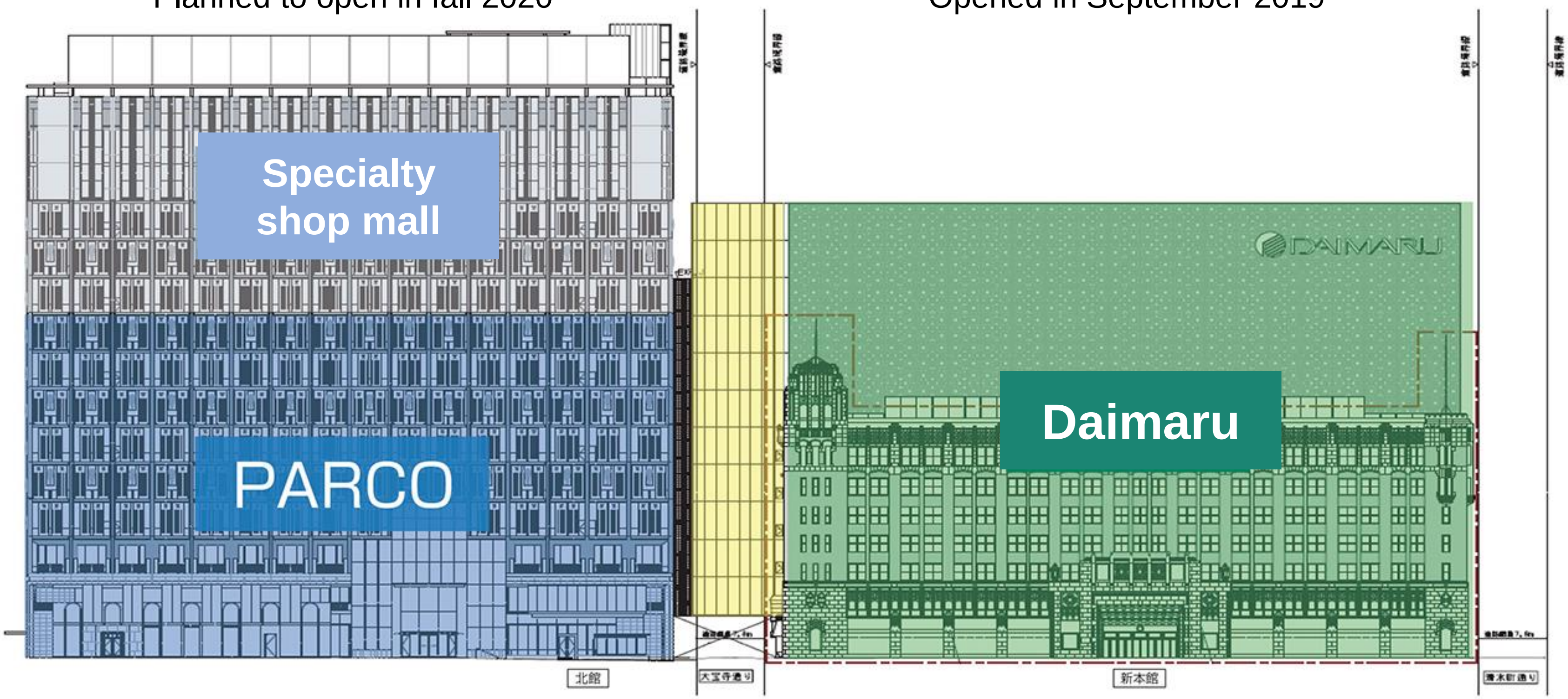
North wing

Planned to open in fall 2020

New main building

Opened in September 2019



Embody direction for creating synergy toward new Medium-term Business Plan

Strengthen “Defense” and Prepare for “Offense”

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Practice of corporate credo “Service before Profit” = CSV

Social value × Economic value

Strengthen “defense” in the short term
and prepare for “offense” for the future at the same time

Get over crisis and enhance corporate value
in the medium to long term

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Bring to Life
“New Happiness.”

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