～ From Full Recovery to Regrowth ～

Presentation of Results for Fiscal Year Ended February 28, 2021 and FY2021 – 2023 Medium-term Business Plan

April 13, 2021

J. Front Retailing Co., Ltd.
YOSHIMOTO Tatsuya
President and Representative Executive Officer

Create and Bring to Life “New Happiness.”

J. FRONT RETAILING

Today's Agenda

Ⅰ. FY2020 Results

Ⅱ. FY2021 Forecast

Ⅲ. FY2021 – 2023 Medium-term Business Plan

FY2020 Results (IFRS)



Consolidated PL (IFRS)

J. FRONT RETAILING

- Mainly Department Store and Parco significantly decreased revenue in spite of gradual recovery from impact of COVID-19
- In spite of business profit for full year, posted operating loss partly due to costs of closing two PARCO stores and impairment
- Year-end dividend is ¥18 per share, same as LY, resulting in annual dividend of ¥27 per share

(Millions of yen, %)

Full fiscal year ended February 28, 2021	Results	YoY		Vs. October forecast	
		Change	% change	Change	% change
Gross sales	766,297	(367,357)	(32.4)	(44,103)	(5.4)
Revenue	319,079	(161,542)	(33.6)	(18,421)	(5.5)
Gross profit	134,368	(72,585)	(35.1)	(4,232)	(3.1)
SGA	132,001	(29,589)	(18.3)	(5,399)	(3.9)
Business profit	2,366	(42,997)	(94.8)	1,166	97.2
Other operating income*1	5,711	(2,952)	(34.1)	1,211	26.9
Other operating expenses*2	32,343	18,603	135.4	6,043	23.0
Operating profit	(24,265)	(64,551)	—	(3,665)	—
Profit attributable to owners of parent	(26,193)	(47,444)	—	(7,593)	—
Dividend per share (Yen)	(Annual) 27	(9)	—	—	—

*1 Subsidies for employment adjustment of ¥2,574 million, etc.
*2 Reclassified fixed costs incurred during closure of ¥11,473 million, impairment losses of ¥13,196 million, loss on store closings of ¥4,663 million, etc.

Segment Information (IFRS)

J. FRONT RETAILING

- Department Store: Gradually recovered but stood still later in the year due to 3rd wave of COVID-19
- Parco: Rent relief continued in some stores but its impact was smaller than expected, entertainment remained sluggish
- Real Estate: Percentage rent decreased but performed relatively steadily after reopening of GINZA SIX, etc.
- Credit and Finance: Affected by card renewal costs and change in annual fee accounting method

(Millions of yen, %)

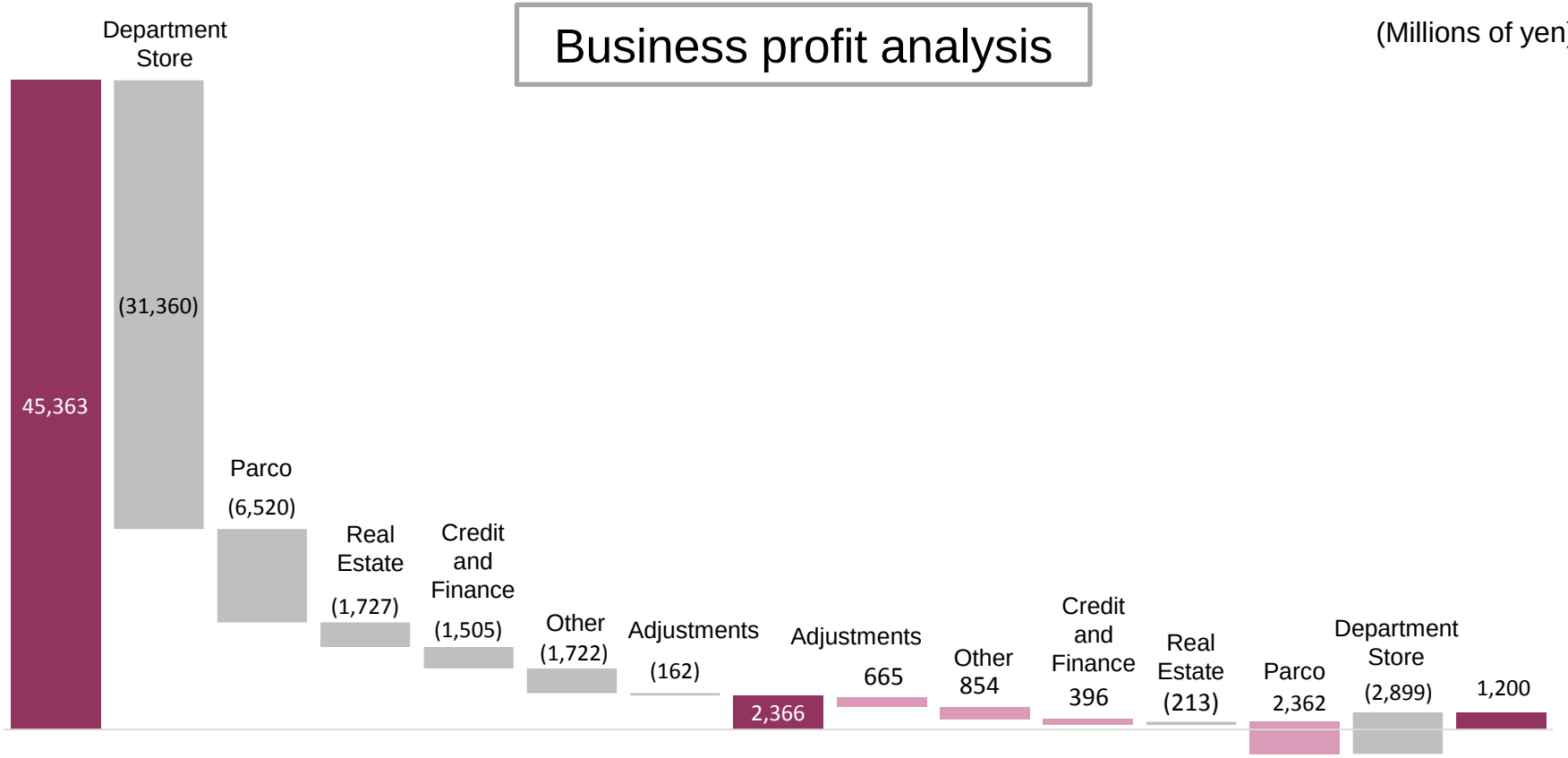
Full fiscal year ended February 28, 2021	Business profit				Operating profit			
	Results	YoY		Vs. Oct forecast	Results	YoY		Vs. Oct forecast
		Change	% change	Change		Change	% change	Change
Department Store	(4,899)	(31,360)	—	(2,899)	(22,199)	(39,824)	—	(2,999)
Parco	2,062	(6,520)	(76.0)	2,362	(6,895)	(17,718)	—	(2,445)
Real Estate	2,637	(1,727)	(39.6)	(213)	1,986	(4,739)	(70.5)	(414)
Credit and Finance	396	(1,505)	(79.1)	396	421	(1,487)	(77.9)	421
Other	3,204	(1,722)	(34.9)	854	2,852	(1,848)	(39.3)	1,052
Total	2,366	(42,997)	(94.8)	1,166	(24,265)	(64,551)	—	(3,665)

Segment Information <Business Profit> (IFRS)

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Business profit analysis

(Millions of yen)



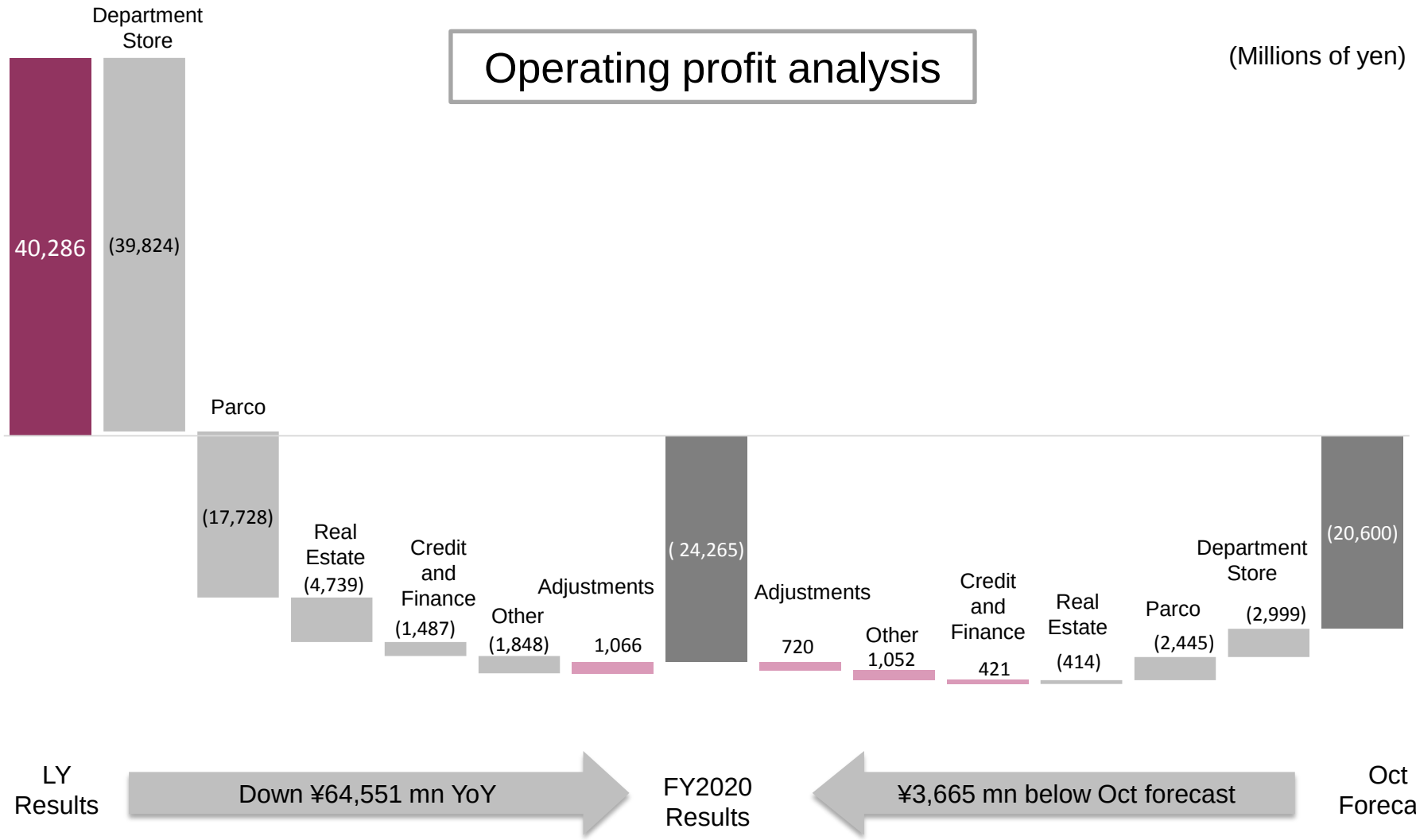
LY Results — Down ¥42,997 mn (94.8%) YoY → FY2020 Results ← ¥1,166 mn (97.2%) above Oct forecast — Oct Forecast

Segment Information <Operating Profit> (IFRS)

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Operating profit analysis

(Millions of yen)



Segment Performance (1) Department Store Business (IFRS)

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- Gradually recovered from impact of COVID-19 in H2 but struggled due to 3rd wave of COVID-19 and restriction of attracting customers during year end and new year holidays
- Inbound sales remained almost disappeared, steady sales, mainly of big ticket items, to affluent people in Japan
- Could not cover October forecast deficit in gross profit due to sales decrease despite SGA reduction

(Millions of yen, %)

Fiscal year ended February 28, 2021	H1		H2		Full year		
	Results	% change YoY	Results	% change YoY	Results	% change YoY	Change vs. Oct forecast
Gross sales	189,790	(46.5)	277,417	(23.1)	467,208	(34.7)	(26,292)
Revenue	70,102	(46.9)	93,922	(28.7)	164,024	(37.8)	(15,476)
SGA	44,663	(32.0)	58,212	(8.3)	102,876	(20.3)	(3,924)
Business profit	(4,416)	—	(482)	—	(4,899)	—	(2,899)
Operating profit	(21,357)	—	(841)	—	(22,199)	—	(2,999)

Daimaru Matsuzakaya Department Stores PL (IFRS)

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- Terminal stores such as Tokyo store remained sluggish but Shinsaibashi store, Nagoya store, etc. recovered steadily
- Pure EC sales exceeded ¥10 billion, up 40% YoY, also received a good response to live sales, etc.
- Starting in H2, transferred many of properties held by Department Store such as north wing of Shinsaibashi store and Ueno FT

(Millions of yen, %)

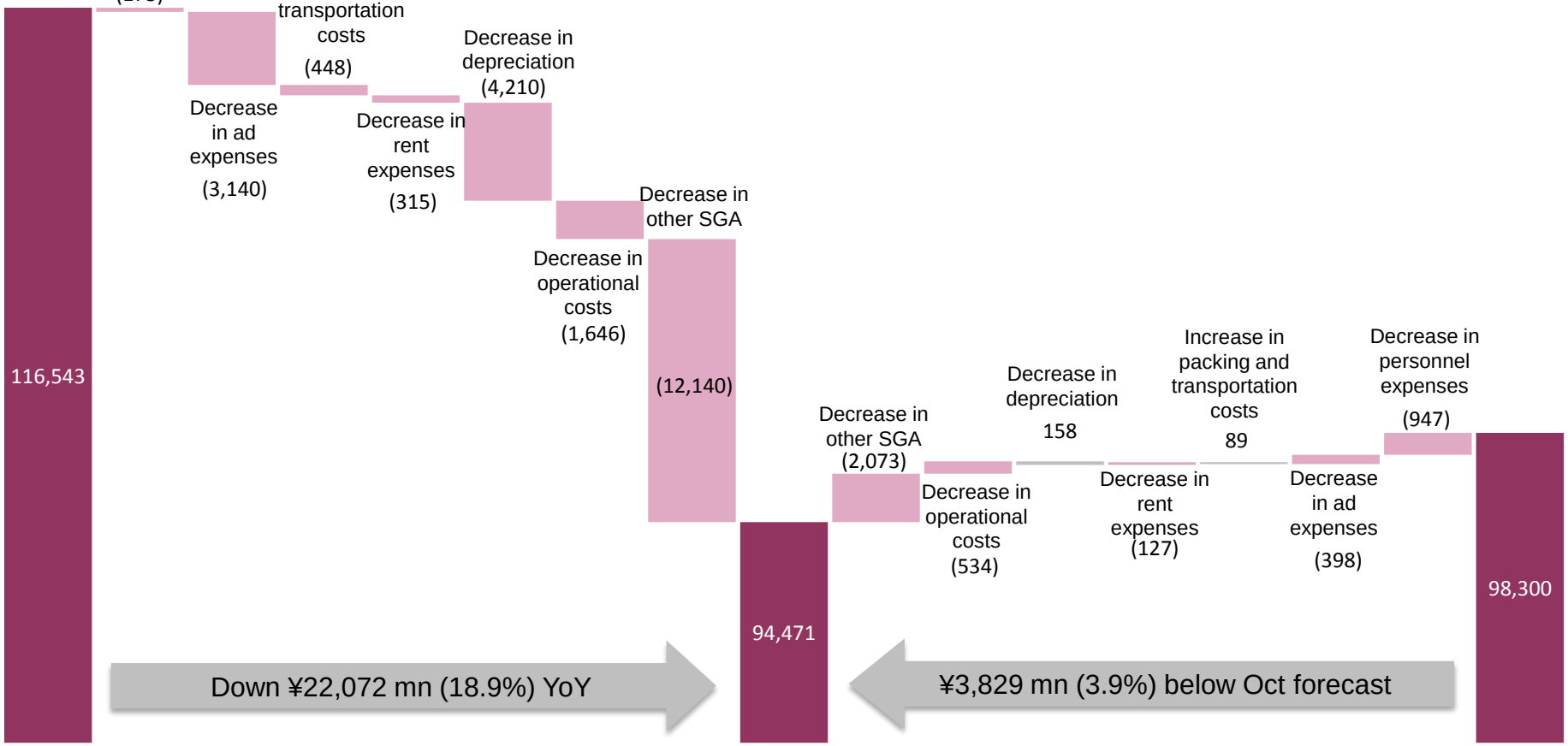
Full fiscal year ended February 28, 2021	Department Store			Real Estate			Total Daimaru Matsuzakaya Department Stores		
	Results	% change YoY	Change vs. Oct forecast	Results	% change YoY	Change vs. Oct forecast	Results	% change YoY	Change vs. Oct forecast
Gross sales	424,374	(33.5)	(22,526)	12,284	(31.1)	(716)	436,462	(33.5)	(23,138)
(Of which: real estate lease revenue)	7,589	12.1	—	12,231	(30.9)	—	19,624	(19.0)	—
Revenue	149,720	(36.7)	(13,280)	12,273	(31.0)	(727)	161,818	(36.3)	(13,822)
Gross profit	88,890	(36.0)	(5,910)	4,398	(40.3)	(202)	93,113	(36.2)	(6,087)
SGA	92,574	(18.6)	(3,626)	2,089	(30.5)	(211)	94,471	(18.9)	(3,829)
Business profit	(3,683)	—	(2,283)	2,309	(47.1)	9	(1,358)	—	(2,258)
Operating profit	(19,980)	—	(2,280)	1,885	(72.0)	(215)	(18,096)	—	(2,496)
Profit	-	-	-	-	-	-	(13,067)	—	(767)

Daimaru Matsuzakaya Department Stores SGA Analysis (IFRS)

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FY2020 SGA analysis

(Millions of yen)



Segment Performance (2) Parco Business (IFRS)

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- Greatly affected by about 2-month store closure and reduced business hours due to COVID-19
- Business profit was above October forecast due to reduction of tenant rent relief and SGA
- Operating profit was below October forecast mainly due to recognition of loss on store closings (Tsudanuma, Shintokorozawa)

(Millions of yen, %)

Fiscal year ended February 28, 2021	H1		H2		Full year		
	Results	% change YoY	Results	% change YoY	Results	% change YoY	Change vs. Oct forecast
Gross sales	83,472	(40.9)	123,046	(27.5)	206,519	(33.6)	(17,281)
Revenue	30,115	(31.1)	38,746	(43.5)	68,861	(38.6)	(3,139)
SGA	7,683	(19.8)	8,703	(15.1)	16,387	(17.4)	(1,313)
Business profit	1,517	(71.8)	544	(83.0)	2,062	(76.0)	2,362
Operating profit	(2,604)	—	(4,291)	—	(6,895)	—	(2,445)

Also greatly affected by reaction to sale of reserve floor area of Shibuya redevelopment (¥21.7 billion) in H2 LY

Segment Performance (2) Parco Business (IFRS)

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Shinsaibashi PARCO opened (November 20, 2020 -)

- Luxury on levels 1 and 2, culture on level 6, etc. performed particularly well as originally expected
- Widened Parco's customer base, generated synergy with Daimaru Shinsaibashi store adjacent to and integrated with it



- Real Estate: Achieved profitability despite rent relief according to the length of closure and decrease in percentage rent
- Credit and Finance: Affected by card renewal costs and change in annual fee accounting method as well as decrease in transaction volume
- Other: Business profit and operating profit of Daimaru Kogyo, Dimples', etc. were above October forecast

(Millions of yen, %)

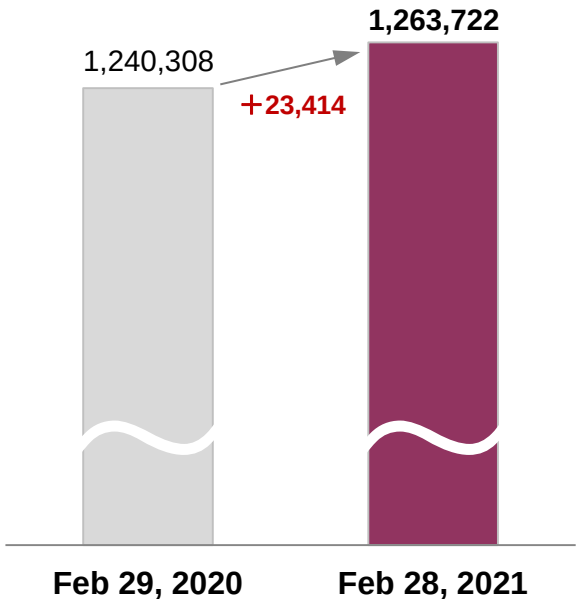
Full fiscal year ended February 28, 2021	Real Estate			Credit and Finance			Other		
	Results	% change YoY	Change vs. Oct forecast	Results	% change YoY	Change vs. Oct forecast	Results	% change YoY	Change vs. Oct forecast
Gross sales	15,383	(13.7)	(417)	11,496	(5.7)	(204)	105,601	(20.4)	(999)
Revenue	15,372	(13.6)	(428)	9,035	(15.7)	(565)	95,722	(22.4)	(1,878)
SGA	2,621	(12.7)	21	8,639	(2.0)	(961)	23,658	(9.6)	(142)
Business profit	2,637	(39.6)	(213)	396	(79.1)	396	3,204	(34.9)	854
Operating profit	1,986	(70.5)	(414)	421	(77.9)	421	2,852	(39.3)	1,052

Consolidated BS (IFRS)

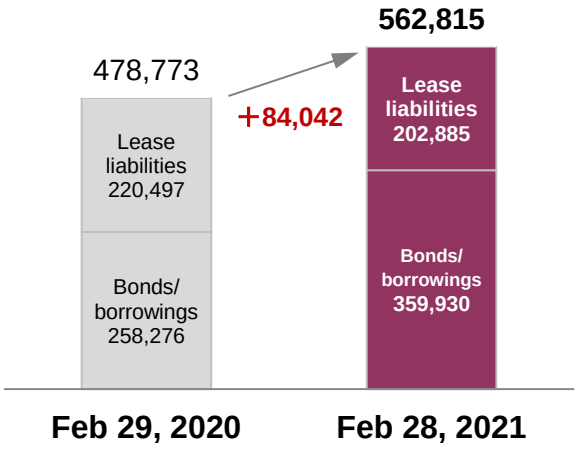
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- Total assets increased ¥23.4 bn YoY partly because cash and deposits were secured to cope with COVID-19
- Interest-bearing liabilities increased ¥84 bn YoY due to procurement of new funds to cope with COVID-19
- Ratio of equity attributable to owners of parent was 27.9%, down 3.3 points YoY

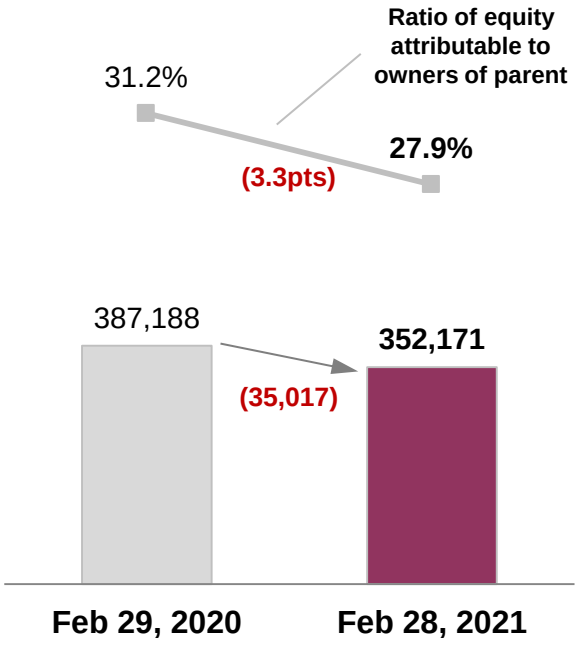
Total assets



Interest-bearing liabilities



Equity attributable to owners of parent

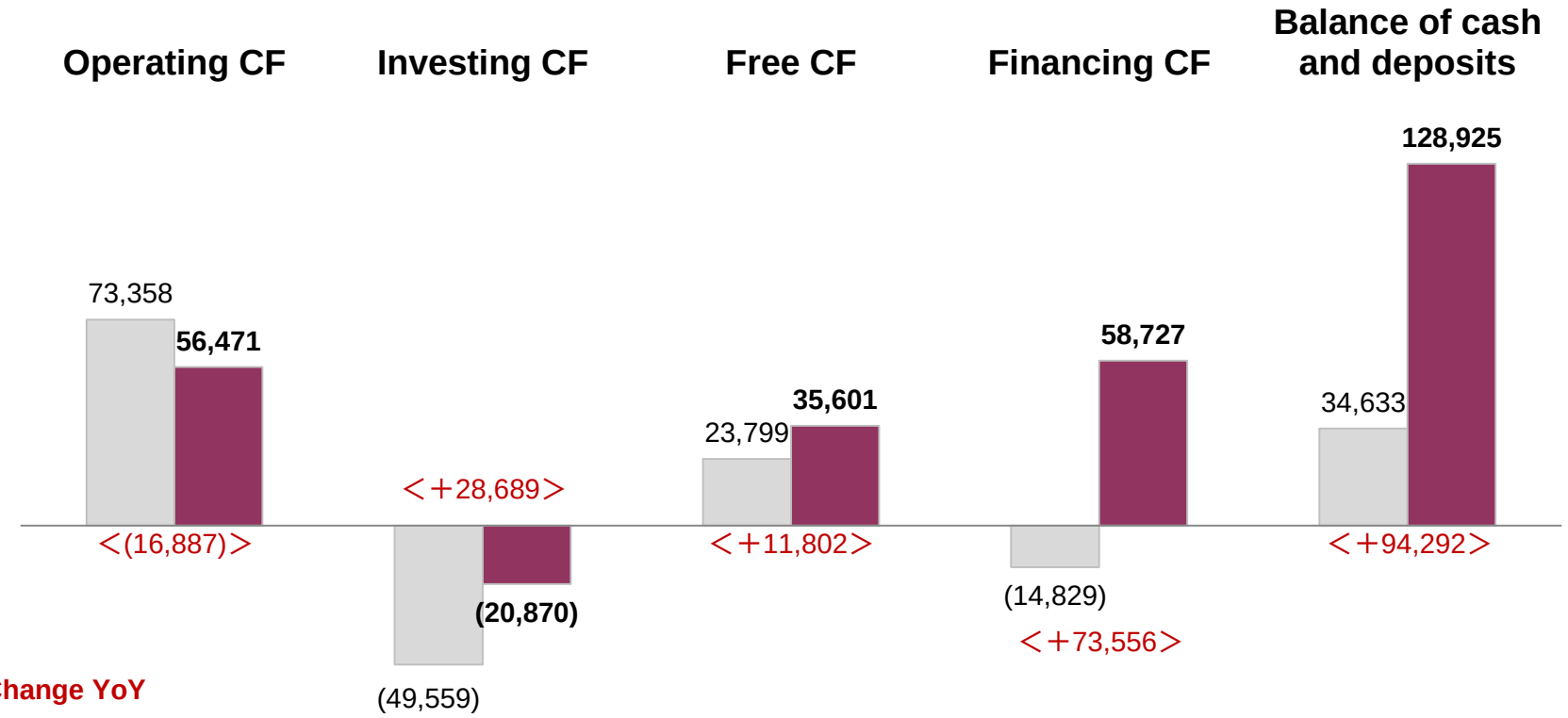


(Millions of yen)

Consolidated CF (IFRS)

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- Operating CF decreased ¥16.8 bn YoY due to profit decrease
- Free cash flow was ¥35.6 bn, up ¥11.8 bn YoY due to significant reduction of investment
- Secured cash reserves enough to cope with COVID-19 by issuing CP and borrowing money from banks



FY2021 Forecast (IFRS)

Consolidated Forecast PL (IFRS)

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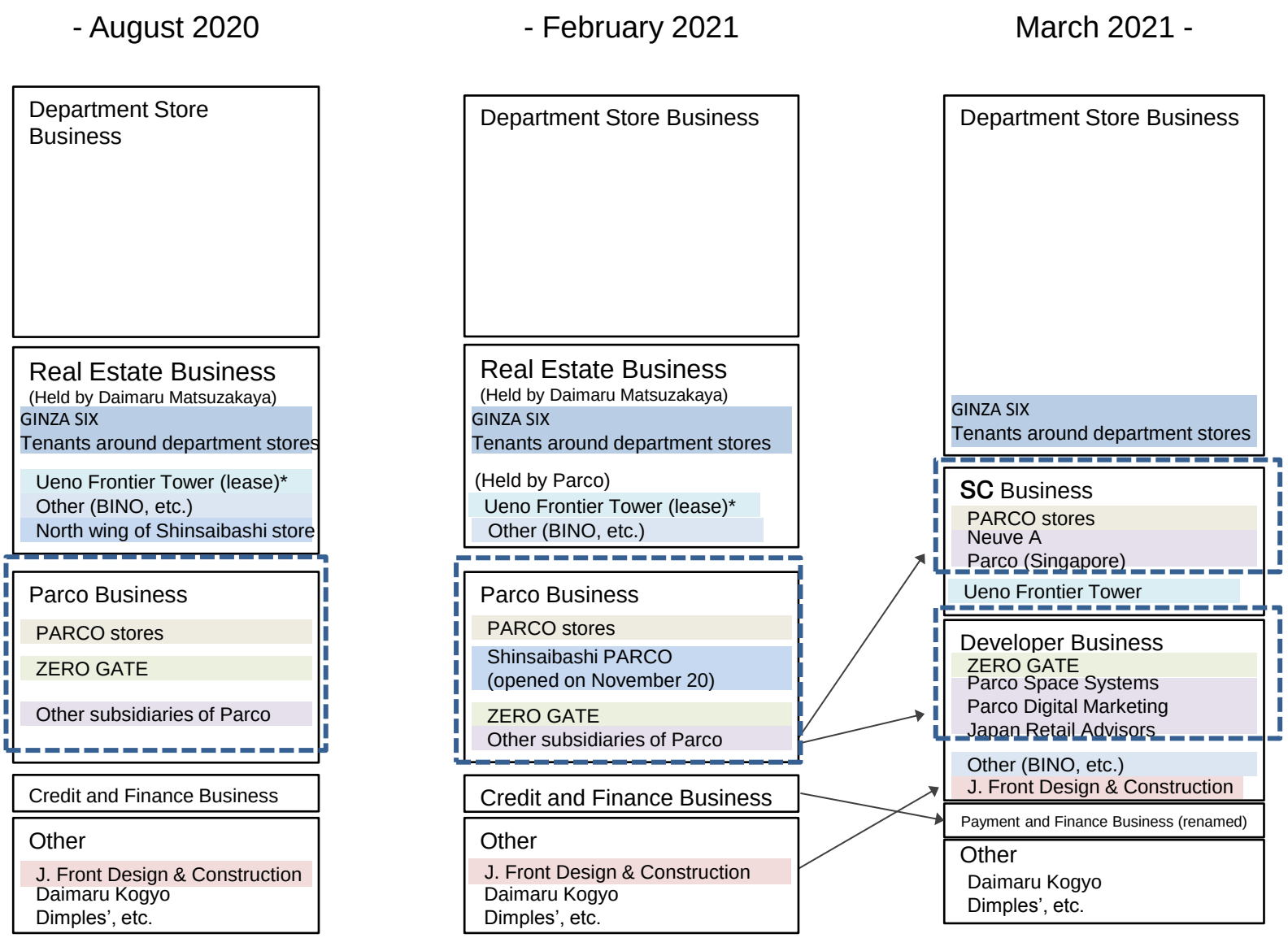
- Gross sales are expected to recover to less than 90% of results FY2019, business profit to be ¥18.5 bn
- Factored in costs of ¥6 bn to accelerate structural reform
- Plan to pay interim dividend of ¥14 per share, annual dividend of ¥29, up ¥2 YoY

(Millions of yen, %)

Fiscal year ending February 28, 2022	H1		H2		Full year	
	Forecast	% change YoY	Forecast	% change YoY	Forecast	% change YoY
Gross sales	470,000	46.6	535,000	19.2	1,005,000	30.6
Revenue	180,000	22.1	214,000	24.7	394,000	23.5
Gross profit	81,500	37.1	92,500	23.5	174,000	29.5
SGA	75,000	26.7	80,500	10.6	155,500	17.8
Business profit	6,500	—	12,000	467.0	18,500	681.7
Other operating income	1,000	(72.9)	500	(75.2)	1,500	(73.7)
Other operating expenses	3,500	(85.8)	5,500	(29.2)	9,000	(72.2)
Operating profit	4,000	—	7,000	—	11,000	—
Profit attributable to owners of parent	1,000	—	3,000	—	4,000	—
Dividend per share (Yen)	(Interim) 14	(Change) 5	(Year-end) 15	(Change) (3)	(Annual) 29	(Change) 2

Changes in Reportable Segments

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*"Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from Parco Co., Ltd. on PARCO_ya Ueno.

* shows the scope of the former Parco Business.

Segment Performance (IFRS)

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(Millions of yen, %)

Fiscal year ending February 28, 2022	Business profit								
	H1 Forecast	YoY		H2 Forecast	YoY		Full year Forecast	YoY	
		Change	% change		Change	% change		Change	% change
Department Store	700	3,682	—	6,800	6,928	—	7,500	10,610	—
SC	4,900	3,950	415.6	2,500	2,371	—	7,400	6,321	585.2
Developer	800	(931)	(53.8)	1,400	291	26.2	2,200	(640)	(22.6)
Payment and Finance	0	(446)	—	800	849	—	800	404	101.6
Other	500	(464)	(48.2)	600	(684)	(53.3)	1,100	(1,149)	(51.1)
Total	6,500	6,250	—	12,000	9,884	467.0	18,500	16,134	681.7

Fiscal year ending February 28, 2022	Operating profit								
	H1 Forecast	YoY		H2 Forecast	YoY		Full year Forecast	YoY	
		Change	% change		Change	% change		Change	% change
Department Store	(700)	19,618	—	6,200	6,820	—	5,500	26,439	—
SC	4,800	7,871	—	2,100	5,925	—	6,900	13,796	—
Developer	1,200	(498)	(29.3)	1,400	1,117	393.1	2,600	619	31.2
Payment and Finance	0	(453)	—	800	832	—	800	379	90.0
Other	480	68	16.3	520	(945)	(64.5)	1,000	(878)	(46.8)
Total	4,000	24,637	—	7,000	10,628	—	11,000	35,265	—

Segment Performance (1) Department Store Business

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- The entire business is driven by affluent people in Japan and expected to steadily recover month by month
- Inbound sales are expected to gradually move later in the year
- SGA is expected to decrease more than ¥5 bn compared to FY2019 despite reaction to previous fiscal year

(Millions of yen, %)

Fiscal year ending February 28, 2022	H1		H2		Full year	
	Forecast	% change YoY	Forecast	% change YoY	Forecast	% change YoY
Gross sales	287,700	48.4	339,100	19.9	626,800	31.5
Revenue	106,400	43.3	119,800	20.7	226,200	30.4
SGA	61,000	35.2	65,200	10.1	126,200	21.0
Business profit	700	—	6,800	—	7,500	—
Operating profit	(700)	—	6,200	—	5,500	—

Daimaru Matsuzakaya Department Store Major Store Sales

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- Sales are expected to recover, down 19.2% in H1, 5.8% in H2 compared to FY2019
- Remain relatively cautious about Tokyo and Umeda stores, which highly depend on railway passengers
- Shinsaibashi and Sapporo stores, whose share of inbound sales is large, factor in expected slow recovery of inbound sales

(% change)

	Vs. FY2020			Vs. FY2019		
Fiscal year ending February 28, 2022	H1 Forecast	H2 Forecast	Full year Forecast	H1 Forecast	H2 Forecast	Full year Forecast
Shinsaibashi	82.9	26.1	46.5	(39.7)	(17.3)	(29.1)
Umeda	48.2	25.7	35.1	(26.1)	(14.8)	(20.4)
Tokyo	67.3	31.2	45.3	(36.6)	(21.0)	(28.9)
Kyoto	42.6	20.1	29.3	(16.2)	(2.1)	(9.0)
Kobe	46.9	14.6	27.3	(7.2)	4.4	(1.2)
Sapporo	46.4	26.4	34.5	(21.2)	(7.8)	(14.2)
Nagoya	46.5	17.5	29.2	(9.0)	1.1	(3.8)
Total directly managed stores	47.4	20.1	31.2	(19.2)	(5.8)	(12.5)

Daimaru Matsuzakaya Department Stores SGA Analysis (IFRS)

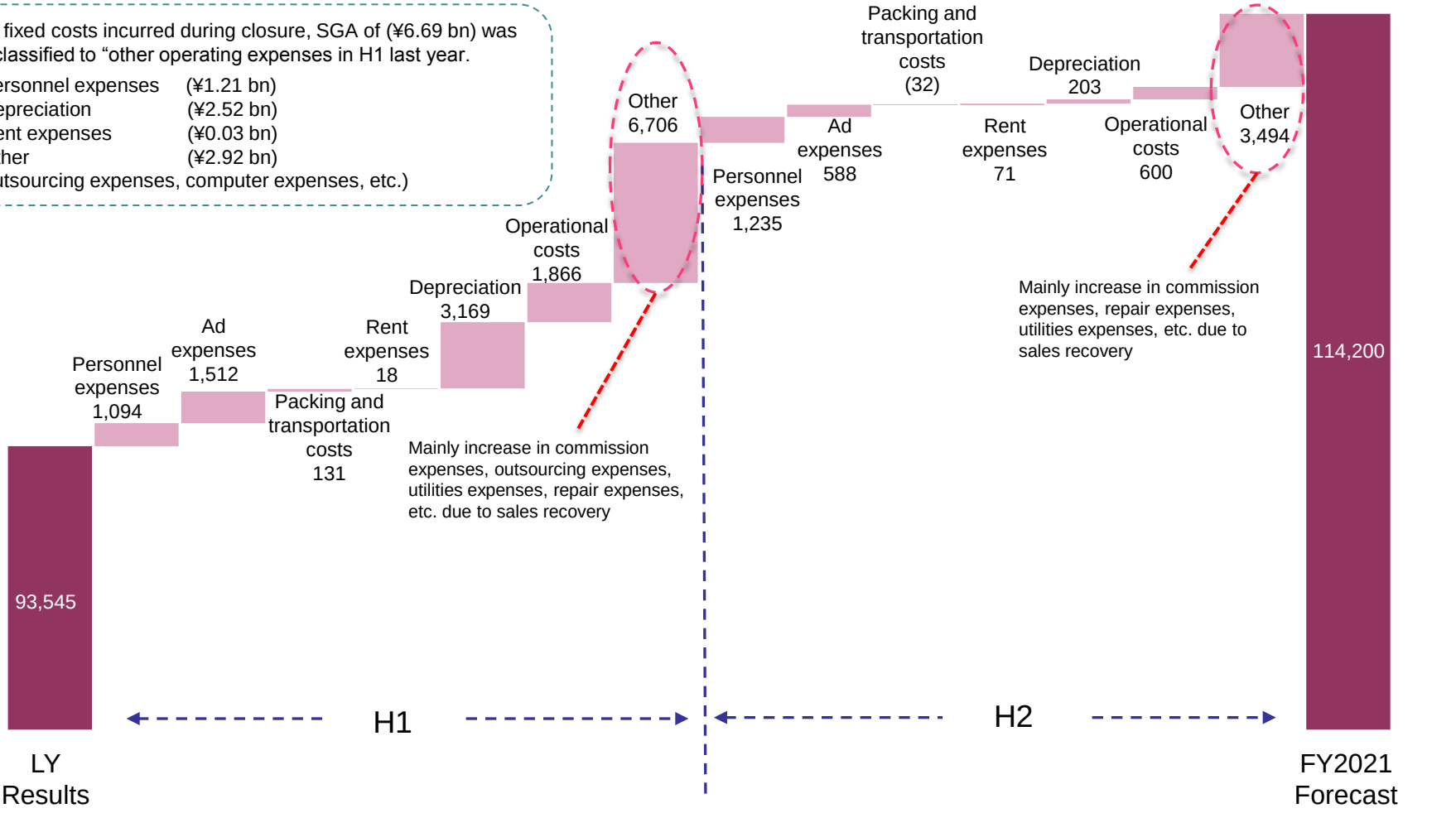
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FY2021 SGA analysis

(Millions of yen)

* Of fixed costs incurred during closure, SGA of (¥6.69 bn) was reclassified to “other operating expenses in H1 last year.
  - Personnel expenses (¥1.21 bn)
  - Depreciation (¥2.52 bn)
  - Rent expenses (¥0.03 bn)
  - Other (¥2.92 bn)

  (outsourcing expenses, computer expenses, etc.)



Segment Performance (2) SC Business (Parco) (IFRS)

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- Shinsaibashi PARCO including restaurants and cinema complex, which made its grand opening in March, is expected to fully contribute
- Entertainment is also expected to head for recovery with significant reduction of tenant rent relief

(Millions of yen, %)

Fiscal year ending February 28, 2022	H1		H2		Full year	
	Forecast	% change YoY	Forecast	% change YoY	Forecast	% change YoY
Gross sales	136,600	75.2	132,900	12.7	269,500	37.6
Revenue	34,270	47.9	36,430	13.6	70,700	28.0
SGA	7,400	10.3	7,200	(1.2)	14,600	4.3
Business profit	4,900	415.6	2,500	—	7,400	585.2
Operating profit	4,800	—	2,100	—	6,900	—

(3) Developer Business (4) Payment and Finance Business (5) Other (IFRS)

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- Developer: Expected to be driven by revenue of design and construction business due to upfront investment in properties
- Payment and Finance: Expected to continue to be affected by increase in promotion costs for card renewal and change in annual fee accounting method
- Other: Carefully forecast Daimaru Kogyo, excluded J. Front Foods from consolidation due to business transfer

(Millions of yen, %)

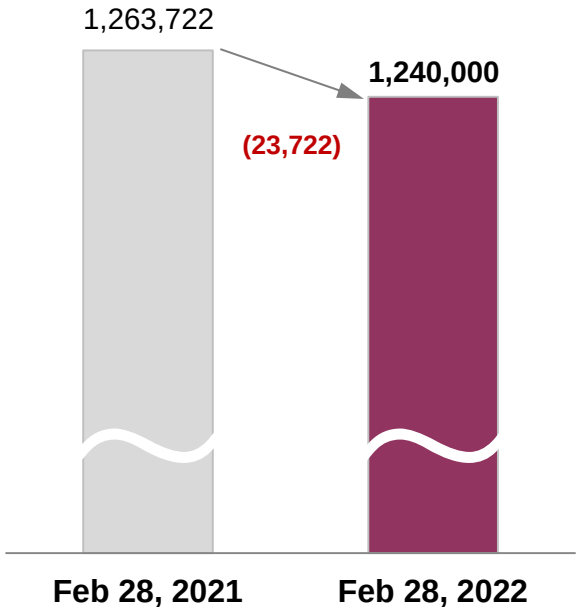
	Fiscal year ending February 28, 2022	H1		H2		Full year	
		Forecast	% change YoY	Forecast	% change YoY	Forecast	% change YoY
Developer	Revenue	26,400	(19.7)	32,300	54.3	58,700	9.1
	SGA	3,800	28.8	3,800	30.0	7,600	29.4
	Business profit	800	(53.8)	1,400	26.2	2,200	(22.6)
	Operating profit	1,200	(29.3)	1,400	393.1	2,600	31.2
Payment and Finance	Revenue	5,100	11.0	5,900	32.8	11,000	21.7
	SGA	5,100	23.0	5,100	13.6	10,200	18.1
	Business profit	0	—	800	—	800	101.6
	Operating profit	0	—	800	—	800	90.0
Other	Revenue	36,700	16.2	36,900	(0.1)	73,600	7.4
	SGA	11,740	13.9	11,560	(0.1)	23,300	6.5
	Business profit	500	(48.2)	600	(53.3)	1,100	(51.1)
	Operating profit	480	16.3	520	(64.5)	1,000	(46.8)

Consolidated BS Forecast (IFRS)

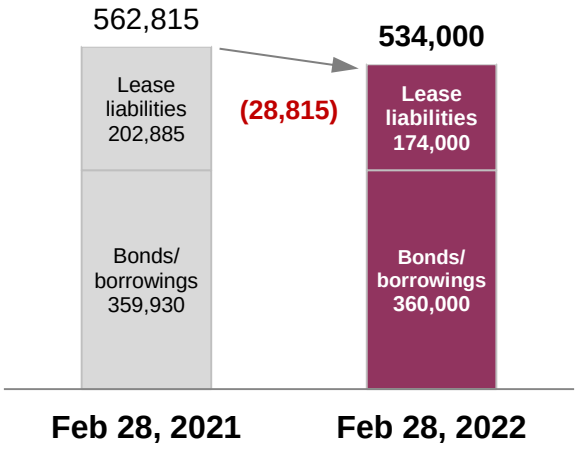
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- Total assets are expected to decrease ¥23.7 bn partly due to decrease in fixed assets caused by depreciation
- Interest-bearing liabilities are expected to decrease ¥28.8 bn YoY partly due to repayment of lease liabilities
- Ratio of equity attributable to owners of parent is expected to be 28.0%, same as last year's level

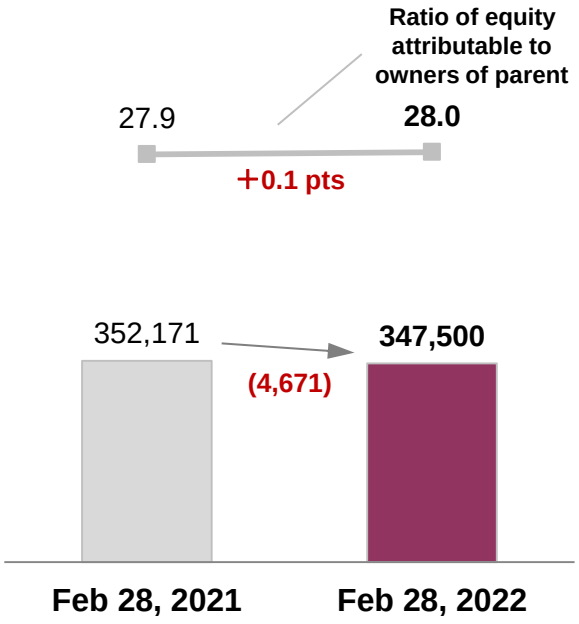
Total assets



Interest-bearing liabilities



Equity attributable to owners of parent

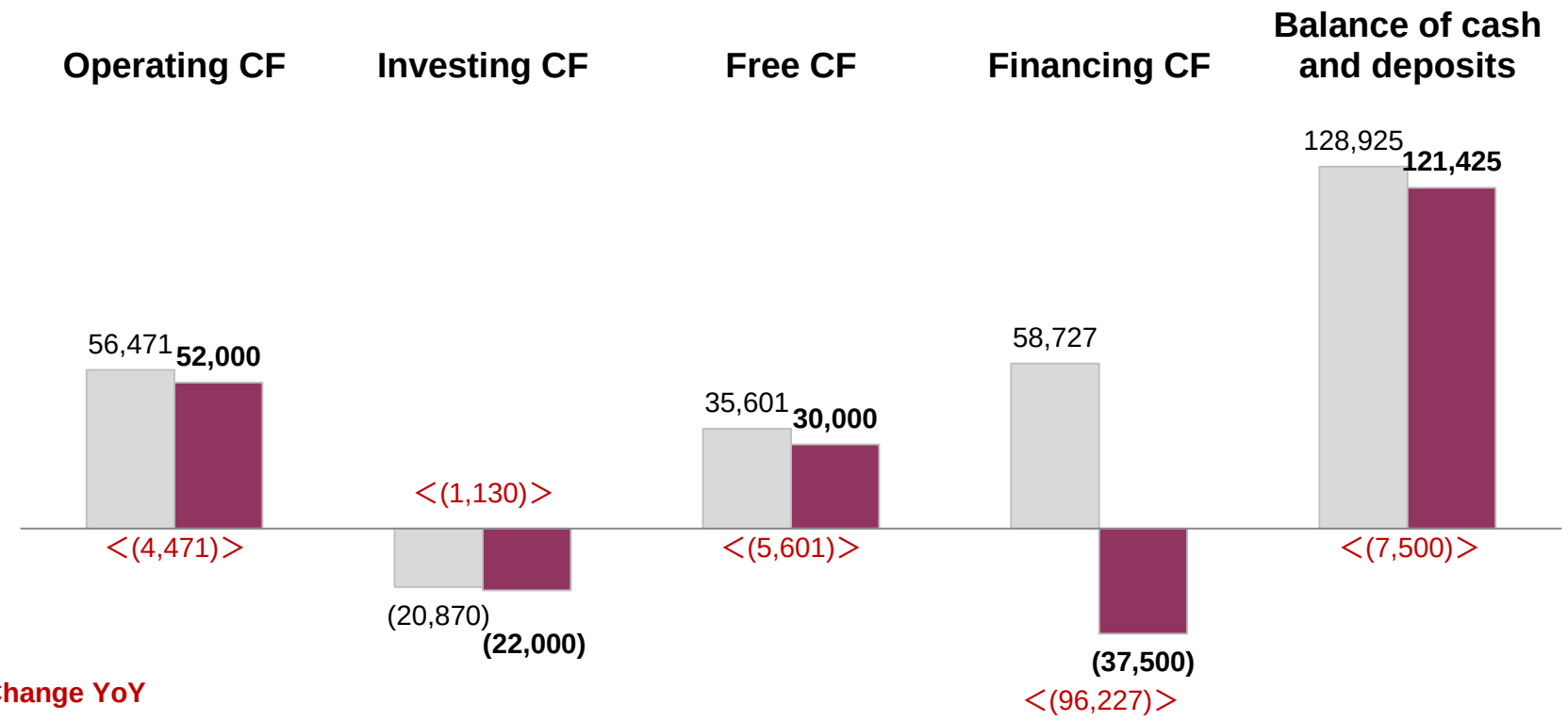


(Millions of yen)

Consolidated CF Forecast (IFRS)

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- Operating CF is expected to decrease ¥4.4 bn partly due to increase in working capital
- Secure free cash flow of ¥30 bn by keeping investment within the scope of depreciation
- Continue to secure enough cash reserves until COVID-19 comes to an end



FY2021 – 2023 Medium-term Business Plan

Review of Previous Medium-term Plan

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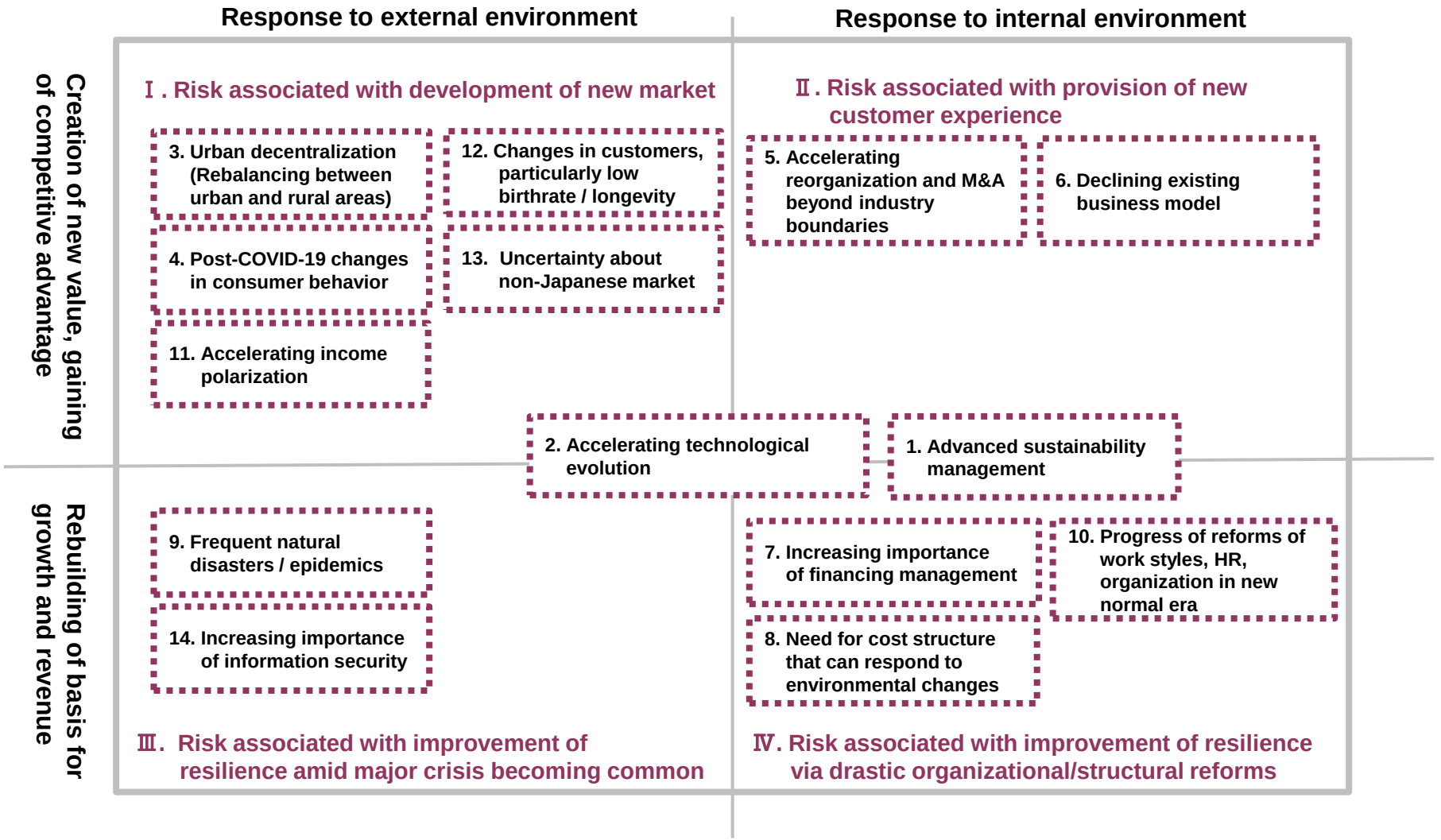
	Major initiatives	Results	Evaluation
Growth strategy	Multi Service Retailer (expansion of business domain)	◆ Entered into childcare business ◆ Invested in only 2 companies to develop new businesses ◆ Could not show path to growth of 3 key businesses (JFR Card, JF Design & Construction, Dimples')	×
	Urban Dominant (development PJ)	◆ Promoted redevelopment projects ・Opened GINZA SIX, Ueno Frontier Tower	○
	Urban Dominant (Real Estate Business)	◆ Expanded real estate rental business ・Gion Machiya, renovated *machiya* Blue Bottle Kyoto Café, beauty & health BINO (Higashinotoin, Okachimachi, Sakae)	○
	ICT (defense)	◆ Formulated the Group IT governance ・Created IT governance definition, policy, regulations, rules ◆ Developed system to strengthen security	○
	ICT (offense)	◆ Created the Group integrated customer DB (LTS-Hub) ◆ Developed digital communication base using ICT ・Introduced department store smartphone app, *gaisho* SFA	△
	Innovation of Department Store Business	◆ Right-sized women's wear space - Decreased 10,240 ㎡ in total for FY2017 - 2020 (down 21% vs. FY2016) ◆ Main building of Daimaru Shinsaibashi opened as hybrid model ◆ Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya/Suma, closed Daimaru Yamashina	△
	Innovation of Parco Business	◆ Opened Shibuya PARCO, Ueno PARCO_ya, Kinshicho PARCO, Shinsaibashi PARCO ◆ Expanded small commercial business by promoting development ・Opened ZERO GATE (Sannomiya, Kyoto, Harajuku), SAN-A Urasoe West Coast PARCO CITY	△

Portfolio reform and business model reform are only half done

In addition, COVID-19 made apparent vulnerability of earnings structure

Business Risk Identification

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Awareness Gained from COVID-19

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Vulnerability of business model

Concern about advantage of urban location

Delay in digitalization

Lack of resilience of business portfolio

Importance of person-to-person communication

Renewed awareness of attention to safety and security

Attention to all stakeholders

Revision of Materiality Issues

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- Newly added 2 items to materiality issues to promote sustainability management

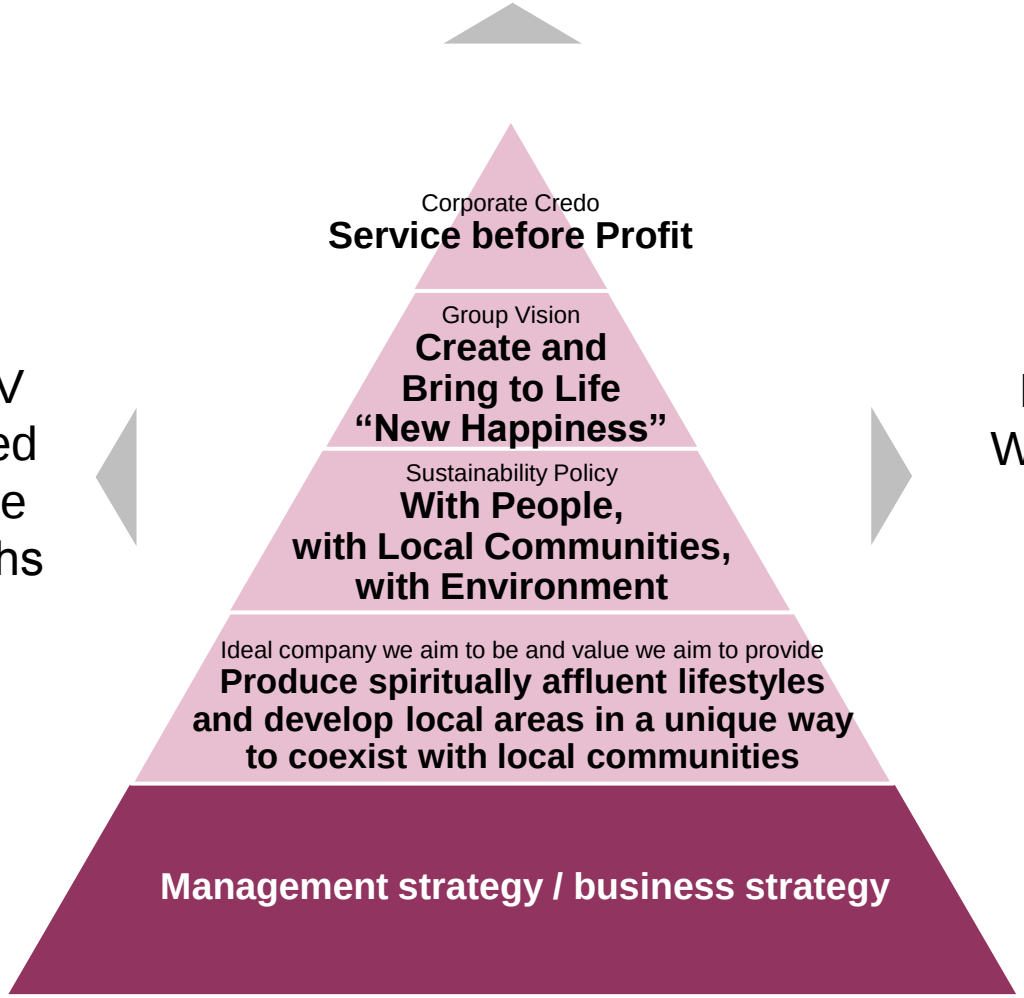


System of High Level Concept and Strategy

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Integrate corporate strategy / business strategy
with sustainability management

Practice of CSV (Creating Shared Value) using the Group's strengths

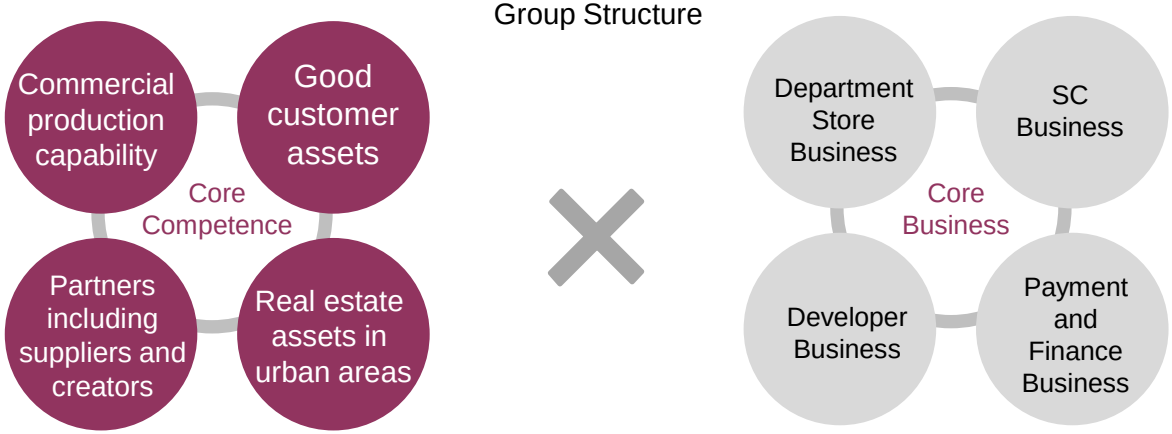


Proposal for Well-being Life by creating new value

3 Key Strategies

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Group Structure



Focus on 3 strategies based on medium- to long-term environmental changes and the Group's strengths

Important external environmental changes	Online Merges with Offline (OMO)	Polarization of income/consumption	Steady urban trade areas
Group's strengths	Commercial production capability	Partners including suppliers and creators	Customer base including department store *gaisho*	Real estate assets in major urban areas in Japan

Reclassify 4 strengths to make maximum use of them across the Group

3 strategies	Real × Digital Strategy	Prime Life Strategy	Developer Strategy

Overall Structure of Medium-term Business Plan

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3 strategies for revenue recovery and regrowth

(1) Real × Digital Strategy

- Department store: Enhance appeal of stores and use stores for media commerce with focus on genuineness/ essence
- Parco: Rebuild store brand value / seek digital SC platform
- Create/develop new content from CSV perspective

(2) Prime Life Strategy

- Develop new solution services to realize high quality customer experience
- Advance online *gaisho* communication
- Advance CRM strategy at the Group level

(3) Developer Strategy

- Mixed use not limited to commercial use
- Start circular investment scheme
- Enter into semi-urban areas

Promote strategies by committees across the Group for regrowth

Digital Strategy Committee | Prime Life Strategy Committee | Developer Strategy Committee

Important measures for full recovery

Management structure reform

－Reduce costs via business model reform　－Narrow business base

Management base function strategy

Finance strategy　－Capital policy　－Tax policy　－Business management renewal

HR strategy　－Complete the Group HR structure reform　－HR management for regrowth
－Realization of diversity and work-life balance

IT strategy (defensive IT)　－Rebuild core systems　－Strengthen the Group IT HR structure

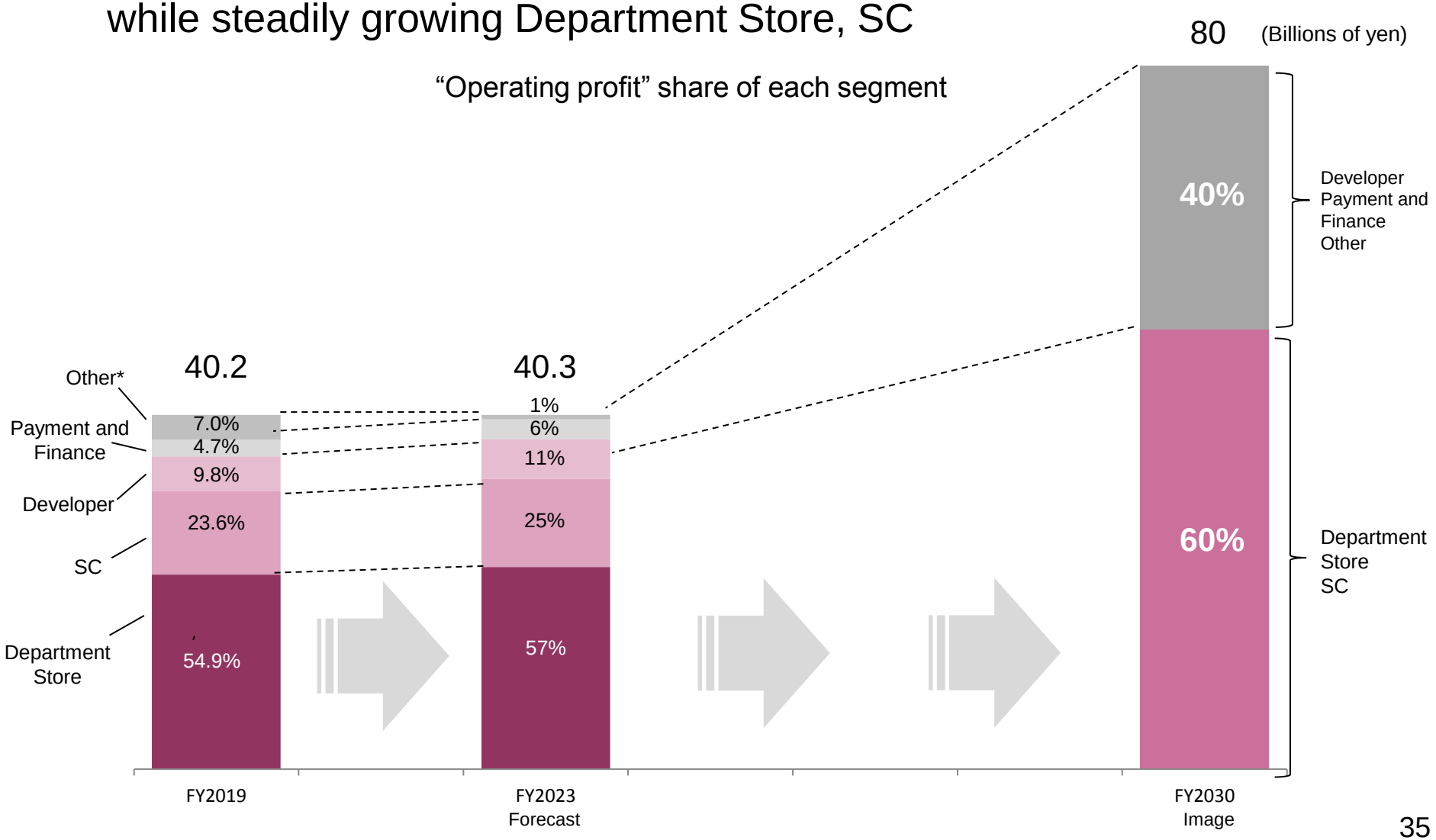
No Change, No Full Recovery

Waiting will not recover anything.
Never miss this opportunity to change.

Image of Portfolio Changes

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- Expand share of Developer, Payment and Finance, Other while steadily growing Department Store, SC



*“Other” includes consolidated adjustments.

Management Numerical Targets

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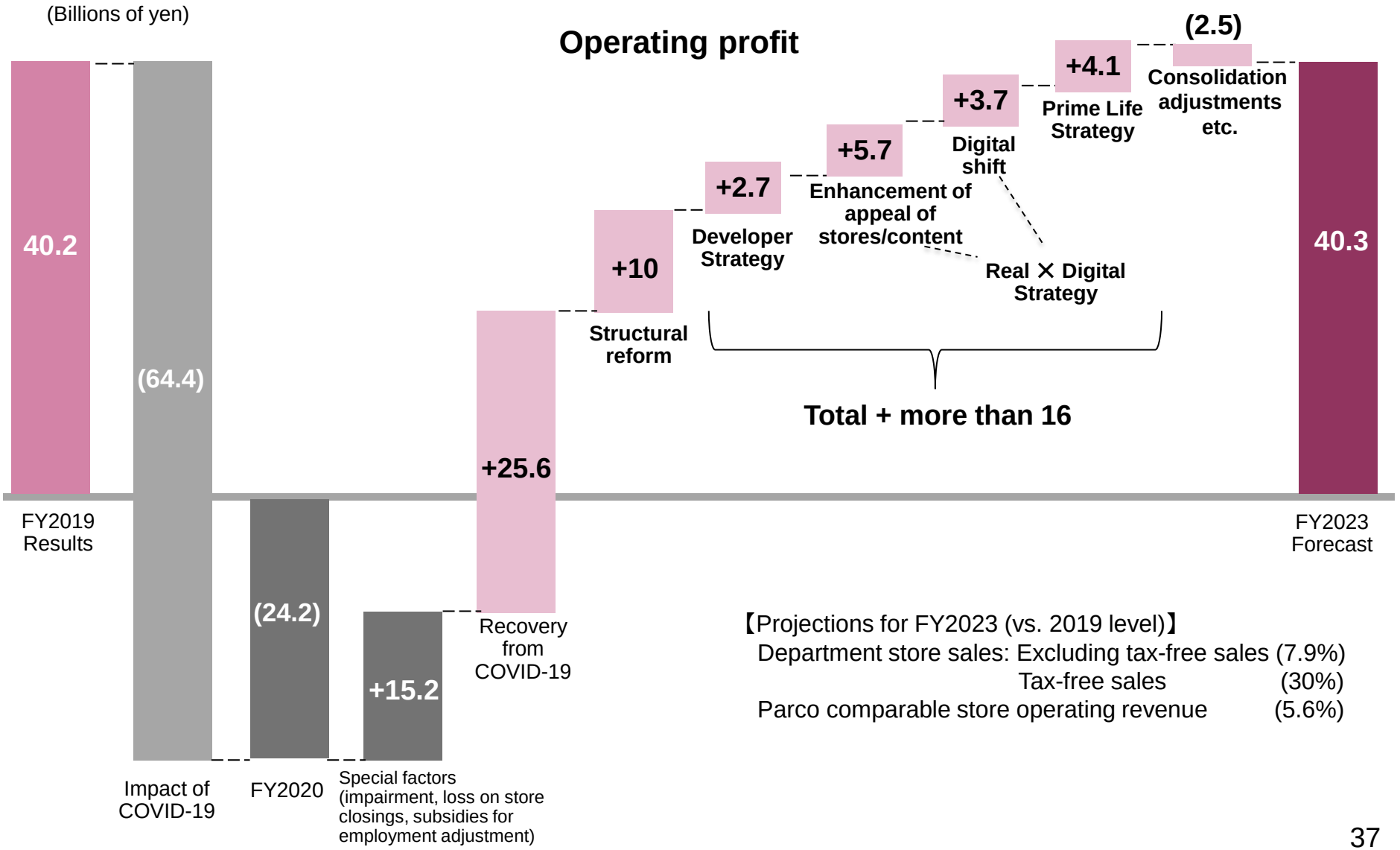
- Aim for “full recovery” of both PL and BS to FY2019 level in FY2023
- Add sustainability items to targets of medium-term business plan as officer remuneration evaluation indicators

	FY2023	
Capital profitability	ROE **7%**	ROIC **5%**
Business growth	Operating profit **¥40.3 billion**	Business profit **¥44 billion**
Financial soundness	Interesting-bearing liabilities*1 **¥260 billion**	Net D/E **0.6x**
Sustainability	GHG emissions*2 **△40%**	Ratio of women in management positions **26%**

*1 Excludes lease liabilities
*2 Vs. FY2017, Scope 1 and 2

Path to “Full Recovery” (Contribution of Each Measure)

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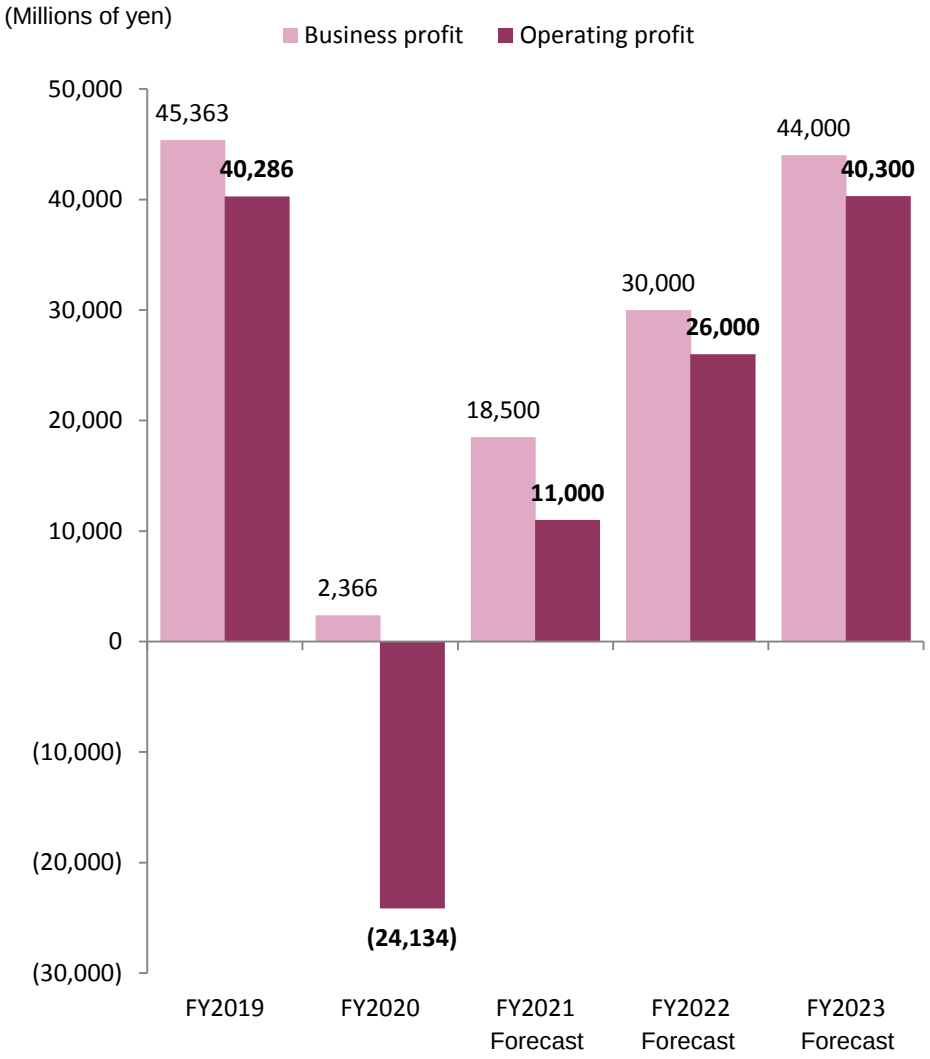
【Projections for FY2023 (vs. 2019 level)】

Department store sales:	Excluding tax-free sales	(7.9%)
	Tax-free sales	(30%)
Parco comparable store operating revenue		(5.6%)

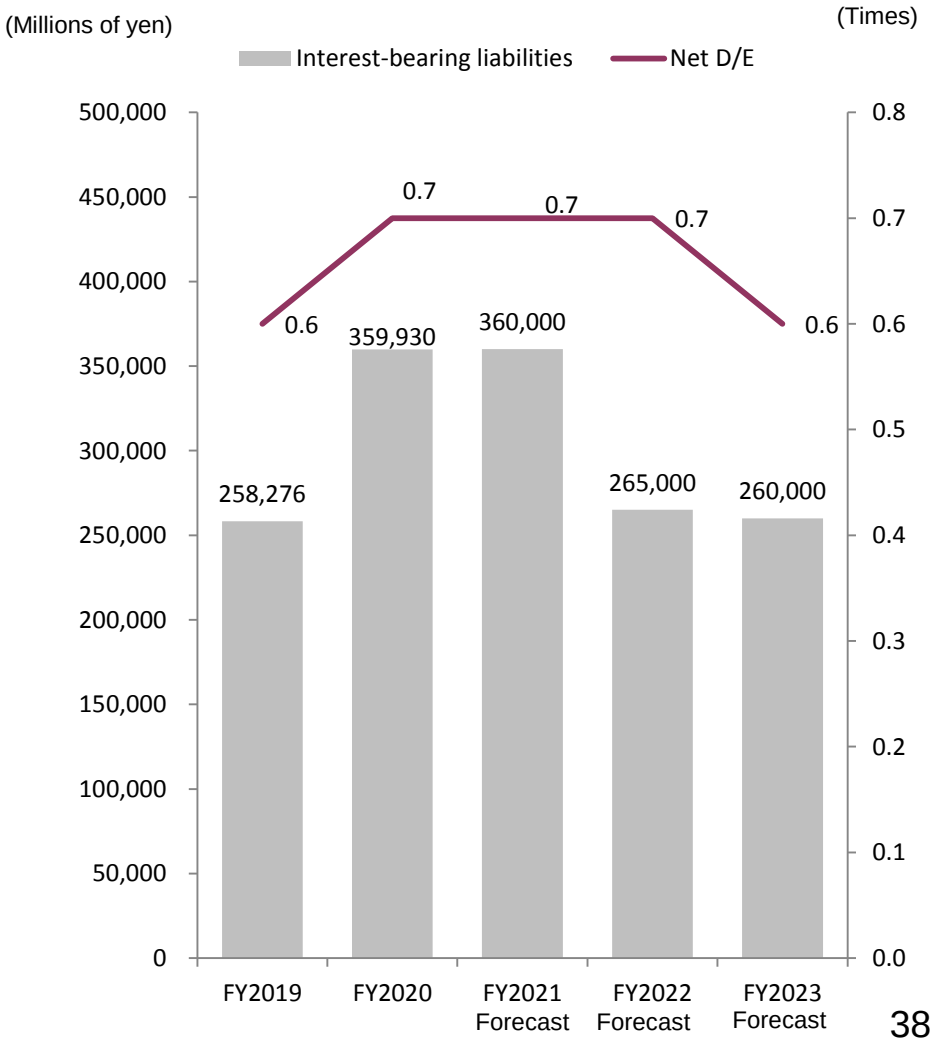
Path to “Full Recovery” (PL, BS)

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【PL】



【BS】



Redefinition of Commercial Model

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Vulnerability of core business base revealed by COVID-19

Current retail business model, which is overly dependent on attracting customers to real stores, has reached a limit

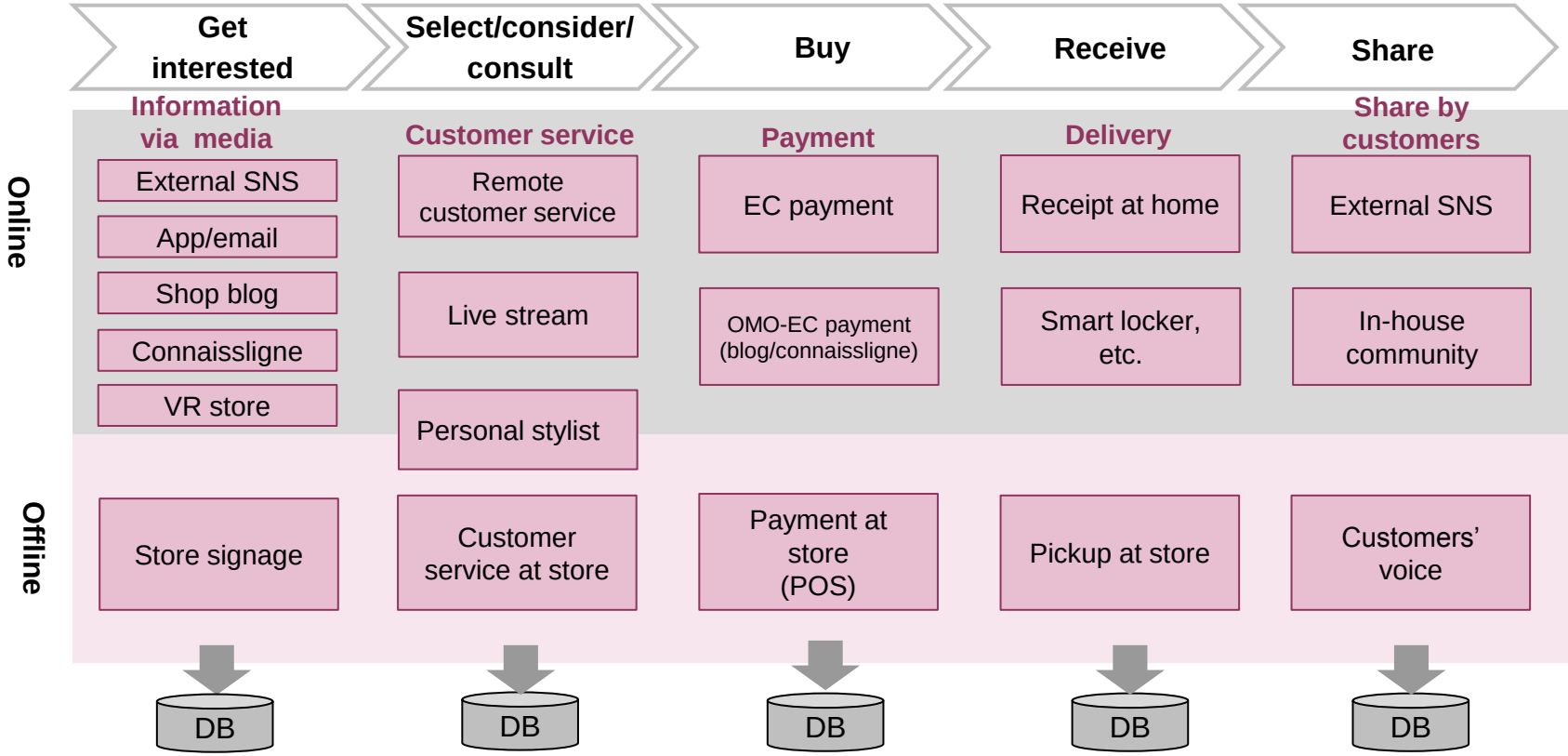
Redefinition of commercial model is an unavoidable necessity

Important to create new experience value that merges real and digital

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Overcome time and location constraints

- Provide unique OMO shopping experiences: cosmetics in FY2021, art in FY2022
- Enhance customer convenience by equipping shop blog and connaissligne sites with payment function

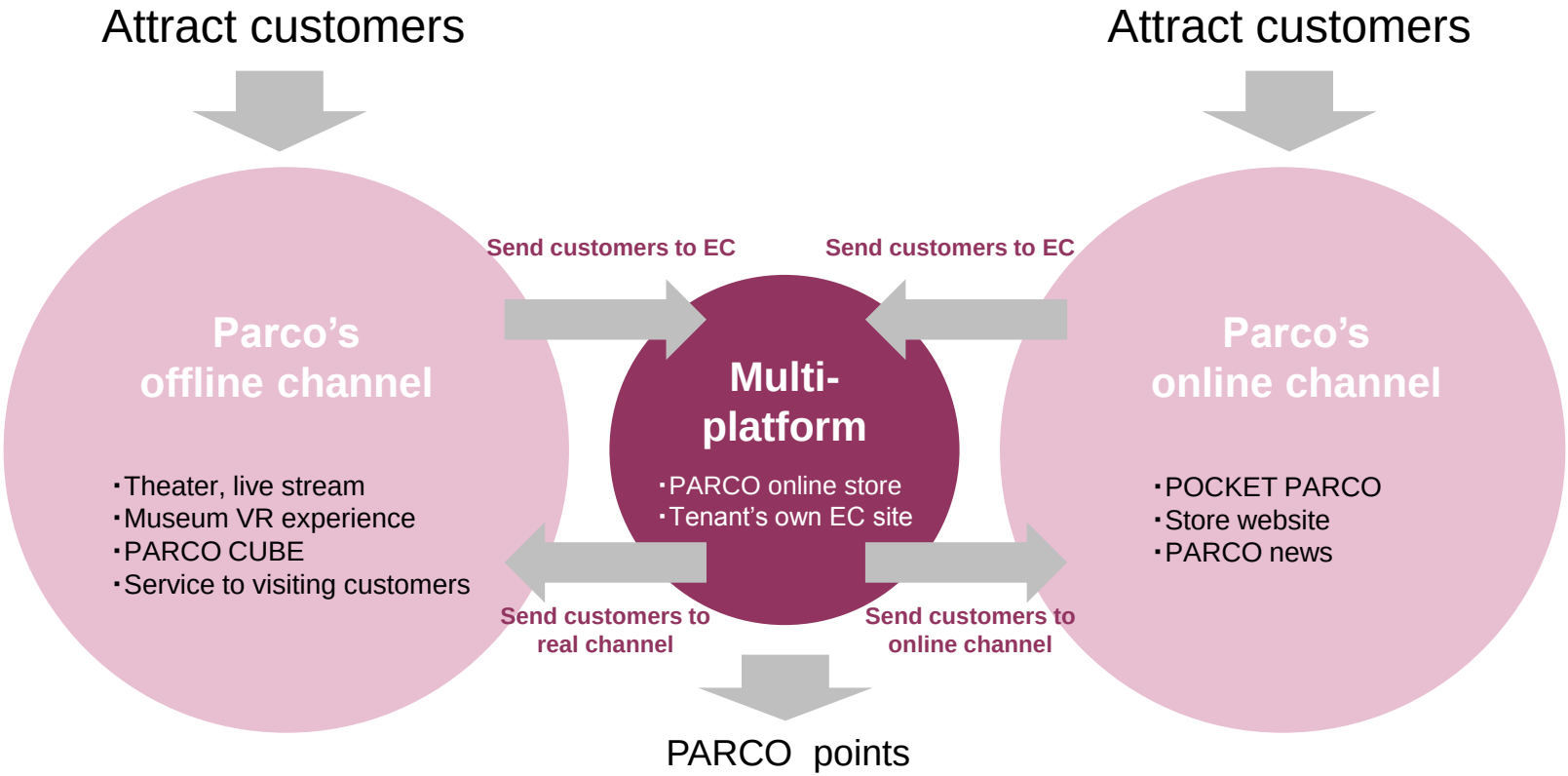


Merger of Real and Digital (Parco)

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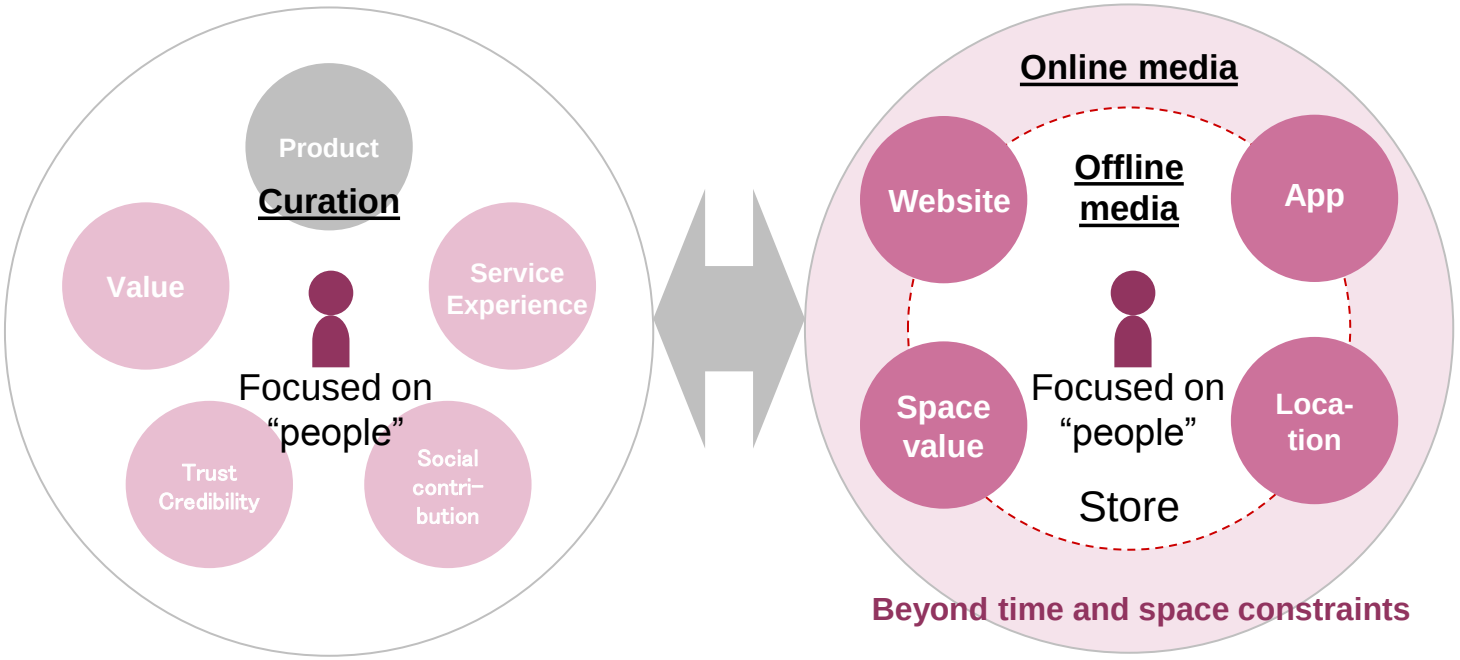
Maximize experience value via Real × Digital

- Realize OMO via cycle of mutually sending customers between real channels and online channels by building multi-platform
- Strengthen hybrid entertainment (live + digital) instead of relying on only attracting customers to physical locations



“Media Commerce” Focused on People

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Content created with “human warmth”

Media that connect with “human warmth”

Creation of new experience value

Communication and provision of value / meeting place

Realize improvement of experience value and multiple revenue streams

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Increase share of categories/areas to be strengthened

- Renovation via greater allocation of investment in key stores, mainly expansion of luxury
- Development/introduction of new services and tenants by maximizing synergy with Parco

Bold overhaul of sales floor configuration

(1) Halve space of our own curation
13,200 ㎡ ⇒ 7,000 ㎡

(2) Redesign/expand content by shifting focus to lifestyle
e.g. cosmetics ⇒ beauty/wellness

(3) Introduce new content by shifting focus to experience
e.g. education, entertainment, incubation

Clarify direction and implement based on market characteristics of stores including advanced hybrid model and real estate model

Enhance Appeal of Real Stores and Content (Parco)

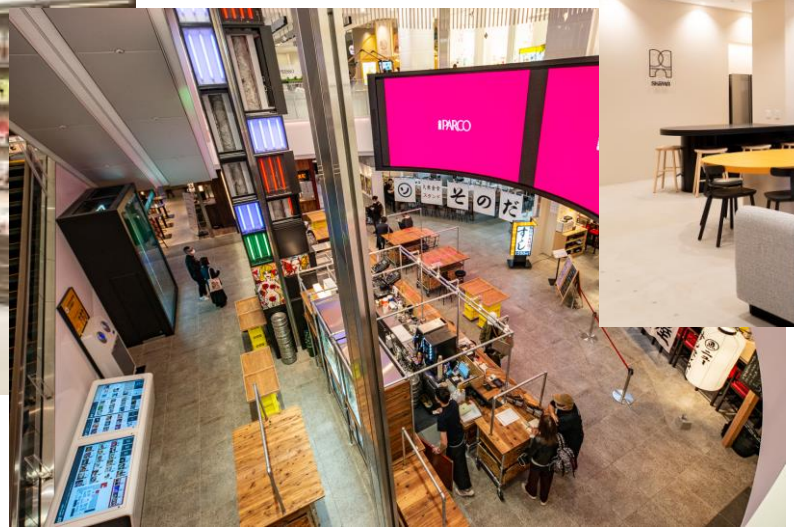
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Development of new content

- Newly launched wellness service that supports women's inner beauty and health
- Opened community WS "SkiiMa" in Kichijoji PARCO following Shinsaibashi PARCO
- Created exciting food space Shinsaibashi Neon Shokudo-gai that provides entertainment & culture



NISHIKIYA KITCHEN (Sendai PARCO)



Shinsaibashi Neon Shokudo-gai (Shinsaibashi PARCO)



Community working space SkiiMa (Shinsaibashi PARCO)

Increase real store value / brand value

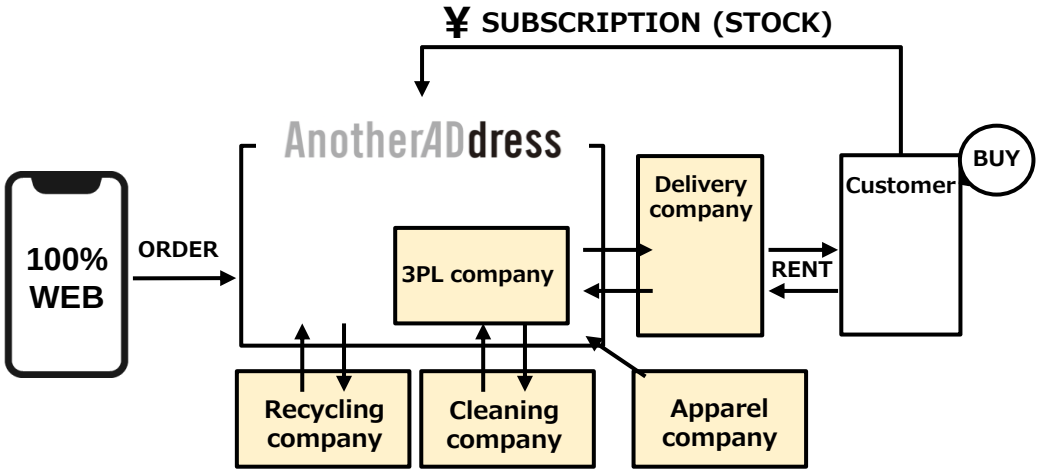
Creation of New Content

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Entry into subscription business

- Introduced subscription model that enhances intrinsic value of fashion and leads to sustainable future



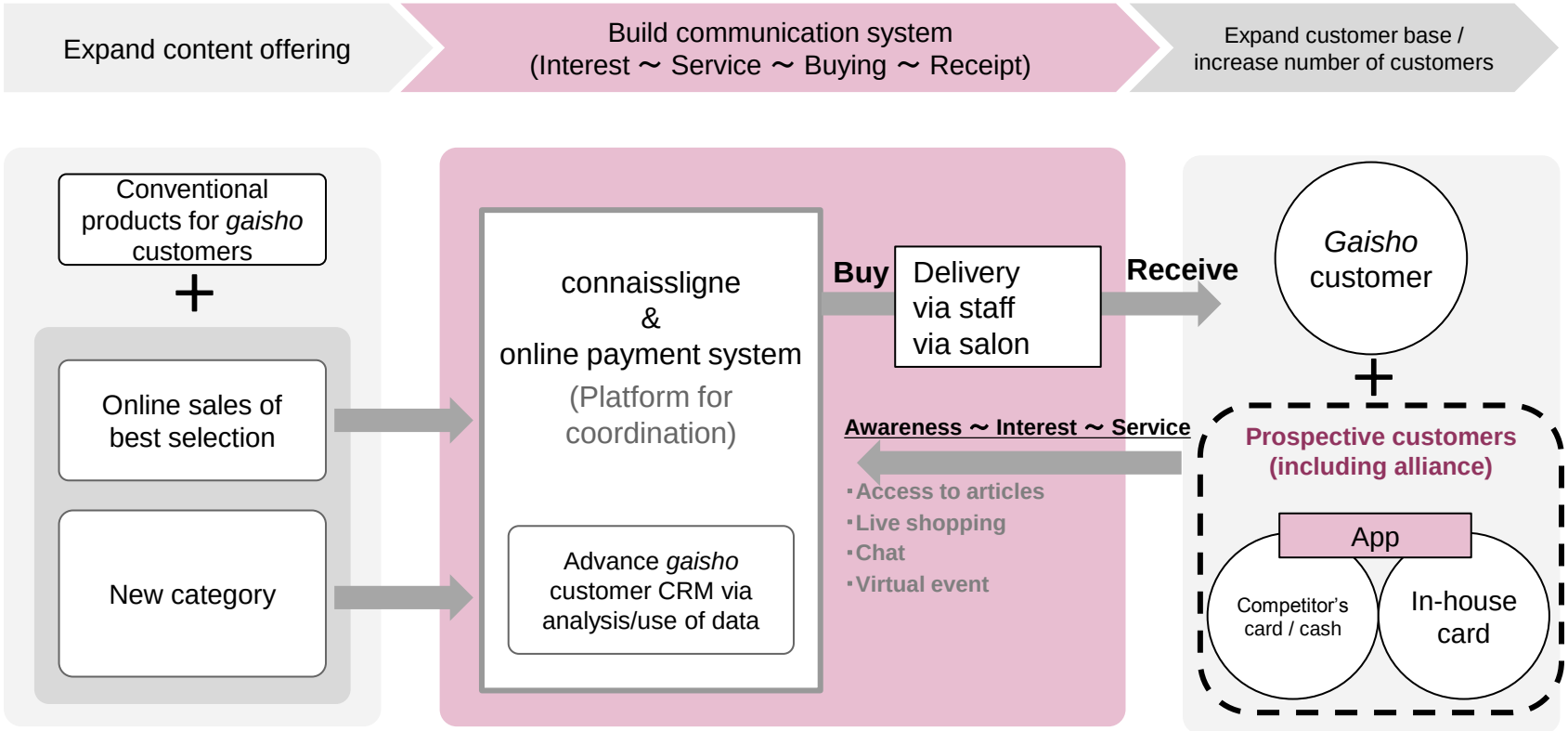


Challenge to socially and environmentally sustainable business model

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Advanced *gaisho* customer strategy

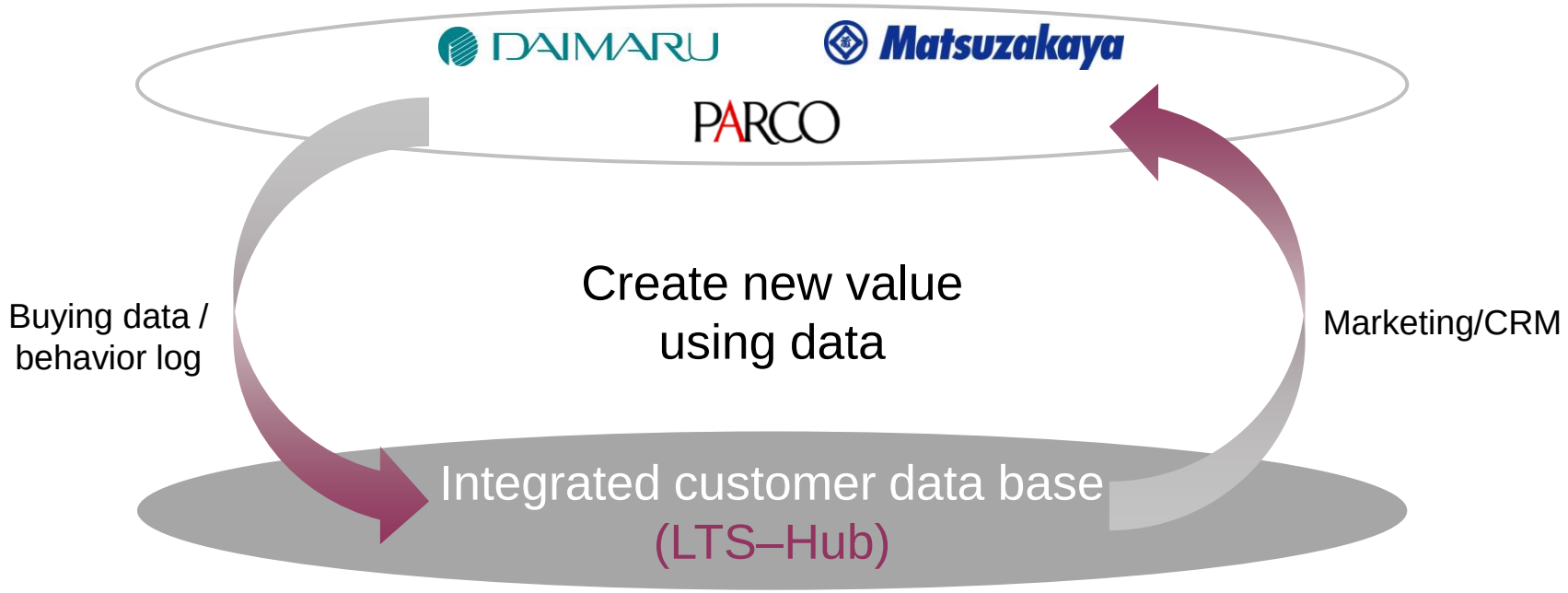
- Promote deep cultivation of core content such as luxury and development of new solution
- Expand OMO shopping using connaissligne and increase virtual events
- Expand Tokyo area / nouveau riche customers and promote retention of affluent foreign customers



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Expansion of customer base by advancing CRM

- Entice new ID customers who joined app membership to hold in-house credit cards
- Expand LTV by full use of the Group integrated data base LTS-Hub



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Growth process of Payment and Finance Business

Strengthen alliance with department store and expand basis for growth by promoting acquisition of new cardholders

Increase cardholders

- Renewed Daimaru Matsuzakaya Card (January 2021)
- Increase the number of cardholders online, via app, as well as in stores

Promote merchant business

- Improve payment environment in the Group
- Help send customers in the Group

Expand insurance/finance business

- Took over insurance agency business from Daimaru Kogyo to expand financial service
- Strengthen revolving / installment / cash advance by increasing the number of cardholders



Steadily strengthen business base
as one of pillars of the Group's medium- to long-term growth

Achieve operating profit of ¥5 billion early

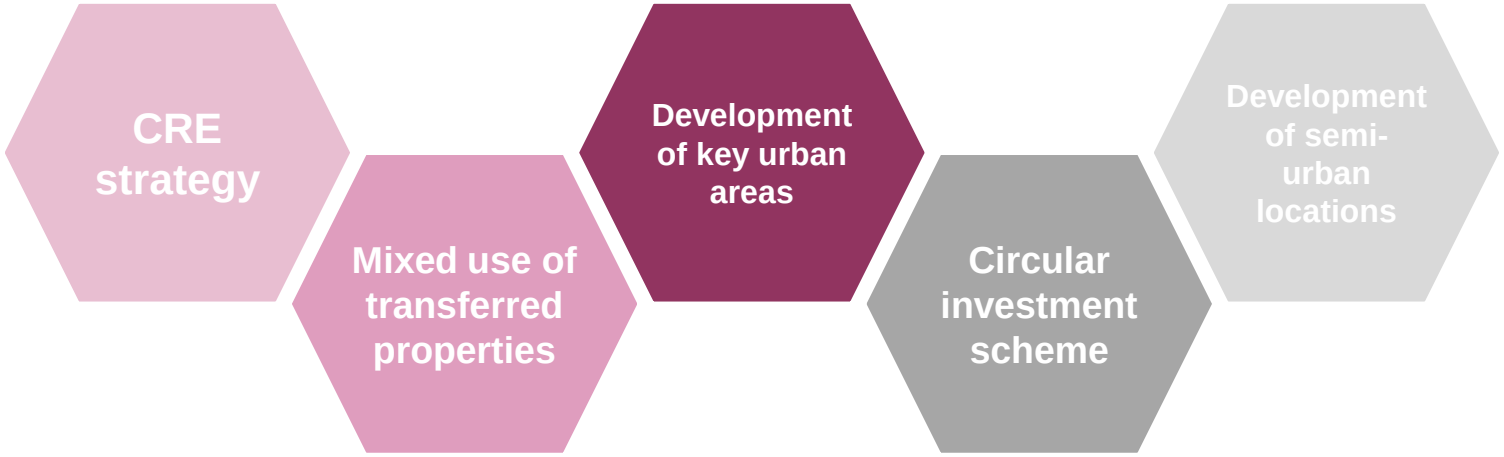
Developer Strategy

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“Developer Business” developed from Real Estate Business

- Accumulate know-how using transferred properties for multiple purposes not limited to commercial purpose
- Maximize real estate value by implementing CRE strategy via sale and replacement of assets

Changes in portfolio for revenue diversification



Developer Strategy

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Medium-term pipeline

- Current medium-term plan period is upfront investment phase, realize dramatic growth in or after next medium-term plan period

Large-scale complex development

Small/medium development

Shinsaibashi PARCO



Development of Sakae Kadochi, Nagoya / development of Nagoya area





Open multiple large-scale complex development projects with total floor space of more than 45,000 ㎡

Development of Osaka Shinsaibashi area

2020 | 2021−2023 | 2024−2030

Life Higashinippori store (opened)

Open 8 small and medium-sized properties including commercial facilities, residences, offices, totaling more than 25,000 ㎡

Store reopening project on the site of Kumamoto PARCO



Development of semi-urban areas

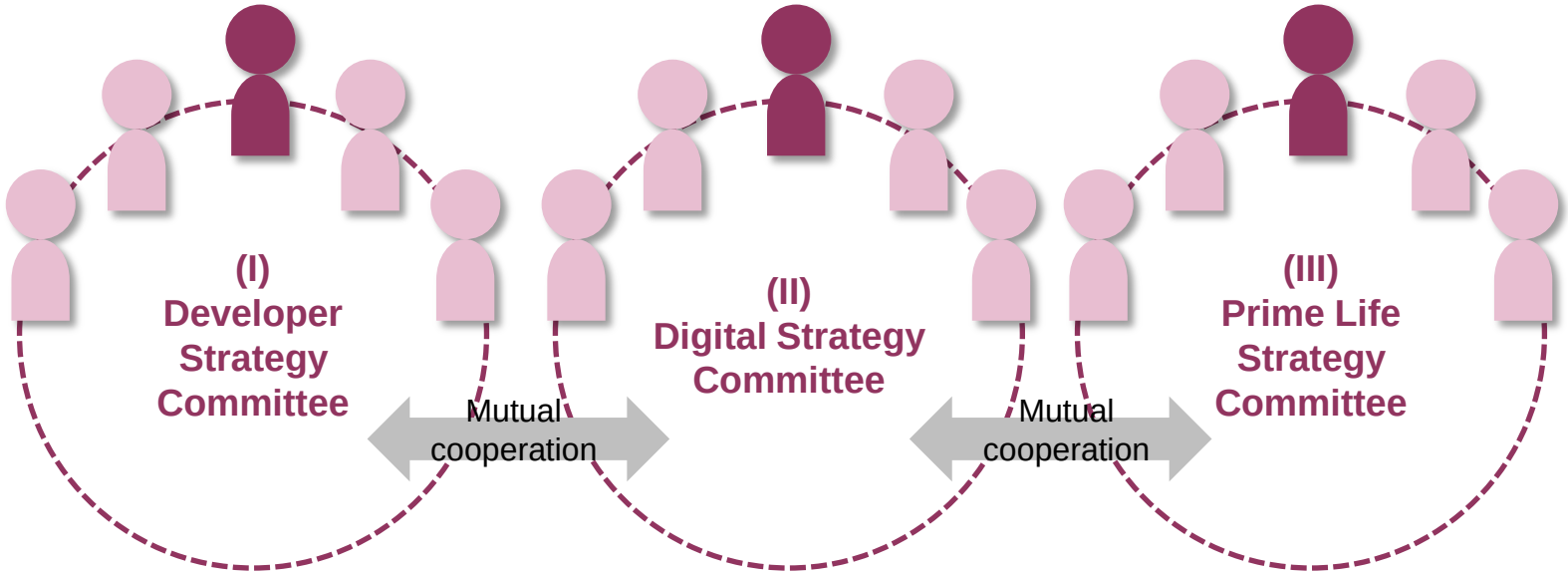
Develop long-term plan for key areas, led by committees

Strengthening of Project Promotion System

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Set up 3 committees in HD

- Make maximum use of the Group's strengths and management resources beyond boundaries of operating companies in the Group
- Committees are led by Executive Officers to promote across the Group



Plan/promote long-term and highly important strategies

Clarification of responsibilities and timeline and focus on commitment to results

Management Structure Reform

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Reduction of fixed costs (lowering of break-even point)

- Reform HR structure via business model reform
- Shift operation base to new normal
- Digital advertising

etc.

Reduce fixed costs more than ¥10 billion
(vs. FY2019)

Narrowing of business base

Strictly assess businesses and stores with an eye to the future

Accelerate implementation as much as possible

Strengthening of Management Base

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IT strategy

- Renovate core systems to advance business management, reduce IT risk, improve management efficiency
- Shift to high value added operations and respond to diversified work styles using advanced IT technologies
- Steadily operate systems and achieve robust security using cloud computing
- Control IT investment allocation in HD to continuously strengthen the Group IT governance

HR strategy

HR management for regrowth

- Retain HRs who support 3 strategies
- Promote HR development and recruitment from outside
- Build system to use the Group HRs

Retaining/ developing of digital talents

- Retain HRs in HD and send them to the Group companies
- Centrally manage career and skills in HD
- Development program that fits individual IT talents

Promotion of diversity & inclusion, realization of work-life integration

- Promote women's empowerment
- Develop young talents
- Reform work styles
- Understand LGBT

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Introduction of ROIC

- Set hurdle rates for each business segment and aim for ROIC above them
- Strengthen management of Developer Business and Payment and Finance Business for which medium- to long-term growth is expected

ROIC → Increase NOPAT margin
Increase invested capital turnover → Increase capital profitability

WACC → Strengthen competitive advantage
Control leverage
Strengthen ESG initiatives → Reduce capital cost

Enhance corporate value by increasing spread

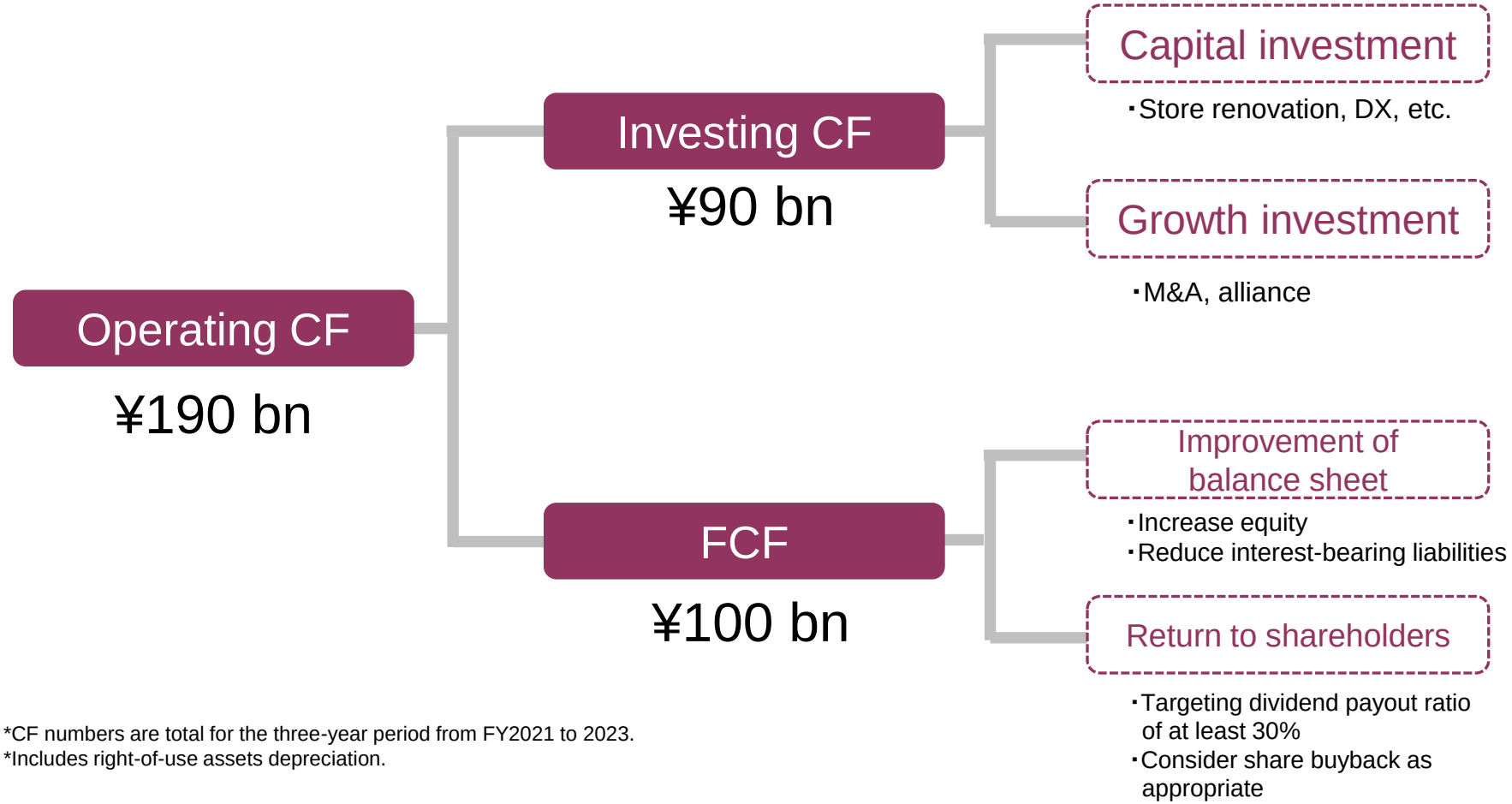
ROIC > **WACC**
(Recognized at 3.5 - 4% currently)

ROE > **Cost of shareholder's equity**
(Recognized at 6 - 7% currently)

Cash Flow Allocation

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- From generated operating CF of ¥190 bn, allocate ¥90 bn to investing CF, ¥100 bn to FCF
- Reduce cash and deposits to ¥30 bn from ¥128.9 bn to repay lease liabilities and interest-bearing liabilities
- Give priority to improvement of BS damaged by COVID-19 and provide appropriate return to shareholders

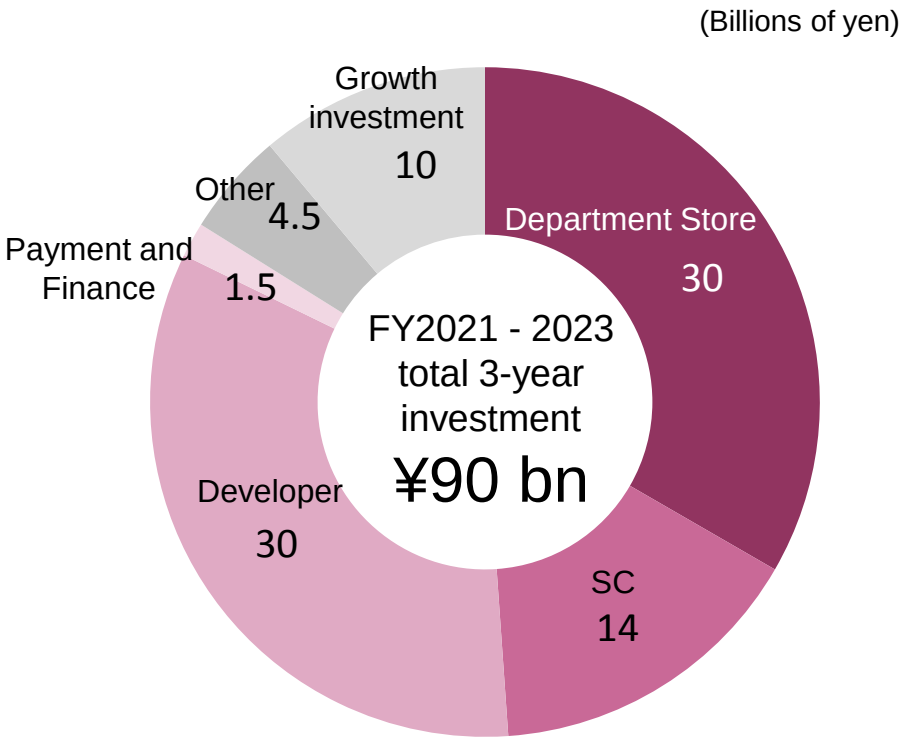


*CF numbers are total for the three-year period from FY2021 to 2023.
*Includes right-of-use assets depreciation.

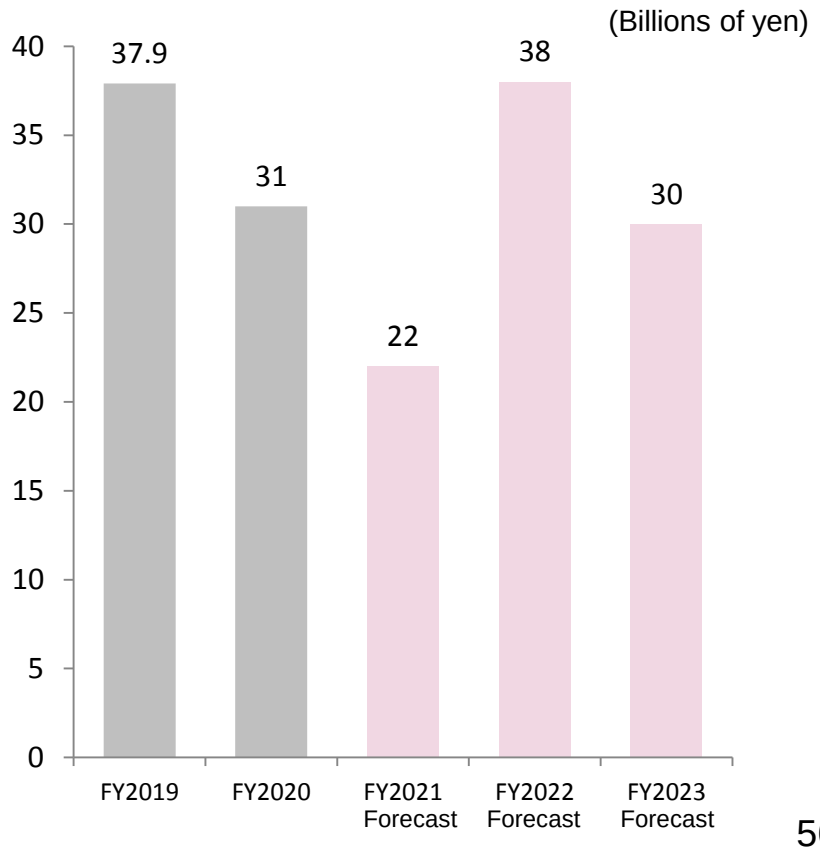
Capital Investment / Growth Investment

- Basically, plan and implement capital investment within the scope of depreciation
- Allocate ¥10 bn as funds for growth investment for the future including M&A and alliance

【Investment plan for each segment】

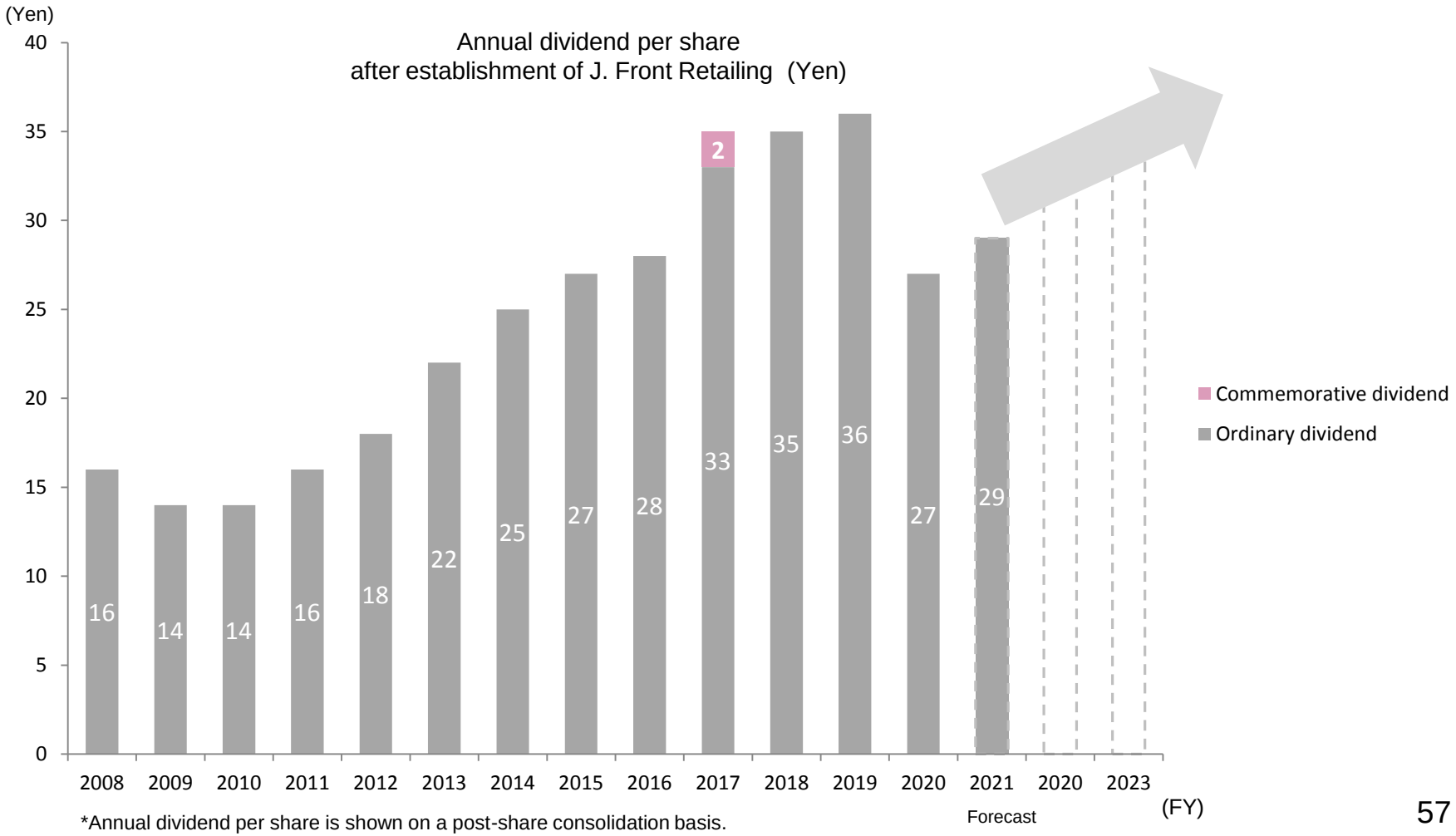


【Historical and medium-term 3-year forecast capital investment】



Return to Shareholders

- Basic policy is to return profits with consolidated dividend payout ratio of at least 30% and to consider share buyback as appropriate
- Aim to recover dividend per share to FY2019 level as early as possible



*Annual dividend per share is shown on a post-share consolidation basis.

Sustainable Growth and Enhancement of Corporate Value

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2021 2023 2030

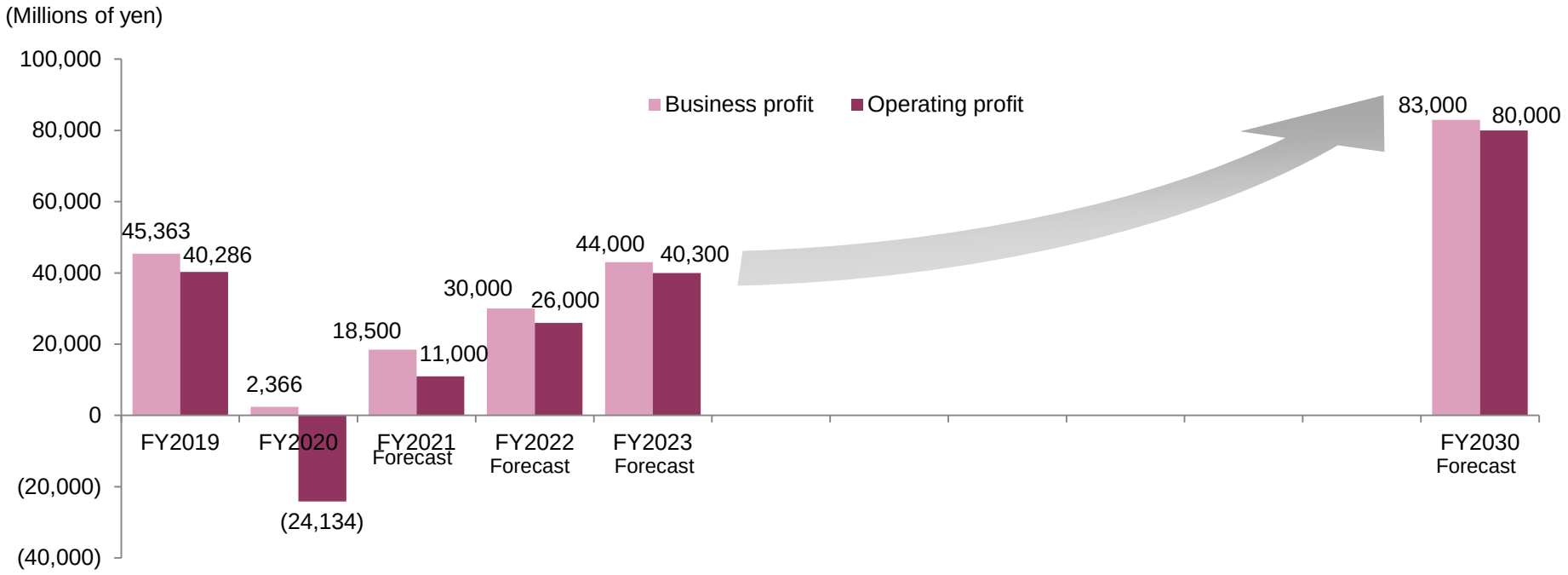
— Full recovery —

FY2023
- ROE 7%
- ROIC 5%
- Operating profit ¥40.3 bn
- Business profit ¥44 bn
- GHG emissions △40%

Aim to increase operating profit at annual average rate of 10%

— Regrowth —

FY2030
- ROE 10%
- ROIC 5%
- Operating profit ¥80 bn
- Business profit ¥83 bn
- GHG emissions △60%



Implement sustainable management that creates both social value and economic value

Realize the Group Vision: Create and Bring to Life “New Happiness.”

<Reference>

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Links to
Daimaru Matsuzakaya & Parco
Examples of “Real × Digital Strategy”



PARCO online TV
Nagoya PARCO “LEE”
https://www.instagram.com/tv/CM3wa_hj8Bj/

Renewed “PARCO online mall,” which was launched to serve customers online last year, as “PARCO online TV” that streams special videos and live performance using Instagram Live and IGTV to connect customers to stores. Planned to stream in collaboration and from stores on a regular basis.

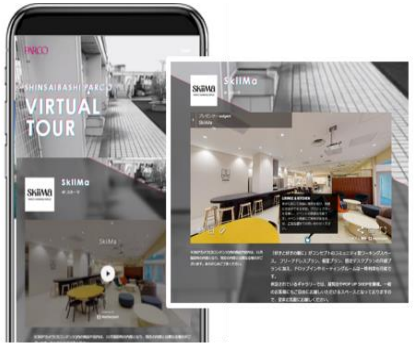


AnotherADdress

Entry into fashion subscription business “AnotherADdress”
【Press conference】
https://youtu.be/8Tlpyc9wbkU

【Website】
https://anotheraddress.jp/

Launched on Friday, March 12. Mr. Sawada, President of Daimaru Matsuzakaya, and Mr. Tabata, who is responsible for the business, gave their thoughts about this business at the conference.



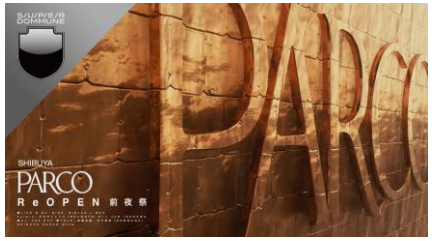
Shinsaibashi PARCO virtual tour
https://my.matterport.com/show/?m=SF1u4Dj3cZP
https://my.matterport.com/show/?m=QUq2jr5tPet

Shinsaibashi PARCO, which, like art exhibitions, restricted admission to reduce congestion and prevent infection when it opened, provides online content named virtual tour that provides 3D view experience so that customers can feel like really visiting Shinsaibashi PARCO at home.



Focus on “people.” Cosmetics OMO shopping that merges real and digital (Planned to launch in FY2021)
https://www.youtube.com/watch?v=GxWXJ0tfjRQ

Also functions as media that provide attractive information on cosmetics and provides more convenient online shopping via online counseling and webinars by beauty advisers



SHIBUYA PARCO ReOPEN Eve
Virtual Shibuya PARCO
https://youtu.be/8UmsWxxo0GAhttps

Online event held after 1st state of emergency was lifted. Hit a record-high number of **PVs of 0.2 million in 4 hours**. Helped bring excitement to reopening after closure due to COVID-19 with live performance by artist BiSH and DJ performance by Okamoto Reiji (OKAMOTO’S).

https://www.j-front-retailing.com

Create and
Bring to Life
“New Happiness.”

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Forward-looking statements in this document represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.