

Value Creation

The Group's Strengths

Strengths Become More Resilient through Fusion

Strength 1 Commercial Production Capability

Daimaru and Matsuzakaya, both department store operators, continue to accurately grasp the changing value that customers seek through their products and services, and continue to connect their long histories of 300 and 400 years through sustainable management. They are committed to proposing new lifestyles that enrich the lives of their customers at all times. Among these, they have an advantage in creating a luxurious worldview, an overwhelming assortment of cosmetics and beauty products, and the creation of a lively atmosphere in *depachika* (department store basement food floors) with a wide variety of high-quality foods. In addition, they have successfully developed the luxury mall GINZA SIX by making the bold choice of "not operating as a department store."

Parco, which operates in the shopping center format, is working to create attractive commercial spaces through its total production capabilities for commercial facilities. Particularly symbolic is the one and only Shibuya PARCO, which is positioned as a next-generation commercial facility. It is the center of the Parco brand with the most advanced lineup of shops in fashion, art, and culture. They provide a full range of services, from marketing and planning for the areas where their stores are located, to shop selection, design of environments, store operation, and maintenance and management. Regular and proactive renovations keep the stores fresh and responsive to market changes.

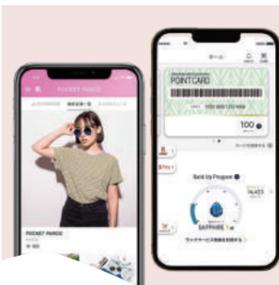
Having the department store format of Daimaru and Matsuzakaya and the shopping center format of Parco, each of which has different areas of expertise, opens up possibilities for unique commercial activities through the fusion and combination of these formats. We will also take on the challenge of developing new commercial spaces in cooperation with J. Front City Development, which operates the Developer Business.

Strength 2 Good Customer Base

Daimaru and Matsuzakaya have approximately four million identified customers, including industry-high 1.77 million app users (February 28, 2023). App is positioned as the centerpiece of the Real × Digital Strategy. They have as many as 320,000 gaisho customers mainly composed of affluent people, who are unique to department stores. The recent marked trend of gaisho customers is brisk spending by young people in their 20s to 40s. The development of young customers has been one of the Department Store's important long-standing challenges and it is steadily progressing driven by strengthened digitalization.

Parco has approximately two million identified customers, which are characterized by many highly discerning customers in their 20s to 30s. Last year, IDs in the real world and online will be integrated as PARCO MEMBERS to further deepen CRM.

Data obtained from these more than six million good customers are the Group's invaluable asset that forms a base for improving its product selection and services. We can say these data are evolving as higher value-added information through app as a digital touch point. Using the Group customer data platform JCDP, we will accumulate and analyze data obtained from customer touch points to provide further advanced value.



Strength 3 Real Estate Assets in Urban Locations

We operate 15 department stores, 17 Parco stores, and a luxury mall GINZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Fukuoka in the south. Thus our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Ueno in Tokyo, Nagoya, Shinsaibashi in Osaka, and Fukuoka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, the Daimaru store, which was rebuilt and reopened in 2019, and the PARCO store, which was newly opened in 2020, are operated as one in connected buildings, many customers shop in both stores and they have become a symbol of the Group's synergy creation. By placing disparate things side by side, unprecedented new value was created.

As we own many of our flagship stores in urban areas, and furthermore, we also have a considerable amount of usable real estate around our stores, we think there

is enough room to develop as an "area" centering on our existing stores, that is to say, the Group has enough medium- to long-term growth potential.

In order to realize this, we developed a Developer Strategy as one of three key strategies in the current Medium-term Business Plan, and have significantly strengthened our promotion system by establishing a new company J. Front City Development, which operates the Developer Business, in March of this year, and also establishing a new CRE Strategy Unit within the holding company. With development projects already taking shape for the Sakae area in Nagoya and the Shinsaibashi area in Osaka, as well as the commencement of studies for a large-scale development in the Tenjin area in Fukuoka, the Developer Business will be an important pillar driving the Group's future growth.



Strength 4 Partners including Suppliers and Creators

The Group can provide various values to customers only through co-creation with its partners. Currently the Group has approximately as many as 9,000 partners with whom it works to create value.

The Department Store found many foreign brands and concluded exclusive agreements with some of them in the past. We believe that Daimaru and Matsuzakaya, with their long histories of 300 and 400 years, have earned the trust of their suppliers, who value the value of their brands. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, universities, communities, NPOs, and many companies and promotes "combination with foreign elements" to propose and disseminate what will become the standard for the future beyond the traditional department store framework.

In addition to leasing activities such as the introduction of clothing and accessories shops to meet diversifying needs, Parco pioneers the introduction of shops that meet the changing lifestyles and demands of consumers in order to achieve further business growth. Parco also focuses on "incubation" to support up-and-coming fashion designers, creators, and companies with growth potential, as well as the development of new store formats in collaboration with companies that operate shops in PARCO stores. And considering the discovery and growth of new talent to be the key to its growth, Parco is implementing proactive support measures, such as organizing events that can serve as a catalyst for designers to become known to the world and providing a venue for young designers to showcase their work.

By having the Department Store and Parco in the same group and transferring their respective partners selected with a discerning eye to each other, we think we can create exclusive synergy that other groups cannot create. When these are fully integrated, a retail model based on new values could be born.

