

J. Front Retailing IR Business Strategy Presentation

July 21, 2022



J. FRONT RETAILING



Today's Agenda

■ Department Store Business Business Strategy

~Prime Life Strategy~

SAWADA Taro

President and Representative Director
Daimaru Matsuzakaya Department Stores Co. Ltd.

■ SC Business (Parco) Business Strategy

~Rebranding of Building Based on Shibuya~

IMAEDA Tatsumi

Director and Managing Executive Officer
Parco SC Business Group
Parco Co., Ltd.

■ Promotion of ROIC Management

~To Enhance Corporate Value~

WAKABAYASHI Hayato

Director and Managing Executive Officer
Senior Executive General Manager, Financial Strategy Unit
J. Front Retailing Co., Ltd.

■ Question and Answer Session

Department Store Business Business Strategy

～ Prime Life Strategy ～

SAWADA Taro

President and Representative Director
Daimaru Matsuzakaya Department Stores Co. Ltd.



J. FRONT RETAILING

1. Medium-term Business Plan Department Store Business Sales

2. The Company's *Gaisho* Strategy

(1) Strategy Overview and KPIs

(2) Organization of Customers

(3) Improvement of Content

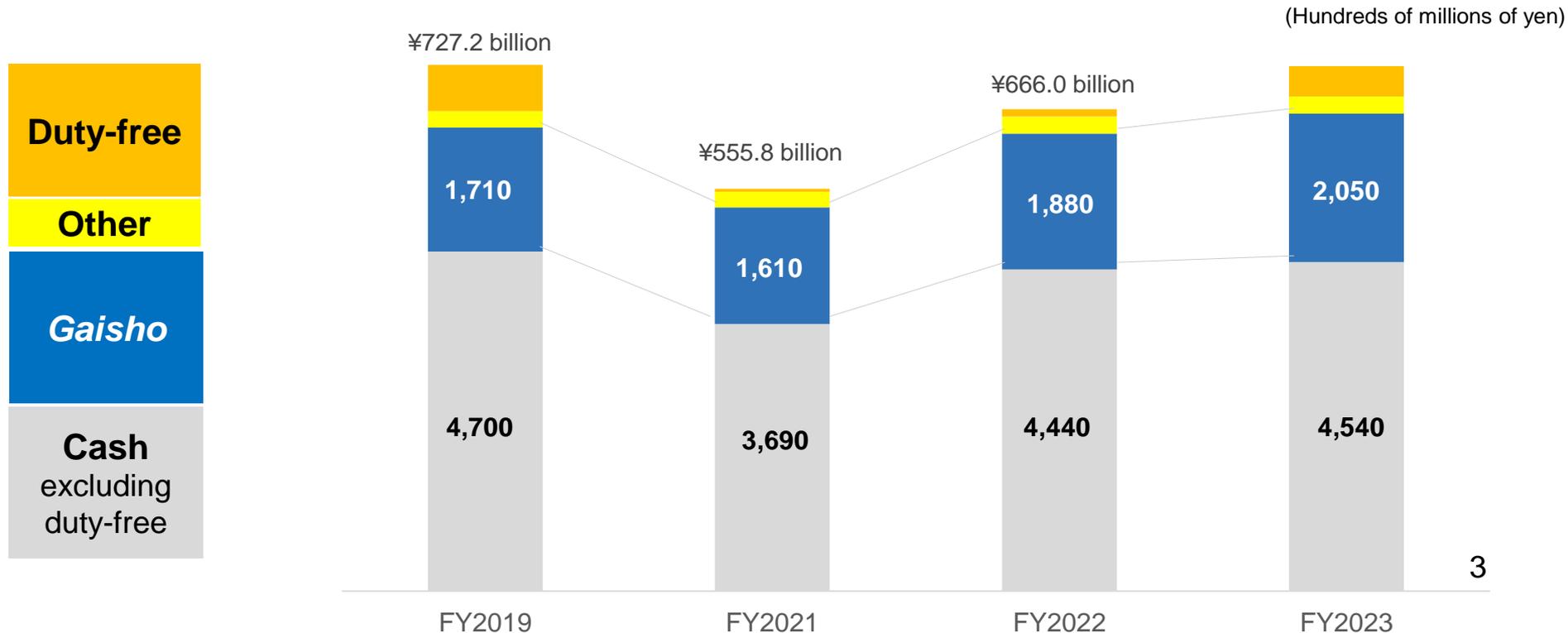
(4) Diversification of Touch Points

1. Medium-term Business Plan Department Store Business Sales

Department Store Business Sales: Scenario for FY2023



- Recover gross sales to FY2019 level in FY2023 and ensure operating profit of ¥23.0 billion
- “Duty-free sales” and “cash sales excluding duty-free sales” were most affected by COVID-19 pandemic
- Expect “*gaisho* sales” to be **¥205.0 billion** in FY2023 partly due to key category strategy, which will be explained later today
- Expect “cash sales excluding duty-free sales” to be **¥454.0 billion** in FY2023 based on decrease of 11% from 2019 and partly due to sales increase of key categories (down 15.5% from 2019 in Q1, down 11.7% in last two months)
- Expect “duty-free sales” to be ¥42.0 billion (down ¥22.0 billion, 34.4% from 2019)

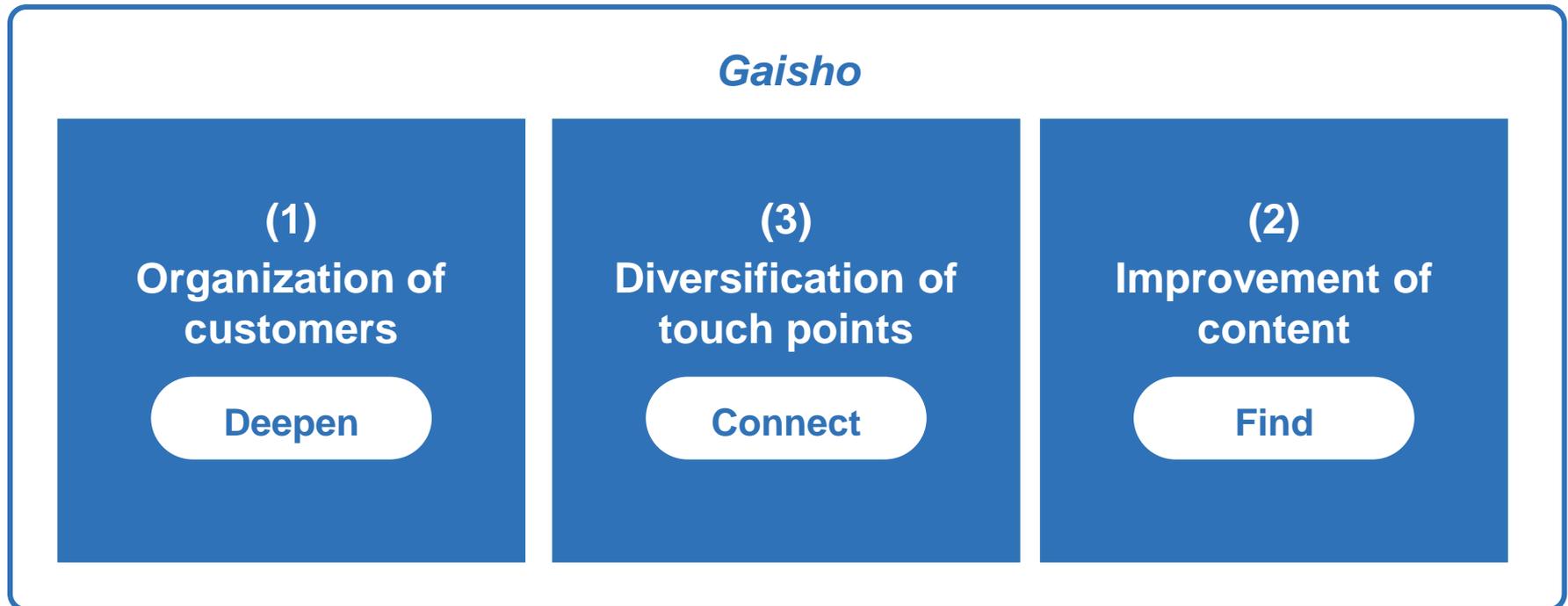


2. The Company's *Gaisho* Strategy

(1) Strategy Overview and KPIs

3 basic elements of *gaisho* business

- (1) Enrich DB by increasing and organizing **customers** and **deepen** customer understanding
- (2) **Find** and improve valuable **content**
- (3) Diversify **touch points** and **connect** customers and content online and offline



Aim to achieve *gaisho* sales of ¥205.0 billion in FY2023 by strengthening each of 3 initiatives

Aim to continuously grow after FY2023 by reviewing value of *gaisho* and evolving business model

(Hundreds of millions of yen)

Organization of customers

	FY2023	vs. FY2021
<i>Gaisho</i> card app user	1,230	+429
<i>Gaisho</i> card non-app user	820	▲2
Total	2,050	+437

Diversification of touch points

	FY2023	vs. FY2021
Offline	1,950	+352
Via online	100	+85
Total	2,050	+437

Improvement of content

	FY2023	vs. FY2021
Luxury	520	+120
Watches	240	+90
Art	90	+30
Other	1,200	+197
Total	2,050	+437

2. The Company's *Gaisho* Strategy

(2) Organization of Customers

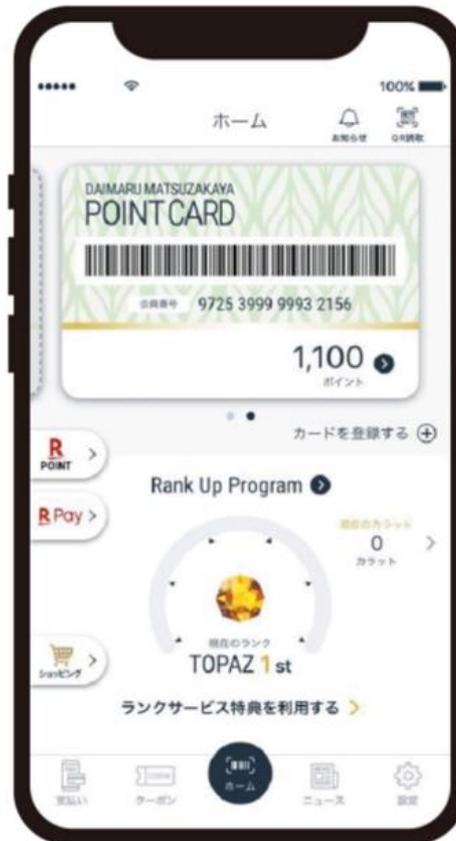
- Touch points with all customers including *gaisho* customers using app are steadily expanding and deepening
- Department store industry's highest rating and largest number of effective users



*Results as of May 31, 2022



*Extracted app users who signed up for app in H1 FY2021 and compared their sales between before (Sep 2020 to Jan 2021) and after (Sep 2021 to Jan 2022) becoming app users



*Annual results from June 2021 to May 2022
**Gaisho* sales are past one year's purchase amount of customers who signed up for *gaisho* and app before May 31, 2022



*Results as of June 30, 2022

- Relationship with *gaisho* customers deepens after they sign up for app
 - Create touch points that provide 24/7 connection to customers
 - Acquire customer online behavior data such as website browsing data and email response data and accumulate them in database
 - Conduct various communications based on accumulated data

《 Sales from *gaisho* app users 》

(Hundreds of millions of yen)

	FY2021	FY2023	vs. FY2021
App user	791	1,230	439
Non-app user	498	410	▲88
Other	324	410	86
Total	1,613	2,050	437

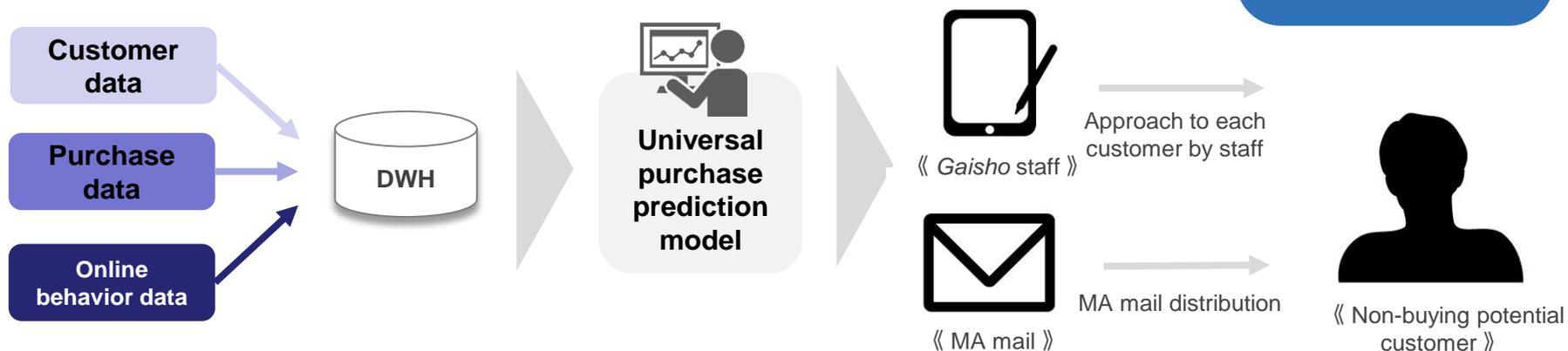
*Other is the results of associated department stores, corporate accounts, etc.

Extraction of Potential Customers Using Data

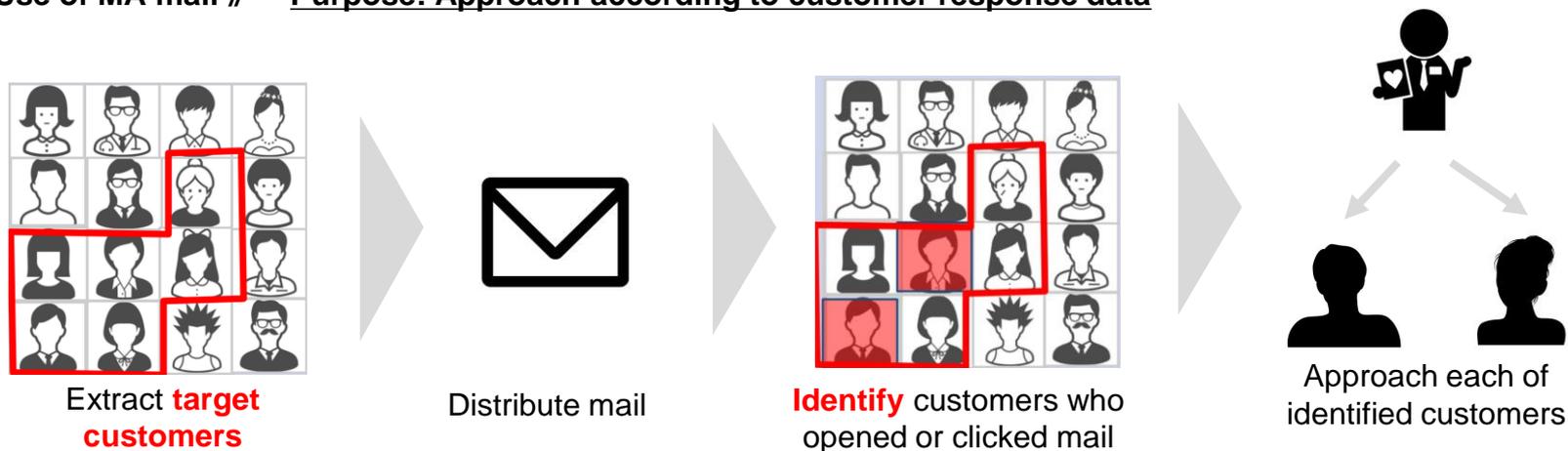
- Customer analysis using not only purchase data but also behavior data enabled us to extract potential customers (prospects)

FY2023 target
¥2.0 bn
 Q1 FY2022 results
¥0.38 bn

《 Use of logistic regression analysis 》 Purpose: To find potential customers

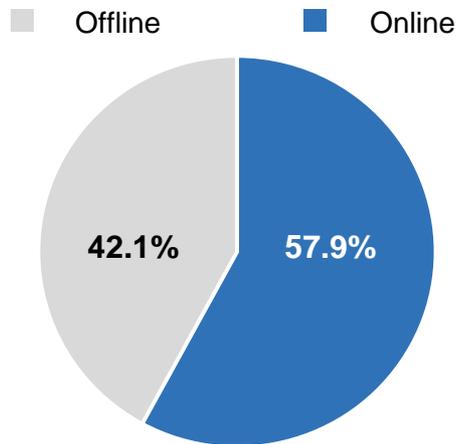


《 Use of MA mail 》 Purpose: Approach according to customer response data

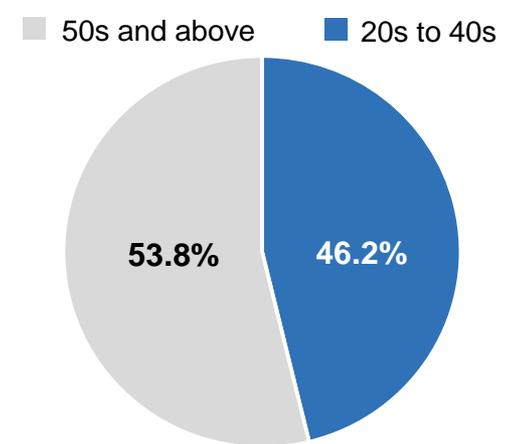
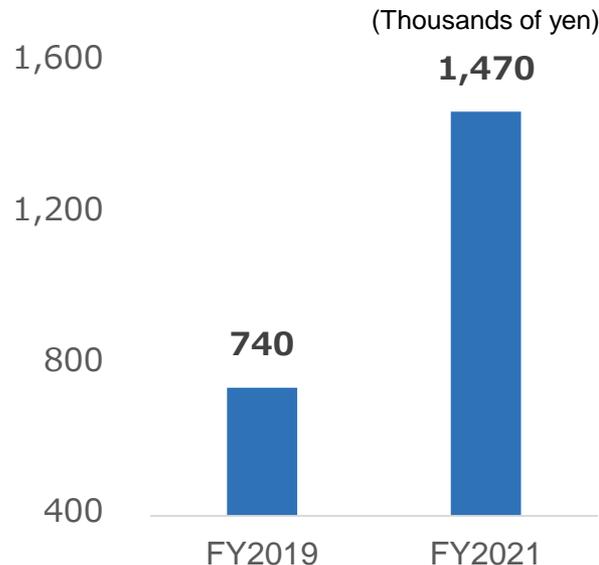


- Target number of *gaisho* accounts for FY2023: 168,000 accounts (up 4,300 accounts from FY2021)
 - Created online sign-up system and acquired many accounts
- Average spend per new account customer in FY2021 almost doubled from FY2019 (¥1,470,000 in FY2021, ¥740,000 in FY2019)
- Of customers who newly signed up in FY2021, nearly half are young people in their 20s to 40s

《 Share of sign-up method for new account in FY2021 》



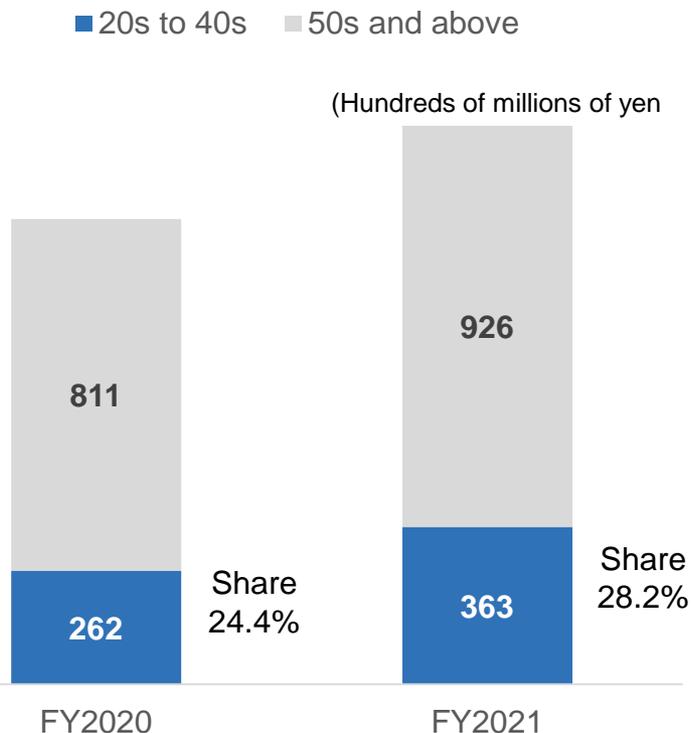
《 Average spend per new account customer 》 《 Age share of new accounts in FY2021 》



*Results for November 2021 to February 2022

- Sales from *gaisho* customers in their 20s to 40s in FY2021: ¥36.3 billion (up 38.4% YoY)
 - Share 28.2% (up 3.8 points YoY)
 - (Reference) Sales from *gaisho* customers in their 50s and above in FY2021: ¥92.6 billion (up 14.1% YoY)
- Value provision only for *gaisho* customers such as department store's unique personalized services and special events and product offering attract them

《 Sales from *gaisho* customers in their 20s to 40s 》



《 Characteristics of young *gaisho* customers 》

《 Man in his 30s, office worker 》

- Highly interested in popular and buzz goods
- Ask about only image of what he wants via LINE

《 Man in his 30s, restaurant owner 》

- Value business/hobby connection with people
- Expect *gaisho* staff to give “push” and “expert advice” and feel such services represent high status

《 Man in his 30s, company owner 》

- Curious and inquisitive about unknown world
- Respond to special events and special products only for *gaisho* customers

2. The Company's *Gaisho* Strategy

(3) Improvement of Content

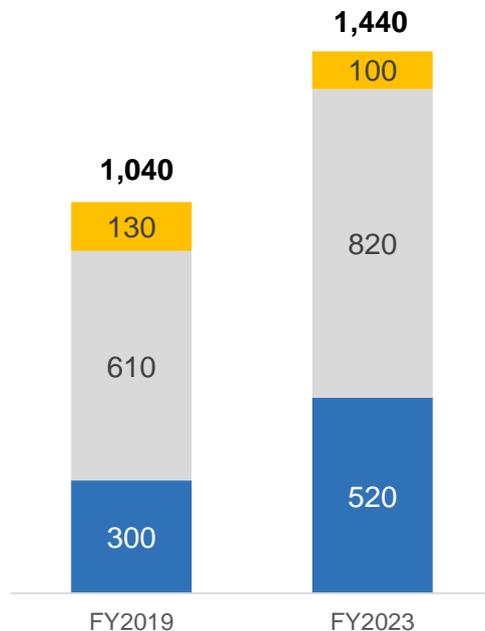
FY2023 Sales Target of Key Categories

- Sales of 3 key categories in FY2019 were ¥142.0 bn (*gaisho* share 35%)
- For FY2023, aim to increase sales ¥63.0 billion to ¥205.0 bn (*gaisho* share over 40%)
 - Luxury: ¥144.0 bn (of which: *gaisho* ¥52.0 bn, cash ¥82.0 bn, duty-free ¥10.0 bn)
 - Watches: ¥50.0 bn (of which: *gaisho* ¥24.0 bn, cash ¥24.0, duty-free ¥2.0 bn)
 - Art: ¥11.0 bn (of which: *gaisho* ¥9.0 bn, cash ¥2.0 bn)

«Luxury»

(Hundreds of millions of yen)

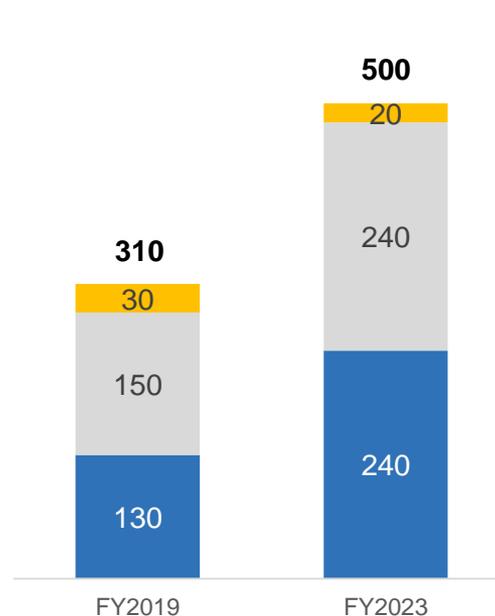
■ *Gaisho* ■ Cash (excluding duty-free) ■ Duty-free



«Watches»

(Hundreds of millions of yen)

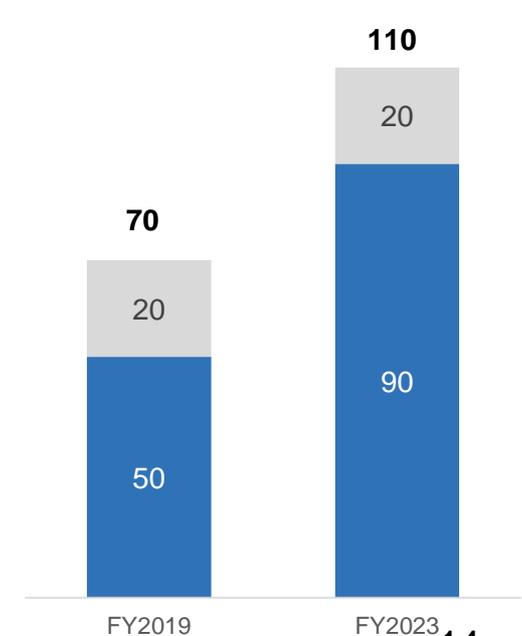
■ *Gaisho* ■ Cash (excluding duty-free) ■ Duty-free



«Art»

(Hundreds of millions of yen)

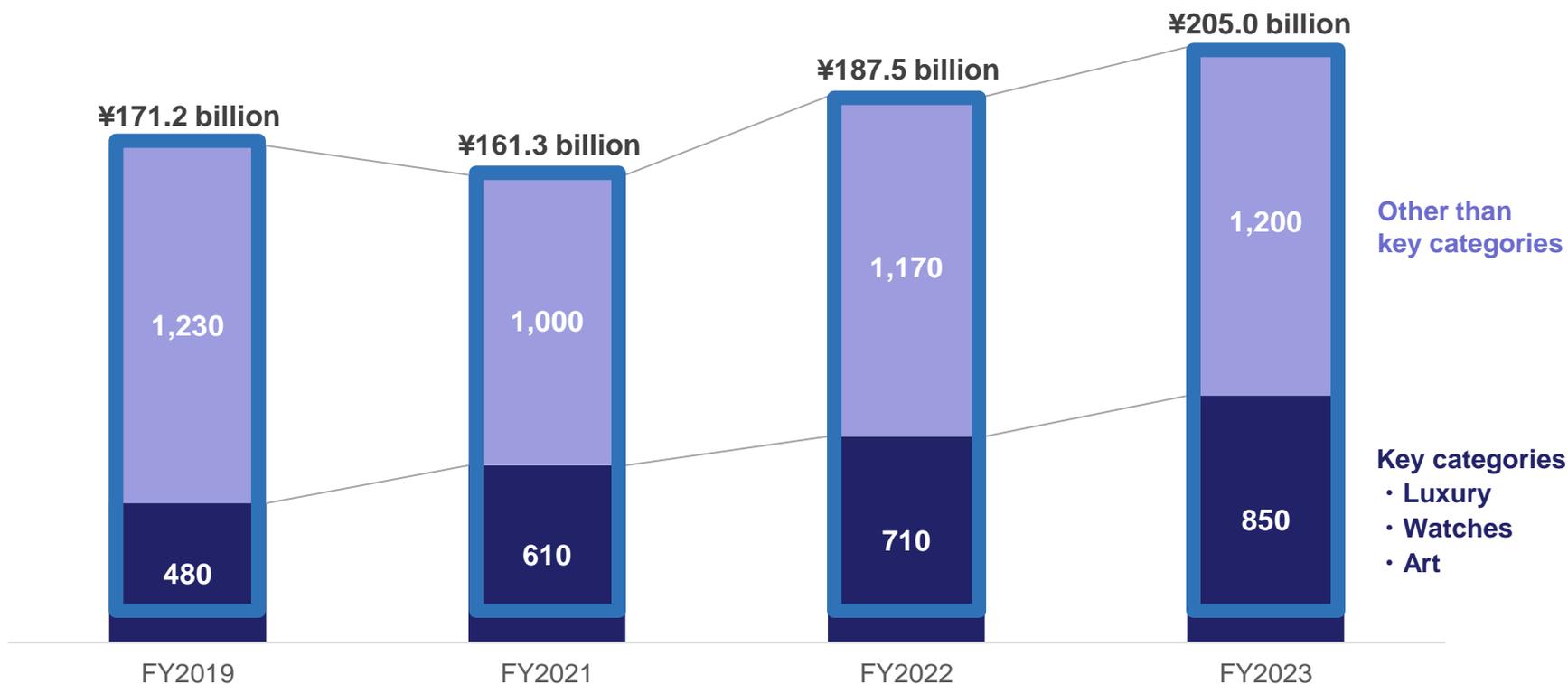
■ *Gaisho* ■ Cash (excluding duty-free)



Gaisho Sales by Merchandise Category

- Of *gaisho* sales of ¥205.0 billion in FY2023, sales of key categories are expected to be ¥85.0 billion (share 41.5%)
- Sales of key categories are expected to increase ¥24.0 billion from FY2021 due to strategic investment

(Hundreds of millions of yen)



- Luxury area of 9 flagship stores in FY2023: Up 16% from 2019
- Promote one boutique per area by taking over popular brands from competitors

FY2023 sales

¥144.0 bn

Of which *gaisho*

¥52.0 bn

《 Major luxury renovation 》

	FY2020	FY2021	H1 FY2022
Kobe store		<ul style="list-style-type: none"> • Dolce & Gabbana • Saint Laurent • FENDI • LOEWE • STELLA McCARTNEY 	<ul style="list-style-type: none"> • CHANEL • LOUIS VUITTON (outside the store) • BALENCIAGA (outside the store) • EMPORIO ARMANI (outside the store) • Herno (outside the store)
Shinsaibashi store	<ul style="list-style-type: none"> • Hermès (outside the store) • GUCCI (outside the store) 	<ul style="list-style-type: none"> • CHANEL & moi – Les Ateliers 	
Nagoya store	<ul style="list-style-type: none"> • TIFFANY • DIOR Men's • Valentino 	<ul style="list-style-type: none"> • Hermès • Cartier • CELINE 	
Sapporo store	<ul style="list-style-type: none"> • DIOR • CELINE • FENDI • Saint Laurent 		<ul style="list-style-type: none"> • BALENCIAGA
Kyoto store		<ul style="list-style-type: none"> • Cartier 	<ul style="list-style-type: none"> • CELINE / CELINE Men's • BALENCIAGA

Improvement of Content (2) Watches

- Watch area of 9 flagship stores in FY2023: Up 43% from 2019
- Establish overwhelming position in industry by renovating Nagoya store (creating Japan's top watch area)

FY2023 sales

¥50.0 bn

Of which *gaisho*

¥24.0 bn



Renovate also in H2 FY2022 and FY2023 to expand watch area

Improvement of Content (3) Art

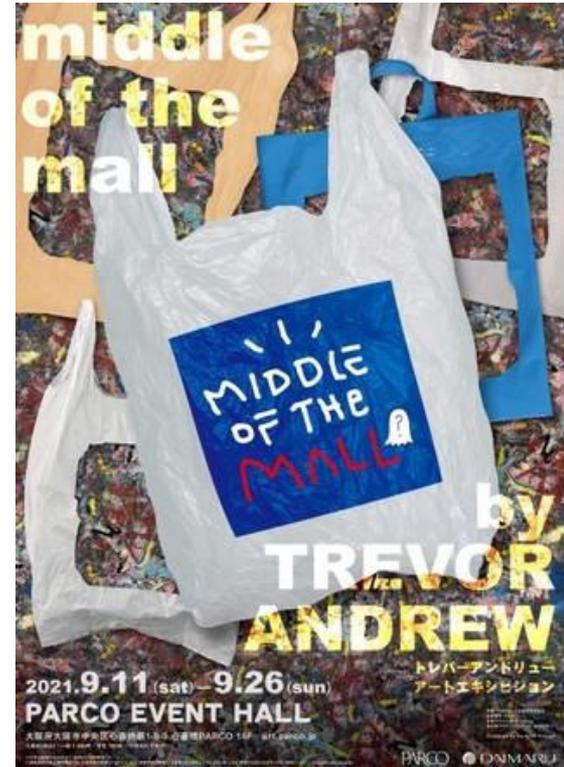
- Hold large scale art events in each store and national touring art fair D-art,ART produced by a man who organized Art Fair Tokyo
- Create synergy through transfer of customers to Parco's art events and presale

FY2023 sales

¥11.0 bn

Of which *gaisho*

¥9.0 bn



- Create hospitable environment to strengthen relationship with *gaisho* customers
- Use local materials for interior with awareness of locality
- Hold special events for VIPs as not only space for relaxation but also gallery
- Enter using dedicated QR code on closed website for *gaisho* customers “connaissligné”

Daimaru Kobe store D’s Lounge



- Opened in July 2021
- Number of users in FY2021: 42,217 people
- Average number of users a day:
180 people (30 people before renovation)

Daimaru Sapporo store D’s Lounge



- Opened in August 2021
- Number of users in FY2021: 25,688 people
- Average number of users a day:
140 people (70 people before renovation)

2. The Company's *Gaisho* Strategy

(4) Diversification of Touch Points

Diversification of touch points (1)

Closed Website for *Gaisho* Customers “connaissligne”

- Closed website for *gaisho* customers “connaissligne” is equipped with multiple functions including content presentation and commerce
- Target number of people who sign up for FY2023: 115,000
(End of FY2021: 86,000)
- Smoothly accessible from Daimaru Matsuzakaya app after signing up due to integration of login IDs

FY2023
Gaisho sales
via online
¥10.0 bn
vs. FY2021
+ ¥8.5 bn

《 Daimaru Matsuzakaya app 》

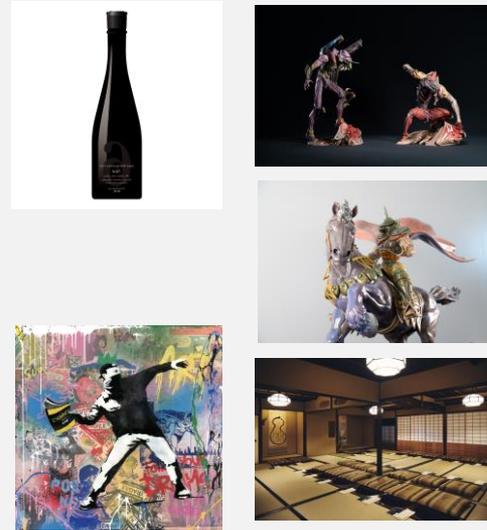


Front page



《 *connaissligne* 》

Content presentation pages



Contact
gaisho
staff or
shop

Apply for
sale by
lottery

Diversification of touch points (2)

Creation of Media to Acquire New Affluent Customers

- Launched art media ARToVILLA
- Provide content that makes it easy to own art as art platform that “provides opportunity to meet art they want with curators and collectors
- Also hold events in physical stores in conjunction with media



2022.06.17

場所に依存しないコミュニティがアートを自由に。
キュレーター・丹原健翔がフィジカルとバーチャルの狭間で考えた「居場所のかたち」

INTERVIEW



美術館や画廊ではなく商業施設や学校、ストリートなど、オルタナティブな場所に展示空間をつくること。はたまた NFT アートや VR など技術革新を経てオンラインで展示を行うことなど、ここ数年で、アートを発表する場所はダイナミックに変化を遂げている。

その変化の速を見極めて、斬新な場所を作り続けるのが、キュレーターの丹原健翔だ。ハーバード大学を卒業し、自身もアーティストとして活動し、アートの展覧会やイベントの企画を行うアマトリウム株式会社代表も務めている。そんな多彩な彼の活動で一環としているのは、アーティストのために「居場所」をつくること。

その根底にある思想は、これまでに手掛けてきたオルタナティブスペース「新大久保 UGO」、NFT を活用しながらフィジカルとバーチャルの展示空間をつかった「Meta Fair #01」にも色濃く反映されている。いったい彼は、目まぐるしく変化するアート・シーンをどのように見つけ、そして新しいアクションを起こしてきたのか？



「居場所」はどんなかたちをしているのでしょうか。世の中は多様になり、さまざまな場がつけられ、人やものごとの新たな繋がりかたや出会いかたが生まれています。時にアートもまた、場を生み出し、関係をつくり、繋ぐ役割を担っています。今回のテーマではアートを軸にさまざまな観点から「居場所」を掘り探していきます。ARToVILLAも皆様にとって新たな発見や、考え方のきっかけになることを願っています。

PICK UP

居場所のかたち

02

「アート」「ケア」「つながり」を臨床心理士・美術家・建築家・金野千恵が考える / 「居場所のかたち」対談 一後編

臨床心理士の美術関係人が語る、建築家・金野千恵が手掛ける「春日台センターセンター」 / 「居場所のかたち」対談 一前編

アートスペース

Diversification of touch points (3)

Reorganization of *Gaisho*

- Create organization that provides optimal information and services according to buying characteristics
- Standardize and sophisticate customer data management and sales activities using sales support system J-STEP

《 Sales of dedicated/system staff 》

(Hundreds of millions of yen)

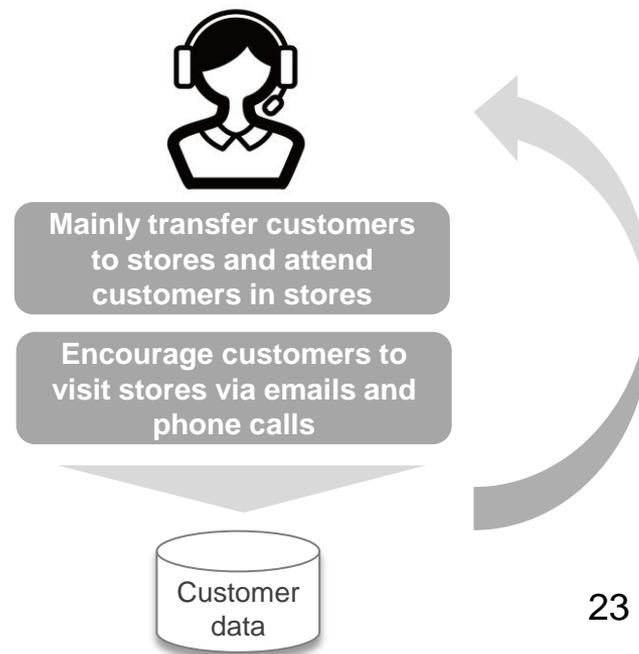
	FY2021	FY2023	vs. FY2021
Dedicated	918	1,140	24.2%
System	551	750	36.1%
Other	144	160	11.1%
Total	1,613	2,050	27.1%

*Other is the results of associated department stores, etc.

Dedicated staff (individual)



System group staff (team)



SC Business (Parco) Business Strategy

~ Rebranding of Building based on Shibuya ~

IMAEDA Tatsumi

Director and Managing Executive Officer
Parco SC Business Group
Parco Co., Ltd.



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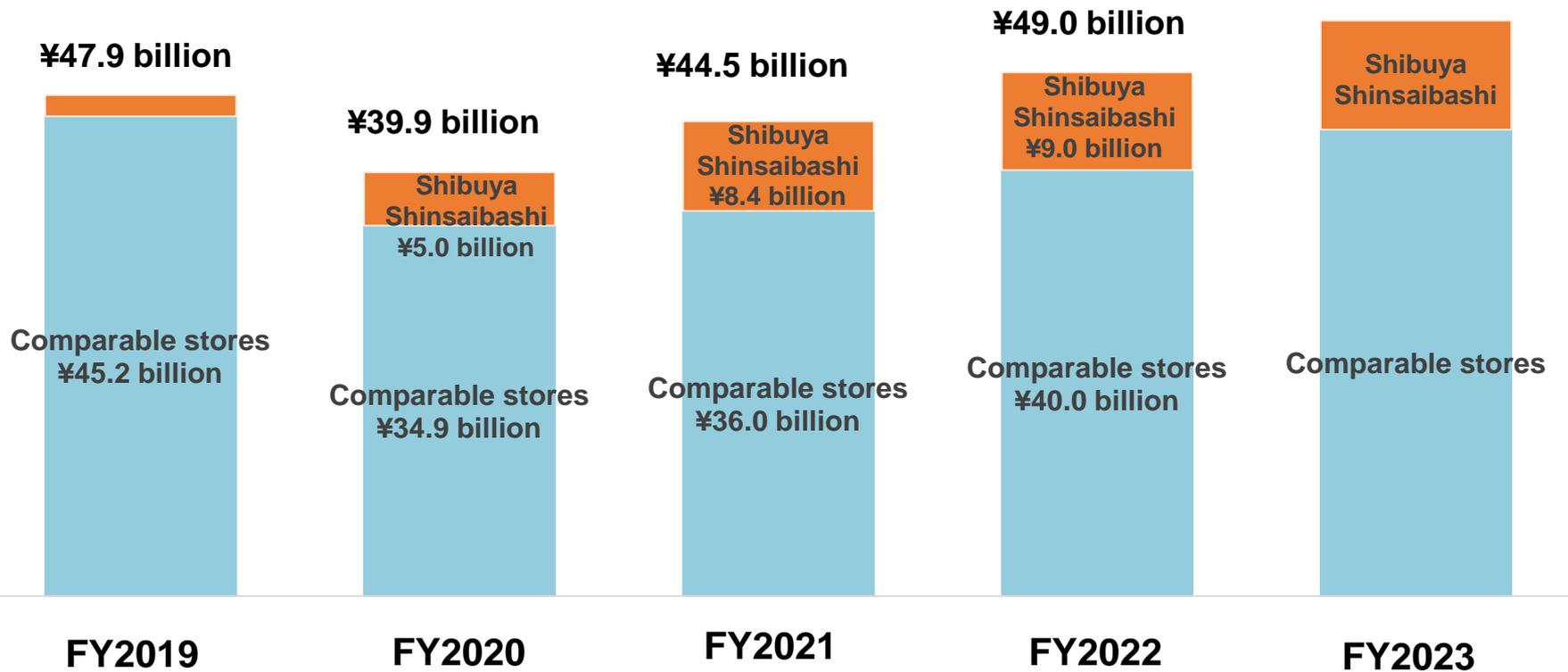
<Rebuilding of Building Branding based on Shibuya >

- 1. Medium-term Business Plan
Parco SC (Store Business) Revenue**
- 2. Parco's Starting Point Shibuya PARCO
Maintains Strong Performance**
- 3. Spread Success of Shibuya PARCO**
 - (1) Shinsaibashi PARCO**
 - (2) Nagoya PARCO and Ikebukuro PARCO**
 - (3) Pursue Parco's Uniqueness**

1. Medium-term Business Plan

Parco SC (Store Business) Revenue

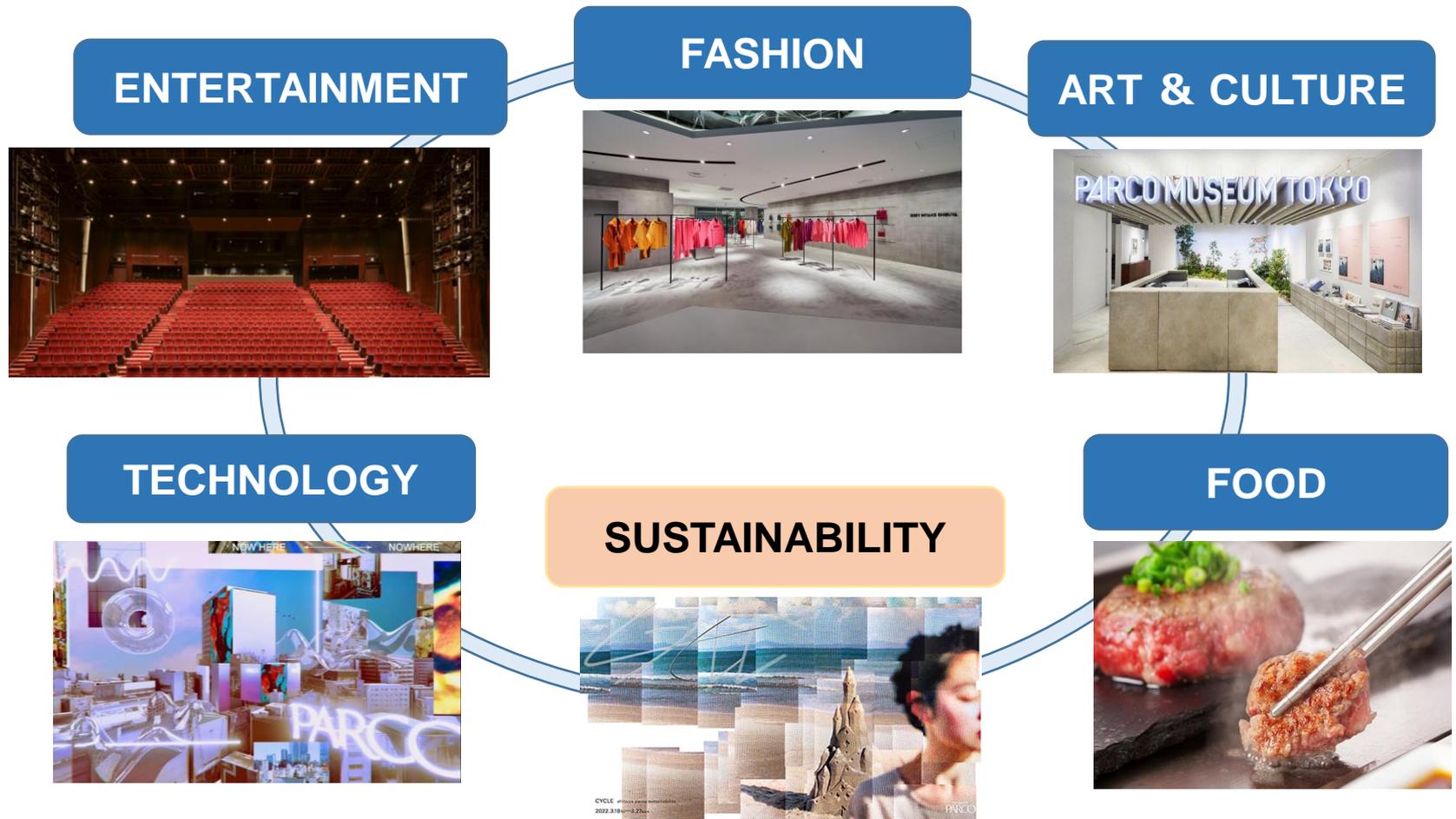
Operating revenue is planned to exceed ¥50.0 billion in FY2023 due to renovation effect of flagship stores such as Nagoya PARCO and Ikebukuro PARCO as well as new store effect of Shibuya PARCO and Shinsaibashi PARCO



*Comparable stores exclude Shibuya, Shinsaibashi, Utsunomiya, and Kumamoto
(For FY2023, excludes Tsudanuma)

2. Parco's Starting Point Shibuya PARCO Maintains Strong Performance

- Targets are “Non-age,” “Genderless,” and “Cosmopolitan”
- Composing content is “5 elements” + sustainability
Mix them and create floors that enhance each other’s attractiveness



➤ Strong relations of trust with creators and artists with whom Shibuya PARCO built its 43 years

- Realized “highly sensitive fashion zone” that brings together thoughts of various fashion creators
- Also strengthened luxury and pop-up and built unique world view
- Presented “animation and pop culture” early. Newly created “Japan culture zone”



COMME des GARÇONS GIRL



UNDERCOVER NOISE LAB



kolor



Pokemon Center Shibuya



Nintendo TOKYO



JUMP SHOP

➤ **“Media center” function that brings together various entertainment equipment and communicates every day**

- 5 facilities operated by Entertainment Department
- Multi-layered communication by creators in various industries



PARCO Theater



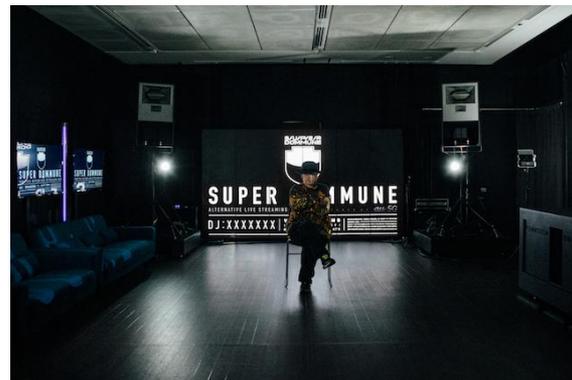
WHITE CINEQUINTO (move theater)



PARCO MUSEUM TOKYO



GALLERY X



SUPER DOMMUNE (creative studio)



Hobo Nichiyobi (event space)

➤ Propose unique experiential value, create system for provision through real × online channels

- Connect various creators and artists to events and product planning and develop limited projects
- Create systems that allow people to enjoy both in real world × online in light of COVID-19 pandemic



Mr. Brainwash exhibition
Sold his works in conjunction with Daimaru Matsuzakaya website



BE:FIRST exhibition
Held online exhibition that provided 3D view as well as real exhibition



For Mickey Mouse Now and Future exhibition for 2nd anniversary of Shibuya PARCO, limited items were sold online and in touring truck while holding real exhibition

➤ PARCO and tenants as one communicate in Japan and overseas

● Digital promotion using SNS

<Instagram> **52,000** followers

<Facebook> **153,000** followers

*Largest number of Japanese commercial facilities.

Of which 30,000 from Taiwan, 19,000 from Hong Kong, etc.

● Provide “article-based media” from Shibuya PARCO’s official website

Linked with Instagram, create articles featuring influencers with magazine editor team

● Stream special programs from DOMMUNE (studio)

200,000 people viewed program streamed when reopened

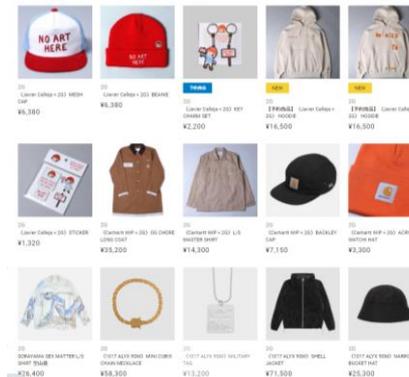
50,000 people viewed anniversary special program featuring ISHINO Takkyu



➤ Created system for selling to remote areas using online tools

● “PARCO ONLINE STORE”

About half of fashion shops in Shibuya PARCO participate
Cross-border type that can accept orders from overseas



● Collaboration with live stream commerce for greater China “ShopShops”

Collaboration with live commerce service provider for greater China
Live commerce from each shop, joint sales



➤ Event-based projects that provide experience and exclusivity available only in real world

- Frequently conduct entire-store projects that deliver Shibuya PARCO's concept and message
- Hold events using real stores (roof + indoor event space)



1st Anniversary PARTY

Held Shibuya PARCO'S 1st anniversary party in CmMun on its 10th floor. Livestreamed performance of worldwide artist ISHINO Takkyu, a member of Denki Groove, from DOMMUNE.



Hearth Kitchen

Food-themed event by creative team YAR. Talk session about food and agriculture, etc. Also one-day special dinner by restaurant Kabi.



PARCO PRINT CENTER

Parco's new art market event. Sold all art works created by 50 groups of artists at ¥5,000 per piece to make art more accessible.

➤ **Attract customers from super wide area + inbound customers through unique content & communication**

- **Approximately 30% of sales are from “rural areas & overseas”**
Leisure destination for people who love fashion, art, and culture

<Usage of PARCO Card by residence (January 2020)>

Tokyo area 80% / Distant areas in Japan 20%

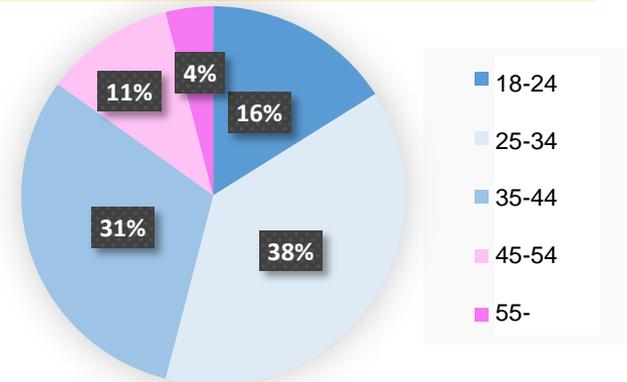
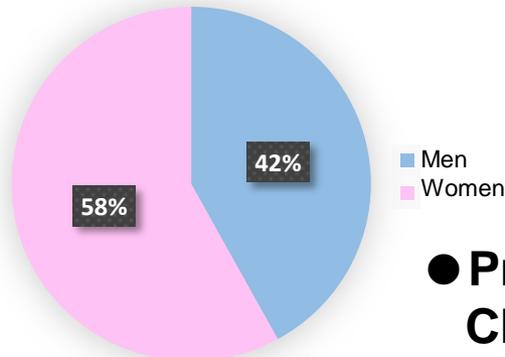
<Inbound transaction volume share in FY2019>



Inbound sales share 15%

➤ **Gain popularity among wide range of generations, early adopters from “millennium to Generation Z”**

- **Wide range of generations aged from 25 to 44, mainly 30s account for about 70%**



- **Provide genderless items on all floors**
Characterized by many male customers
Many couples also visit the store

■ Elements spread to each flagship store

- ✓ Setting of targets such as **”Non-age,” “Genderless,”** and **“Cosmopolitan”** is effective in urban stores
- ✓ Identify important content of urban SC such as **”fashion,” “art & culture,” “entertainment,” “food,”** and **“technology”**
- ✓ **Unique content, real × digital provision** based on trust with top creators
- ✓ **PARCO and tenants as one communicate in Japan and overseas**
- ✓ **Online system to sell to people in distant areas**
- ✓ **Events that provide experience and exclusivity available only in real world**



Spread to and evolved in Shinsaibashi PARCO
Spread to each flagship store such as Nagoya PARCO
and Ikebukuro PARCO

3. Spread Success of Shibuya PARCO

(1) Shinsaibashi PARCO

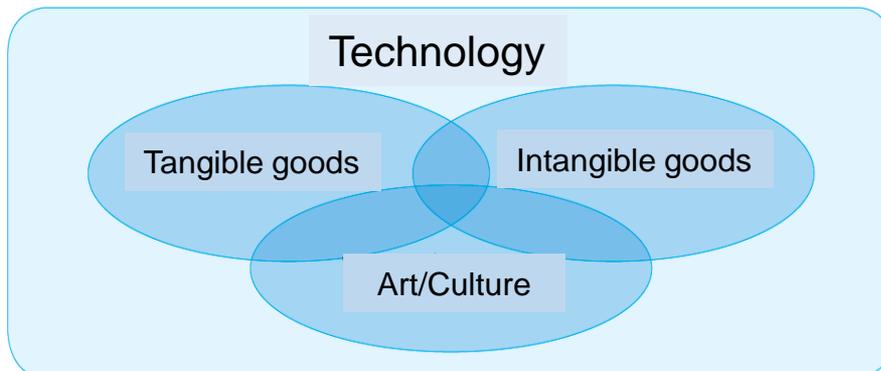
(2) Nagoya PARCO and Ikebukuro PARCO

(3) Pursue Parco's Uniqueness

- **Branding based on elements of Shibuya and characteristics such as “collaboration with Daimaru Shinsaibashi store” and “location directly connected to station”**

◆ **Building targets**
“Non-age” “Genderless” “Cosmopolitan”

◆ **Building concept** “NEW COMPLEX Building”
New commercial building where “**tangible goods and intangible goods,**” “**daily life and art,**” and “**real world and technology**” are mixed without borders



- ✓ “Differentiated” “exciting” ⟨tangible goods⟩
⟨intangible goods⟩
- ✓ ⟨Art/culture⟩ that stimulate sensitivity
- ✓ Expression, communication using ⟨technology⟩

➤ **Develop and evolve more than Shibuya by acquiring department store’s customers, inviting large scale shops, etc.**

- Brought together both “differentiated” and “sustainable” **luxury, designers, select shops, etc.** and **beauty & fashion goods** that increase their charm
- **Also invited large scale shops such as interior, hobbies, and sports that provide excitement to daily life** in light of life with COVID-19



Tiffany & Co



Maison Margiela



sacai



ALBION DRESSER



MUJI



TOKYU HANDS

➤ **Expanded provision of experience, which could not be incorporated in Shibuya for size reason**
Opened first directly managed “coworking space” and “wellness mall”

- Experience for self improvement
 - “GLOBE ENGLISH SCHOOL” “cookpadLive cafe”
 - “Tsuruya Golf / Golf school” “TENRO-IN BOOK STORE” (culture school & experience-based book store)
 - “Welpa” (directly managed wellness mall that opened in November 2021)
- New working experience
 - Directly managed working space “SkiMa”



SkiMa



Welpa

➤ Created pop culture zone that can attract customers from across the world Many art works are installed in the building

- One of largest bases in western Japan for presenting **experience-based culture** toward the world
With wide selection of power content, sell products + provide experiential value



CAPCOM STORE OSAKA



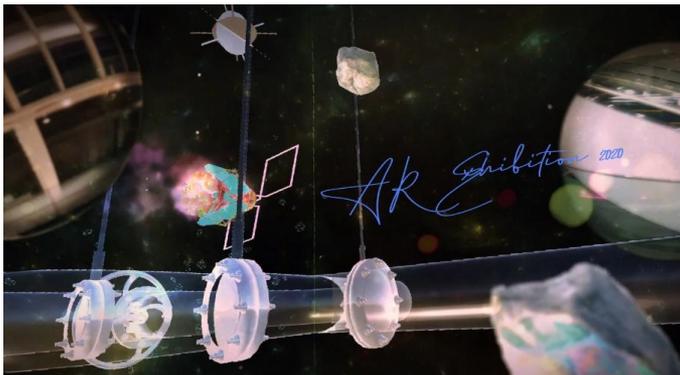
Godzilla Store Osaka



PARCO GALLERY

➤ Expanded XR (VR/AR) content provided in Shibuya

- Experience-based art using XR technology



Chikyu Makase by ONO Natsuki (stairwell, 14th floor)
Limited-time display of work created in collaboration with ONO Natsuki that received PARCO Prize in XR content award NEWVIEW AWARDS 2019 (opening event)

- **Strengthen collaboration with department store including shopping in both stores, content, and joint events**
- **Perform well in spite of opening amid COVID-19 pandemic**
(Operating revenue: ¥ 1.5 billion in FY2020 (opened in Nov), ¥4.4 billion in FY2021, ¥4.9 billion planned for FY2022)

● **Transfer of each other’s customers and joint promotion in collaboration with Daimaru Shinsaibashi store**

- **Increase shops that adopt Daimaru’s POS**
Mainly fashion tenants accept payment with Daimaru *gaisho* customer card
- **Give PARCO points also for POKEPARU PAYMENT with Daimaru Matsuzakaya Card**
Continue to tie-up with Daimaru Matsuzakaya Card and other companies’ credit cards
- **Use Daimaru Matsuzakaya *gaisho* customer website “connaissligne”**
Enticed Daimaru Matsuzakaya *gaisho* customers to visit art sale held at PARCO in September 2021
- **Regularize Daimaru art events in event space**
Held Japan Art Academy Exhibition in June 2022 and consider holding art events around twice a year
- **Sold eco bags through collaboration between 3 companies: W Osaka × PARCO × Daimaru**
Held collaborative events to bring excitement to Shinsaibashi area



Branding of Nagoya PARCO Building (1)

- **Add “food” and “cosmetics” to essences of Shibuya and Shinsaibashi**
Ground and other floors are under large scale renewal
 - **Bring together and strengthen “genderless,” “food,” and “culture” toward completion of renewal in spring 2023**
Realize expansion of presence in Tokai area through them
 - ◆ **Concept of renewal: “Tokai area’s only SC that creates stimulation”**
“Non-age” “Genderless” “Mode/Design”
 - ◆ **Overall renewal plan:**
 - Renovated 8 sections, 808 tsubos (2,671 m²) in fall 2021**
 - Clarified building characteristics by focusing on pop culture in east building, bringing together large scale shops in south building
 - Renovated 35 sections, 2,694 tsubos (8,906 m²) in spring 2022**
 - Renewed entire 1F of west building, invited large scale select shops to 4 floors of south building
 - Renovate 14 sections, 415 tsubos (1,372 m²) in fall 2022**
 - Create new food zone on B1F of west building
 - Further incorporate success of Shibuya
- ⇒ **Renovate 57 sections, approximately 4,000 tsubos (13,000 m², one third of entire building) in total from fall 2021 to fall 2022**
- +**
- Plan to renovate 2,000 tsubos (6,600 m²) in spring 2023**

Aim to increase operating revenue ¥2.0 billion or more (vs. FY2021) by completing renewal in spring 2023

【Status of renewal in spring 2022】

- ◆ Renewal of entire 1F of west building
 - **Actively introduced Tokai area's first differentiated merchandising**
 - In **fashion**, “**genderless**” and “**street luxury**” shops perform well
 - **Art & culture** perform well, favored mainly by MZ Generation
- ✓ **Transaction volume of renovated zones from opening to May greatly increased 2.7-fold YoY**
- ✓ **Paying customer count in May almost doubled thanks to wide variety of merchandising**
- ◆ B1F to 3F of south building
 - Invited “large scale complex select shop” of approximately 1,000 tsubos (3,300 m²)
 - Gain popularity from wide range of customers from 20s to 30s and 40s
- ✓ **Transaction volume of renovated zones from opening to May increased 178% YoY**
- ✓ **Customer count increased (109%), average spend per customer also greatly increased (163%)**

1F of west building



MEDICOM TOY PLUS NAGOYA

B1F to 3F of west building



BAYCREW'S STORE

➤ Spread success factors of Shibuya, completed large scale renewal of ground and other floors in spring 2022

◆ Concept of renewal

As gateway to city that aims to be “**global art and culture city**,” provide “meeting” space with themes of “**Non-age**,” “**Genderless**,” and “**Buzz/Communication/Differentiation**” and strengthen branding

◆ Renovation theme and invited shops

1F of main building: First renewal of entire floor in 16 years

Invite area’s first tenants, organic cosmetics shop, **experience-based tenant** that can sell goods + hold dance events



MERCER bis (tube cake)



Cosme Kitchen (cosmetics)



CASETIFY STUDIO (smartphone cases)



atmos pink (shoes, apparel)



Aiam (fragrance, cosmetics)

◆ Renovation theme of and shops invited to each floor

B1F of main building: Renewed approximately 50%

Invited brands with **high communication ability** such as influencer brands

2F of main building: **Converted to unisex floor.** Promoted differentiation with common theme for 1F to 4F

5F of main building: Invited **first permanent physical shop of smartphone game company**

Expanded and strengthened customer touch points by bringing strong online community to real world



- ✓ Transaction volume of renovated zones from opening to May doubled YoY
- ✓ Attracted wide range of customers and paying customer count greatly increased 2.8-fold
- ✓ Aim to increase operating revenue ¥1.0 billion or more (vs. FY2021) in FY2023 through renovation effect



eimy istoire (ladies')



A+ TOKYO (men's)



coly more! (character goods)

- Events that provide valuable experience attracted many customers even amid COVID-19 pandemic
- Actively held buzz events in all stores and contributed to attracting customers and increasing transaction volume

■ Popular content toured around all stores



Animation Jujutsu Kaisen exhibition



PUI PUI MOLCAR TOWN



GUANDAM WORLD CONTRAST

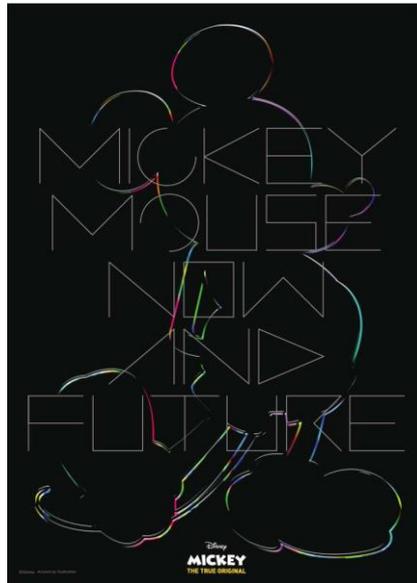
【FY2021 all store event results】 *Difference from FY2019

- Number of events: 344 (+48)*
- Transaction volume: ¥3.8 billion (+¥1.1 billion)*
- Attendance: 1,480,000 people

- Continue collaboration with popular characters. Realize nationwide unique large scale projects such as communication through media, sales promotion, events, and sale of exclusive products



Grand Bazar winter 2021
Collaboration with Doraemon



©Disney
Shibuya 2nd anniversary event
Mickey Mouse
Now and Future



Grand Bazar winter 2022
Collaboration with Pokémon



Grand Bazar summer 2022
Collaboration with GUANDAM

(1) Shibuya PARCO as strong communication base, (2) store network in major cities across Japan, and (3) results and know-how are highly evaluated by companies that have character licenses

Pursue Parco's Uniqueness (3) "Pop-up Shop"

- Highly evaluated by luxury brands that aim to acquire new customers
- To motivate customers to visit stores, strengthen pop-up shops in each store, promote content development through collaboration between headquarters and each store



【Shibuya】FENDI × SKIMS pop-up store



【Shibuya】MARNI pop-up shop MARNIFESTO



【Shibuya】Chloé pop-up store



【Shibuya】DIOR & RIMOWA capsule collection

Promotion of ROIC Management

~ To Enhance Corporate Value ~

WAKABAYASHI Hayato

Director and Managing Executive Officer
Senior Executive General Manager, Financial Strategy Unit
J. Front Retailing Co., Ltd.



J. FRONT RETAILING

1. Financial Goals for 2030
2. ROIC Business Management Policy
3. Cash Allocation:
Balance between Growth and Efficiency

1. Financial Goals for 2030

History of Business Portfolio

- Expanded domain to non-retail including real estate and finance in addition to retail
- Adopt ROIC to strengthen management of invested capital profitability of

Department Store

Department Store + Parco

Retail + Non-retail



PL



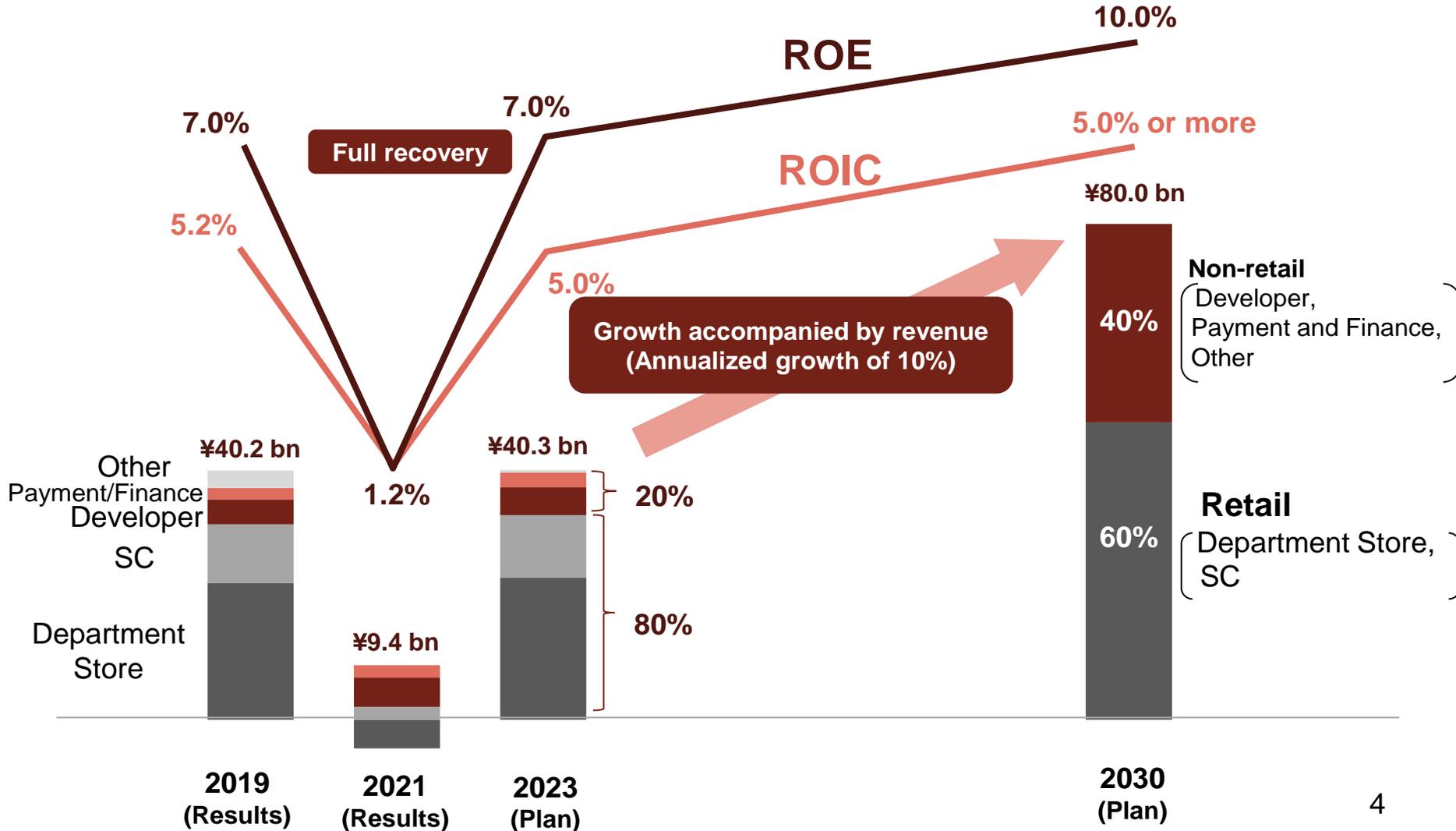
PL, BS (ROA, ROE)



PL, BS (ROIC, ROE)

Illustrated Portfolio Transformation

- Increase weight of non-retail and promote business portfolio transformation
- Aim to achieve consolidated operating profit of ¥80.0 billion, ROE of 10%



ROIC Target

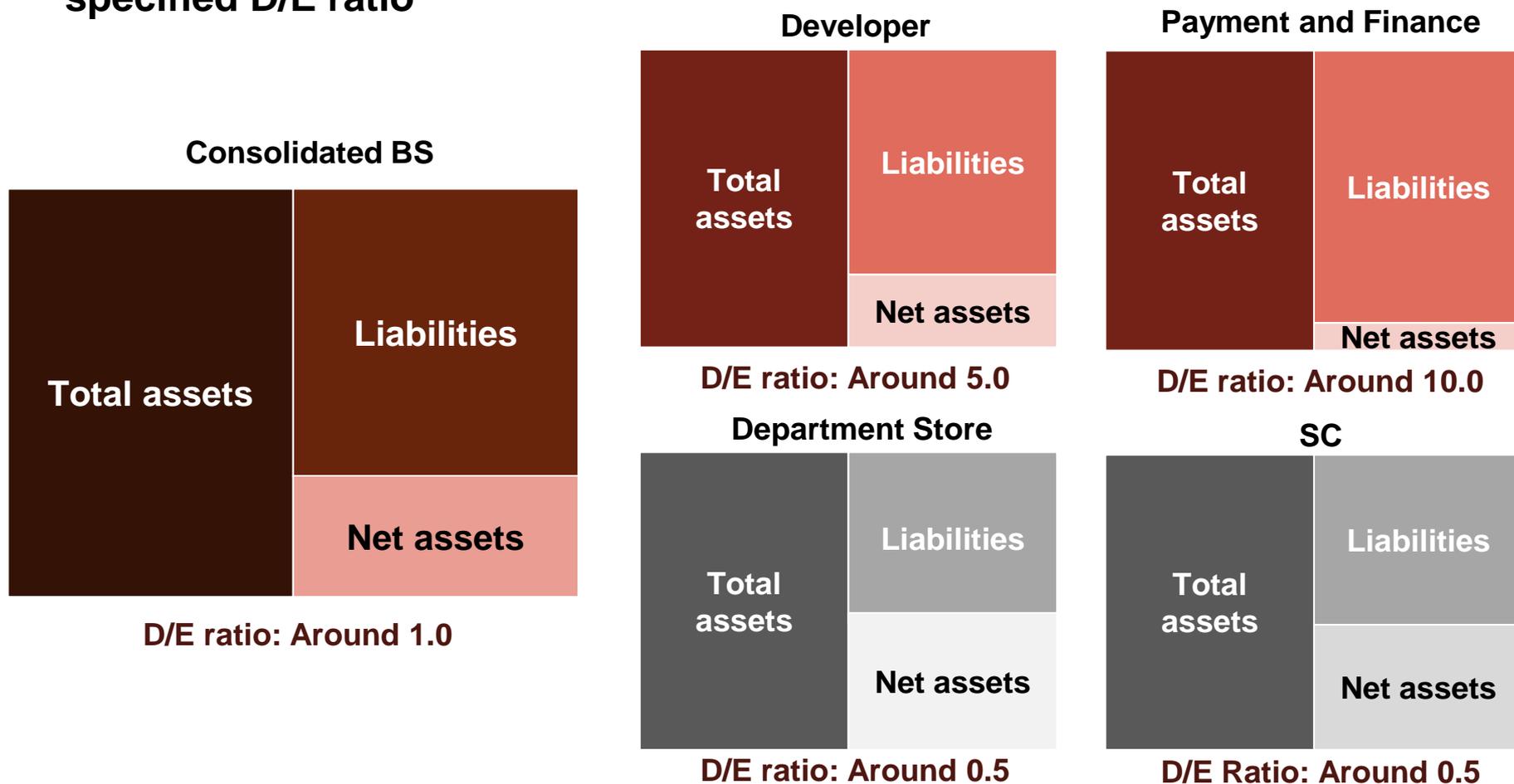
- Introduced ROIC by business as KPI to realize growth accompanied by revenue
- Set ROIC by business above WACC by business

	FY2023 ROIC target	WACC	FY2030 ROIC target
Department Store	6%	5%	6 - 7%
SC	5%	4.5%	5 - 6%
Developer	4%	4%	4 - 5%
Payment and Finance	3%	3%	3 - 5%
New business	10%	WACC of new business (around 8-10%)	10%
		≥	
Consolidated	5%	4 - 4.5%	5% or more

*ROIC = $\frac{\text{Business profit after tax}}{\text{Invested capital: Interest-bearing liabilities excluding lease liabilities} + \text{Shareholders' equity}}$

Illustrated BS by Business (FY2030)

- Estimated future BS by business that reflects business characteristics
- Developer and Payment and Finance control interest-bearing liabilities with specified D/E ratio



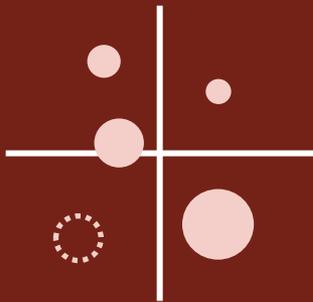
*Set appropriate shareholders' equity by business

2. ROIC Business Management Policy

ROIC Business Management Policy

- Enhance corporate value by sophisticating business portfolio management and investment management
- Disseminate ROIC in the Group by setting ROIC tree / KPI by business

Business portfolio management



Perspective of HD

Sophistication of investment management



Perspective of HD / operating companies

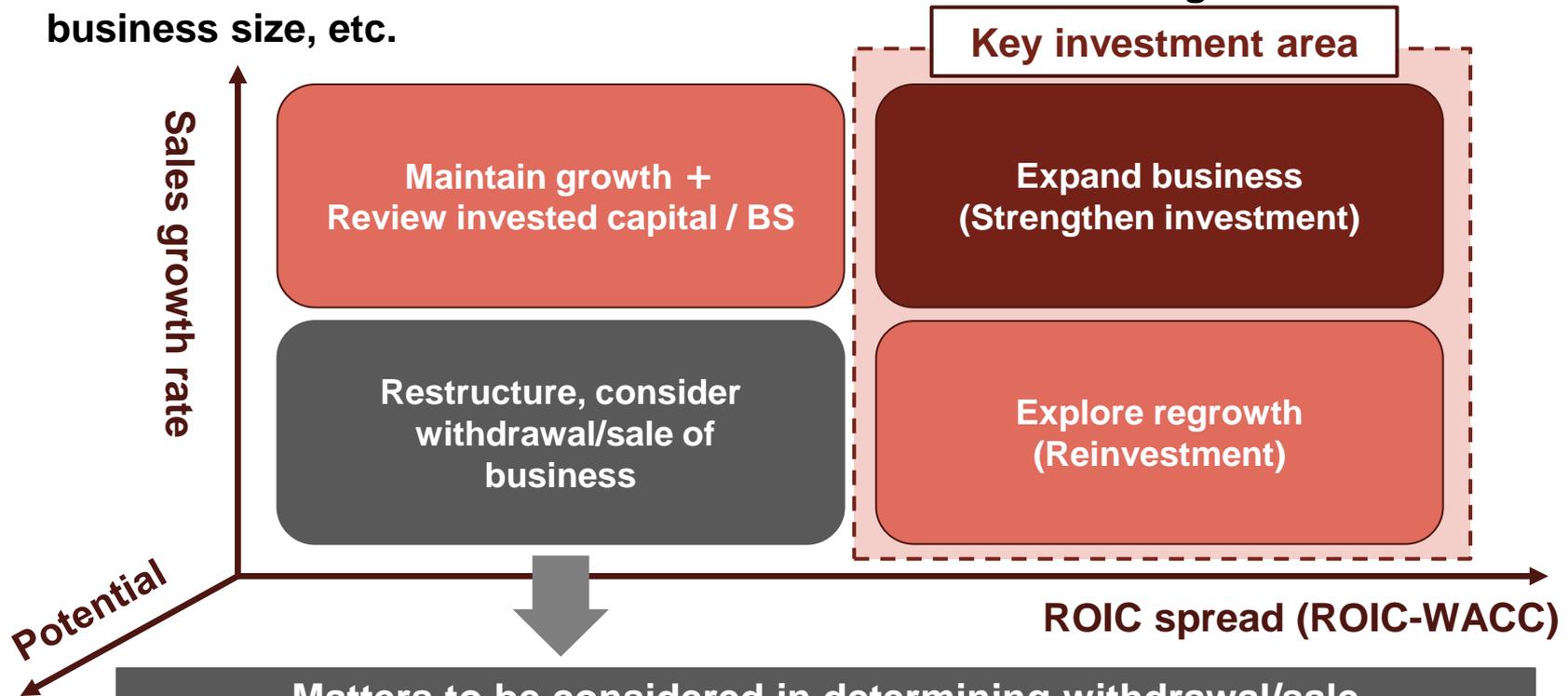
Setting and management of ROIC tree / KPI by business



Perspective of operating companies

Disseminate ROIC in the Group ⇒ Enhance corporate value

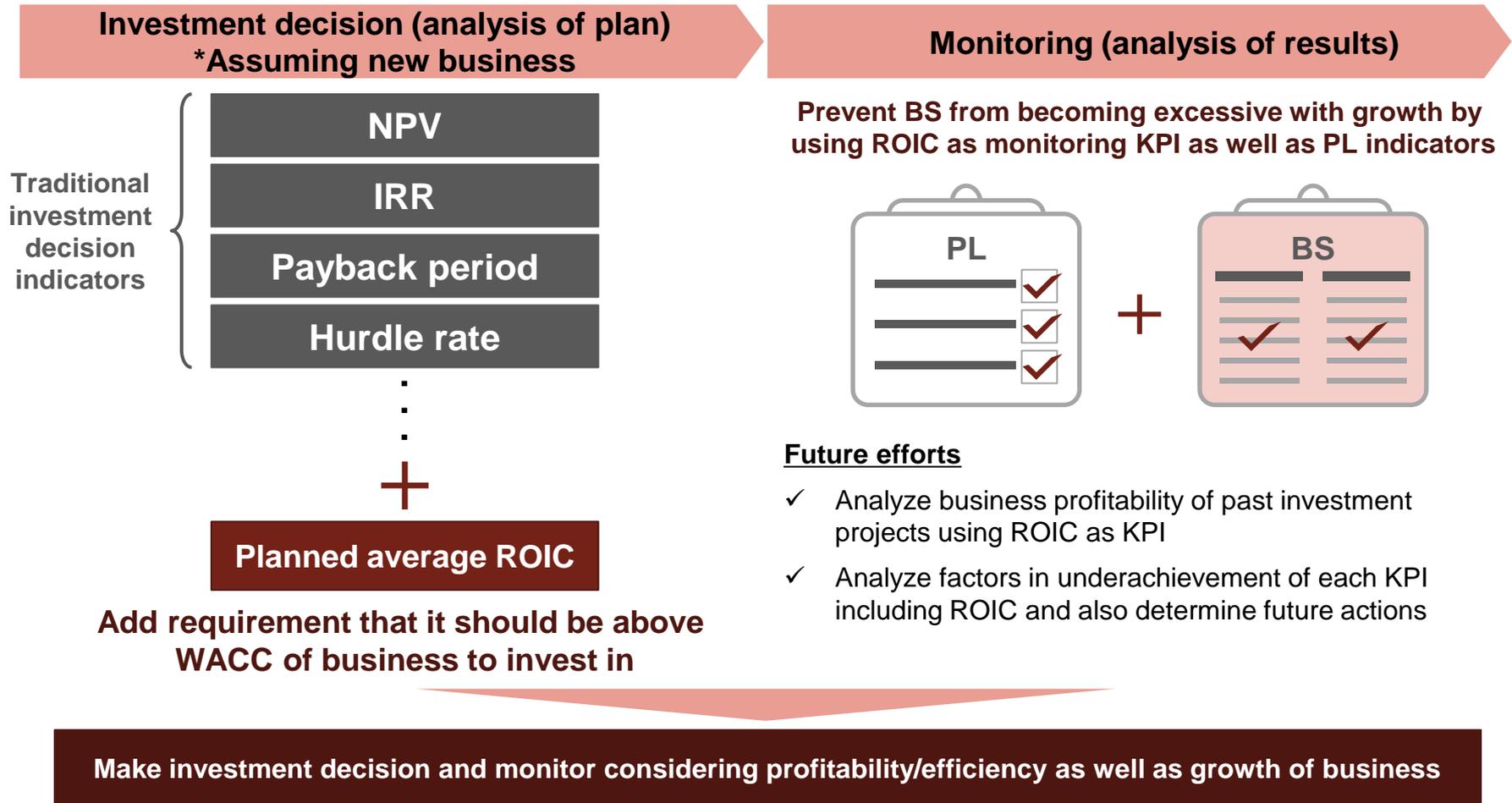
- Determine key investment areas centering on growth and capital profitability and also considering potential
- HD determines whether or not business is viable considering business characteristics, business size, etc.



Matters to be considered in determining withdrawal/sale

Business characteristics	Business size, market share	Other
<ul style="list-style-type: none"> • Impact on / synergy with other businesses • Business phase • Presence or absence of temporary external factors 	<ul style="list-style-type: none"> • Business size • Business share in the Group • Market share 	<ul style="list-style-type: none"> • Accumulated FCF • Indicators of competitors, etc.

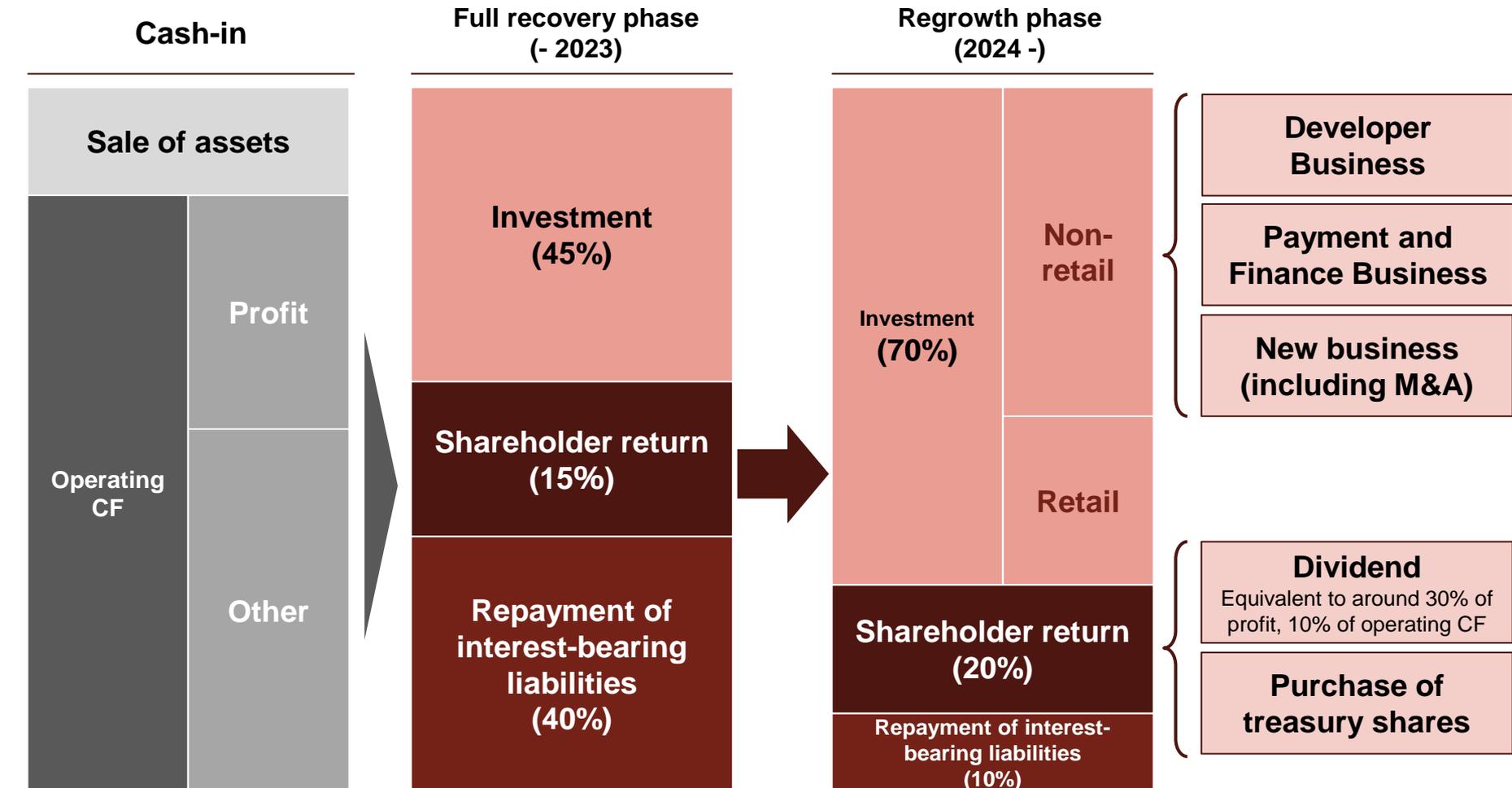
- Ensure that planned average ROIC is above WACC when making investment decision
- Manage ROIC as well as PL figures when monitoring



3. Cash Allocation: Balance between Growth and Efficiency

Cash Allocation

- Until FY2023, improve financial foundation for full recovery
- For regrowth from FY2024 onward, make full-scale growth investment while promoting streamlining



Website

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

Create and
Bring to Life
“New Happiness.”



J. FRONT RETAILING

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.