

J. Front Retailing IR Business Strategy Presentation

July 25, 2023



Today's Agenda

■ Strategy of SC (Parco) Business

~Direction for the Medium to Long Term~

KAWASE Kenji
Representative Director, President and Executive Officer
Parco Co., Ltd.

■ GINZA SIX Initiatives & Results

~Direction of Department Store Based on
the Achievements of GINZA SIX~

NISHISAKA Yoshiharu
Managing Executive Officer
Senior Executive General Manager
Management Strategy Headquarters
Risk Management
Daimaru Matsuzakaya Department Stores Co. Ltd.

■ Question and Answer Session

Strategy of SC (Parco) Business

～ Direction for the Medium to Long Term ～

KAWASE Kenji

Representative Director, President and Executive Officer
Parco Co., Ltd.



< Direction for the Medium to Long Term >

1. Evolution from Origin

- (1) Purpose of Parco
- (2) History and Medium- to Long-Term Perspective

2. Current Store Business

3. Direction

- (1) Reconstruction of Store Strategy
- (2) Initiatives in Content Area
- (3) Collaboration in the JFR Group

< Direction for the Medium to Long Term >

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VISION

**Excite, Design, and Create
to change the world with excitement beyond imagination**

PURPOSE

**Change the World with Sensibility
to forge a new era**

1. Evolution from Origin

(2) History and Medium- to Long-Term Perspective



History (Career)

15 years at Parco Co., Ltd., 15 years at the Group companies

- Launch of new businesses and JV projects and business management at Parco and the Group companies
- Management of Parco Digital Marketing Co., Ltd. and Entertainment Department
- Group management within Management Strategy Unit of J. Front Retailing Co., Ltd.

Future (Perspective)

Further expand value proposition through relationship with society and store and entertainment businesses

Produce stories and content and propose them to society

Develop our business by refining our “ability to
produce content” including entertainment
while enriching Parco stores as points of contact with society

< **Direction for the Medium to Long Term** >

1. Evolution from Origin

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2. **Current Store Business**

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2. Current Store Business

Customer traffic and transaction volume: Recovered to FY2019 levels

- Demonstrate true potential of Shibuya and Shinsaibashi, attract more customers through expansion of IP content and attract foreign tourists to Japan

Operating revenue: Recovery lagging behind transaction volume

<Reasons for discrepancies in recovery status>

1. While the transaction volume of **fixed-rent tenants** has been growing remarkably, the recovery of **commission-based tenants** has been delayed
2. Delay in recovery of business due to **multi-year fixed-term lease contracts with tenants**

<Transaction volume and operating revenue>

Millions of yen

		H1 FY2022	vs. 2019	Difference from 2019	H2 FY2022	vs. 2019	Difference from 2019	Q1 FY2023	vs. 2019	Difference from 2019
Parco stores	Transaction volume	116,600	91.7%	(10,593)	131,901	100.2%	246	67,568	102.8%	1,819
Total	Operating revenue	22,764	96.8%	(755)	24,743	99.1%	(214)	12,000	99.8%	(28)
Parco SC segment	Transaction volume	120,153	-	-	135,118	-	-	69,467	-	-
Total	Operating revenue	26,338	-	-	27,378	-	-	14,117	-	-

*The results for the previous year (FY2022) have been retroactively adjusted as if the real estate transferred from Parco Co., Ltd. to J. Front City Development Co., Ltd. had been transferred on March 1, 2022.

2. Current Store Business

Growth in IP content and the number of foreign tourists to Japan drove customer traffic and transaction volume

Shibuya PARCO is globally popular and has established its position

- Growth in transaction volume was highest among all stores, 133% YoY in FY2022, 162% YoY in Q1 FY2023

➤ IP Content *Mar - May

- 118 events (transaction volume **2-fold**, attendance **1.6-fold**)
 - Drove recovery in customer traffic in all stores
 - Zones for character goods, games, etc. grew
 - Miscellaneous goods, including the above, grew the most among all product categories
- (Transaction volume: up ¥2.6 bn YoY, up ¥4.0 bn vs. 2019)



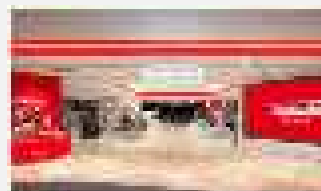
PARCO Museum Tokyo



YONEYAMA MAI
EXHIBITION "EYE"

➤ Inbound transaction volume

- All stores Mar – Jun: Transaction volume ¥6.1 billion (**3-fold** vs. 2019)
- Shibuya Mar – Jun: Transaction volume ¥2.9 billion (transaction volume share of **28%**)
- Mix of fashion, culture, and entertainment is popular



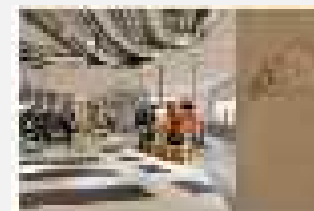
Nintendo TOKYO



PORTER EXCHANGE



Pokemon Center Shibuya



THE NORTH FACE LAB

2. Current Store Business

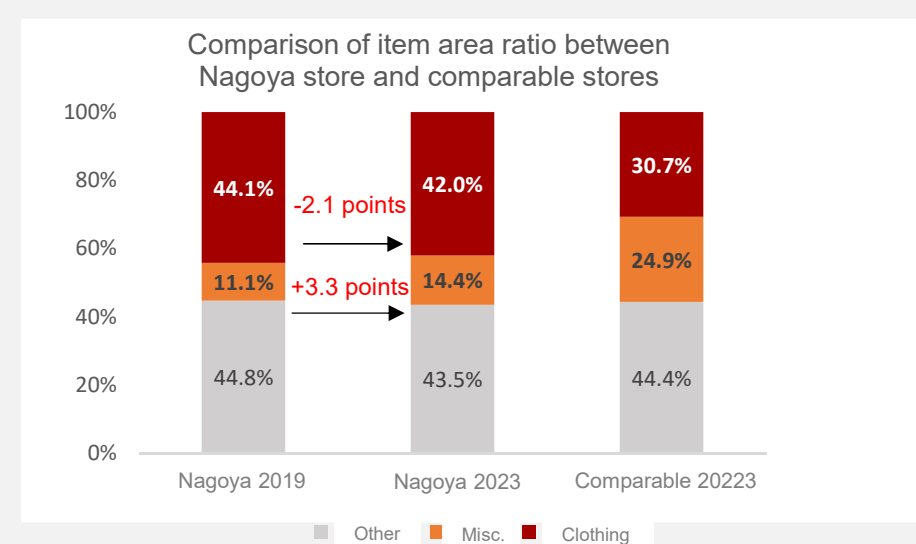
Ikebukuro PARCO

- Improvement of the value provided by the building and tenant replacement have led to significant growth in transaction volume at present

Nagoya PARCO: Item structure transformation in progress

- Transformation of the value provided through large-scale renovations on a scale of 2,000 tsubo (approx. 6,600 sq m), etc.

Aim to increase the value provided by the stores and operating revenue



< Direction for the Medium to Long Term >

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3. Direction (1) Reconstruction of Store Strategy



<Store strategy>

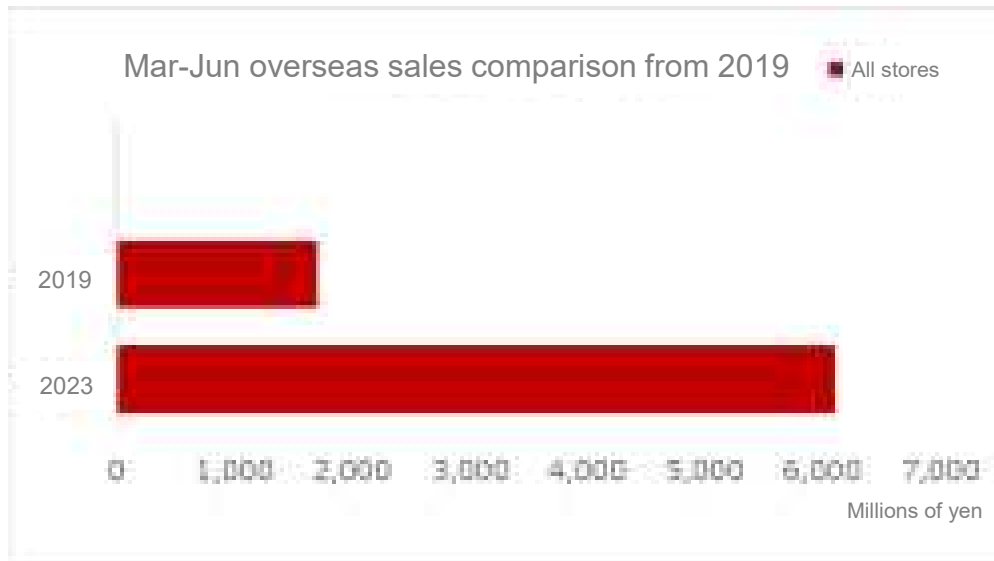
- **Earnings recovery by renovating floor layouts, including introduction of IP content**
 - Introduce **entertainment and cultural content**, which are popular in Shibuya and Shinsaibashi, to each store
Implemented: Ikebukuro, Sapporo, Sendai, Fukuoka Planned: Nagoya (FY2024)
- **Concentration of management resources on 5 core stores**
 - Focus on 5 core stores (Shibuya, Shinsaibashi, Ikebukuro, Nagoya, Sendai) that account for about 50% of transaction volume and operating revenue (Q1 FY2023 results)
- **Expand from the capture of foreign tourists to Japan to global dissemination**
 - Expand from maximizing overseas sales through the capture of foreign tourists to Japan to the global dissemination of Parco's original content in culture, art, entertainment, and other areas

3. Direction (1) Reconstruction of Store Strategy



Expansion from the capture of foreign tourists to Japan to “global” dissemination

- Inbound transaction volume: FY2022 (full year) 6.0 billion yen
FY2023 (Mar - Jun) 6.1 billion yen (**up 358% vs. 2019**)
- “Global” dissemination using digital technology, centered on Shibuya and Shinsaibashi, both of which have a transaction volume share of more than 20%
e.g. Cross-border EC through PARCO ONLINE
Building communication through the use of mega-platforms



- Total all stores: Up **358%** vs. 2019
(including Shibuya and Shinsaibashi)
- Overseas transaction volume also reached 2019 levels on a comparable-store basis
- Attract customers from a wide range of areas, and fashion, character goods, etc. are popular

3. Direction (2) Initiatives in Content Area

1. Expand directly managed businesses through discovery and cultivation of content

- Develop topical original products and produce exhibitions (**directly managed businesses**)
e.g. Original exhibition (Oshi no Ko Exhibition), original product development, sales on orders (KIOC)

2. Initiatives for revenue diversification

- Become a media center: Growth of media and location business (Shibuya)
- Sales on orders, cross-border EC: Art, entertainment (ONLINE PARCO)
- Content function sales outside Parco: Provide other companies with content plans developed by Parco

Enter the phase of commercialization of developed content to make it a new revenue pillar

【Media business】

Promotion of the game "Houkai: Star Rail"



【Original exhibition】

【Oshi no Ko】 Exhibition



【Original product development】

YAMASHITA Kokils first produced brand "KIOC"



【Original content sales outside Parco】

Production of Chiikawa Hanten



3. Direction (2) Initiatives in Content Area

1. Cultivate the Generation Z community and create a market for esports business

- Collaborate with the professional esports team SCARZ
 - Fan building, community building
 - Public viewing of international tournaments (Shibuya, Jun – Jul)
 - Fan meetings (Shinsaibashi in Jun, planned for Aug in Tokyo)
 - Consideration of tenant collaboration and peripheral businesses such as tournament management

2. Digital entertainment area

- Consider the commercialization of content production in digital entertainment area in addition to existing art and real entertainment

SCARZ public viewing of “VCT ASCENSION PACIFIC 2023” at Shibuya PARCO Theater



SCARZ fan meeting at Neon Shokudogai, B2F, Shinsaibashi PARCO
Won the “VALORANT Challengers Japan 2023 Split2 Playoff Finals” (Japan’s No. 1)



3. Direction (3) Collaboration in the JFR Group

Standardization of services and expansion of services through collaboration in the Group

- Card: House cards consolidated into the JFR Group
- Gaisho: Provision of services to Shibuya and Shinsaibashi PARCO's customers (Young affluent/highly sensitive customers)
- CVC: Evolution of existing businesses and creation of new ones



Examples of investees



3. Direction (3) Collaboration in the JFR Group

Development of urban real estate through collaboration in the Group

- Promote the development of important bases of the JFR Group in collaboration with J. Front City Development

Nagoya 【Scheduled for summer 2026】
Nishiki 3-chome District 25 Project (tentative name)



Fukuoka
【Promote the project aiming to open in FY2030】
Tenjin 2-chome South Block
Station-Front East-West Area Project (tentative name)



GINZA SIX Initiatives & Results

~Direction of Department Store Based on the Achievements of GINZA SIX~

NISHISAKA Yoshiharu

Managing Executive Officer
Senior Executive General Manager
Management Strategy Headquarters
Risk Management

Daimaru Matsuzakaya Department Stores Co. Ltd.



Agenda

- 1. GINZA SIX Initiatives & Results**
 - (1) Store Overview**
 - (2) Business Performance**
 - (3) Analysis of Success Factors**

- 2. Direction of Department Store Based on the Achievements of GINZA SIX**

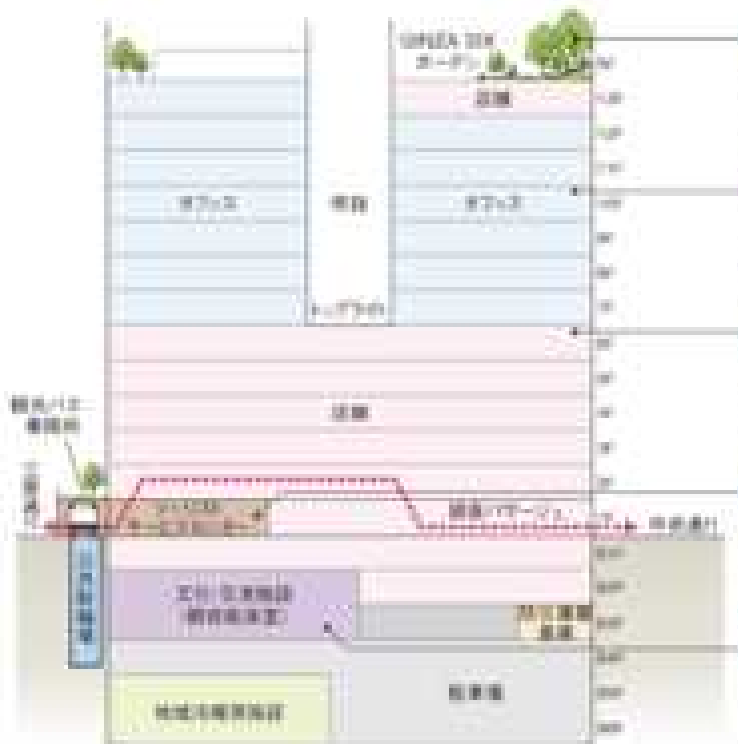


1. GINZA SIX Initiatives & Results
(1) Store Overview



- In addition to commercial floors, GINZA SIX has offices, Noh theater, tourist center, rooftop garden, and other functions to attract a variety of people

<p>Building: 6 floors below ground, 13 floors above ground Height: 56 m</p>	<p>Commercial: approx. 47,000 m² Office: approx. 38,000 m² Culture/exchange: approx. 1,600 m² Rooftop: approx. 4,000 m²</p>	<p>No. of office workers: approx. 3,000 No. of commercial facility workers: approx. 3,000</p>
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Roof top garden [rooftop]

GINZA SIX Garden, one of the largest rooftop gardens in the Ginza area with an area of approximately 4,000 m² open to the community

Offices [7F – 12F/13F (partial)]

Office floor area of approx. 38,000 m² (approx. 11,500 tsubo) and a rental area of approx. 6,140 m² per floor (standard floor), one of the largest in Tokyo

Commercial facilities [B2F – 6F/13F (partial)]

Commercial space with a sales floor area of approx. 47,000 m² (14,200 tsubo), gathering 241 brands of world class quality (No. of brands is at the time of opening.)

Tourist center [1F]

Tourist service center, which also serves as a tourist information center for the Ginza area
It has TERMINAL GINZA and the first tourist bus station in Ginza.

Culture/exchange facility Kanze Noh Theater [B3F]

Kanze Noh Theater, the base of the Kanze School, the largest school of Noh
As a hall open to the community, it hosts a variety of events.

■ GINZA SIX Garden



■ Noh Theater



■ Tourist center
(TERMINAL GINZA, bus station)



■ Offices



- Value provided: Life At Its Best
- Pursuing the two elements of “World Class Quality” and “New Consumer Mindset”

Life At Its Best

最高に満たされた暮らし



- Commercial facility with Ginza's largest floor area of approximately 47,000 m²
- A lineup of approximately 230 brands that embody the value provided "Life At Its Best"

13F	Restaurants, Banquets
7 – 12F Offices	
6F	Books, Restaurants
5F	Fashion & Lifestyle
4F	
3F	
2F	
1F	
B1F	Beauty
B2F	Food



- Approximately 230 brands that embody the value provided “World Class Quality”
- Store lineup dominated by many flagship shops with the ability to transmit information

■ Six luxury brands that spectacularly adorn Chuo-dori



■ Flagships shops that transmit information from GINZA SIX to the world

▼ What is a “flagship shop”?

At GINZA SIX, a shop that meets the following conditions is designated as a “flagship shop”

- (i) Large-scale shop for the brand
- (ii) Shop as a billboard with a special focus on brand penetration

**Approx. 130
flagship shops**

- Premium services that embody the value provided “World Class Quality”
- Special lounge for the exclusive use of high-end customers to establish closer relationships with them

■ Premium lounge “LOUNGE SIX”

- Multilingual concierge service
- A premium menu in collaboration with restaurants in GINZA SIX
- Cultural programs that stimulate intellectual curiosity



■ Valet parking

- A first for commercial facilities in Ginza
- Attentive service from pick-up to drop-off



- A fulfilling experience that embodies the value provided
- Artistic environment that stimulates the five senses and enriches the mind

■ Interior design

- A high-quality space design with a story about how to make visitors enjoy the space from the moment they enter the building



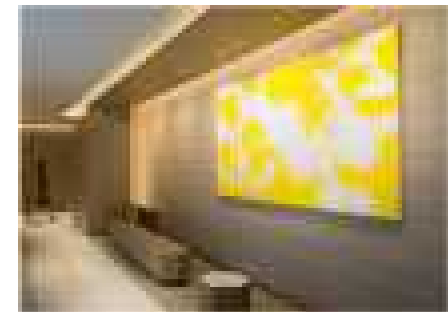
■ Art experience

- Art programs filled with creative energy and an element of surprise that stimulate the senses

Living Wall Art



Public Art



- Take on the challenge of collaboration between the commercial facility and art to create things and experiences that can only be found here in the world
- Collaboration with artists and creators to develop art programs filled with creative energy and an element of surprise that stimulate the senses





KUSAMA Yayoi
Apr 2017 – Mar 2018



YOSHIOKA Tokujin
Feb 2020 – Feb 2021



Daniel Buren
Apr 2018 – Oct 2018



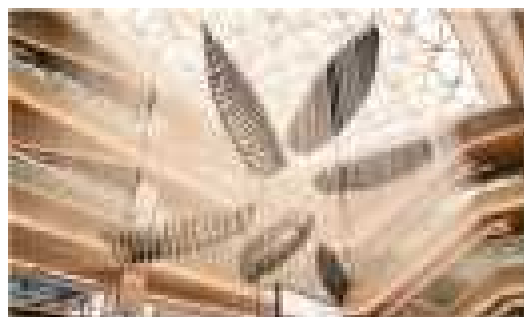
NAWA Kohei
Apr 2021 – Oct 2022



Nicola Buch
Nov 2018 – Feb 2019



Jean Jullien
From November 2022



SHIOTA Chiharu
Feb 2019 – Oct 2019

- Strengthen three key words based on “**sustainability**”
- “**Destination**” (attracting more customers), “**Art & Culture**” (branding promotion)
“**GINZA**” (coexistence and co-prosperity with the area)



Destination

Make GINZA SIX a **must-visit destination and attract more customers** by creating a buzz through attractive **content** and **collaboration** with **media** with a strong ability to spread information

Art & Culture

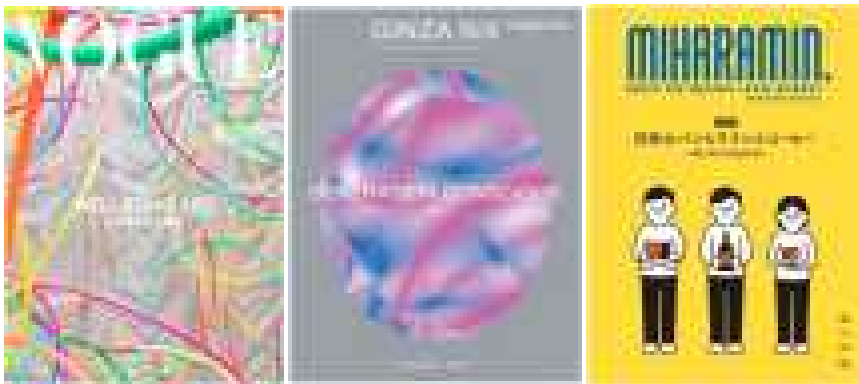
Promote branding through the **interior environment of the building** and **collaboration with artists**

GINZA

Strengthen ties **with the community of Ginza**
Proactively participate in activities and the creation of excitement in the area

- Expand awareness through a Digital x Analog media mix
- Capture potential customers by approaching global and highly sensitive customers based on “international” and “art,” which are our strengths

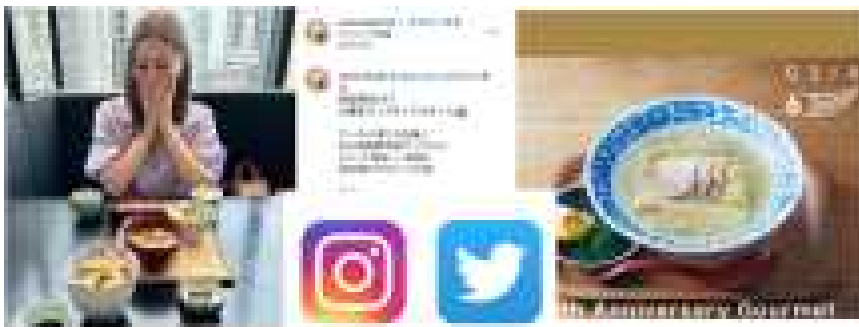
■ Digital x Analog



■ “International” transmission



■ Influencer and social media advertising



■ Transmission of “art”



- Management based on fixed-term lease agreements that allow for periodic brand replacement
- Joint management that takes advantage of the characteristics of different industries

■ Freshness of the brand lineup

Regular brand replacements are possible through fixed-term lease agreements with tenants

Replaced approx. 40% of brands since opening

■ Multi-investor joint ventures

GINZA SIX Retail Management Co., Ltd., a joint venture between three companies, is responsible for overall operations, including leasing, service promotion, and facility management planning





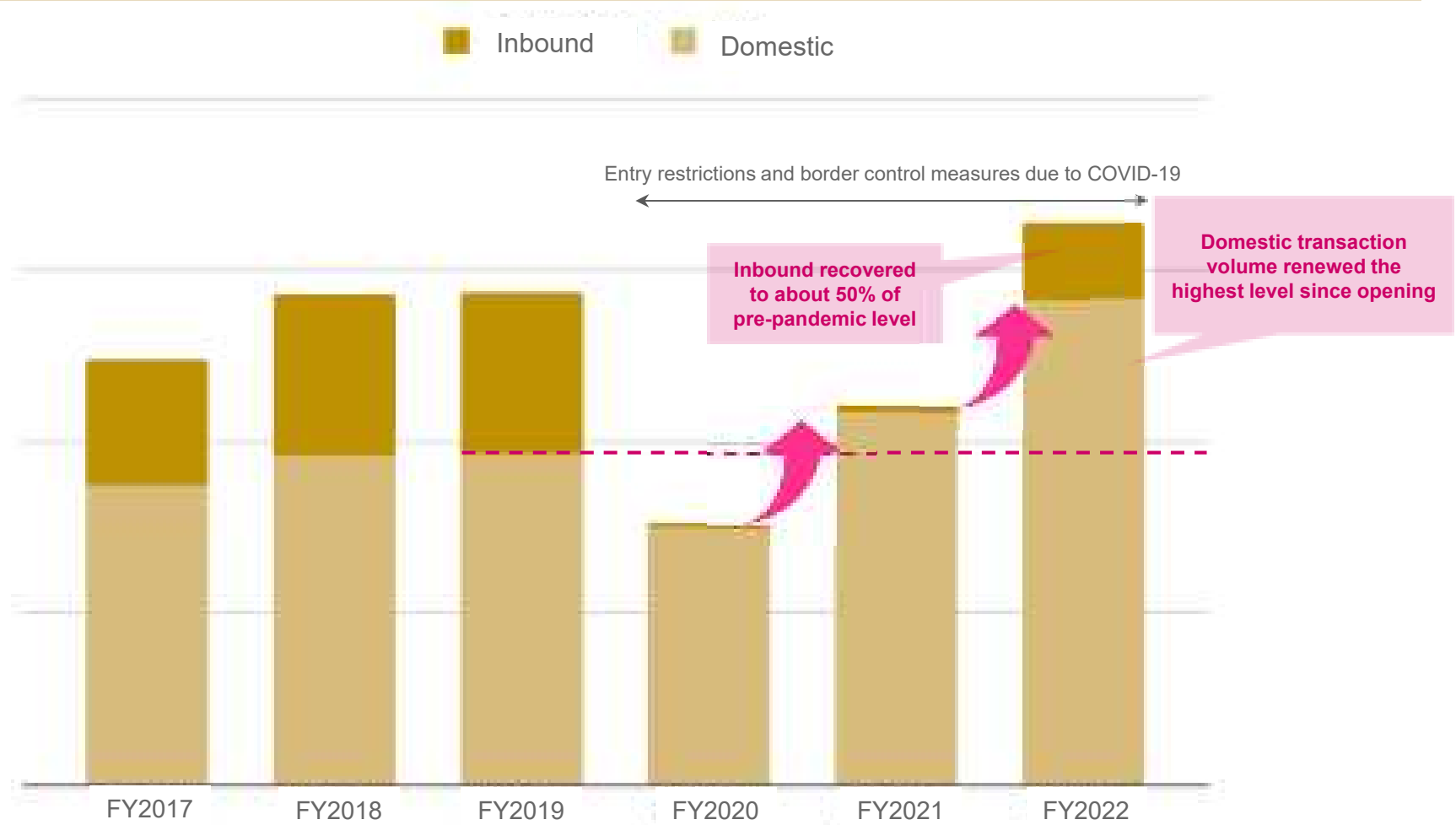
**1. GINZA SIX Initiatives & Results
(2) Business Performance**

Transaction Volume & Customer Traffic

- Transaction volume exceeded pre-pandemic level, expected to grow further in FY2023
- Transaction volume: Achieved highest transaction volume since opening in FY2022
- Customer traffic: Expected to recover to pre-pandemic level in FY2023

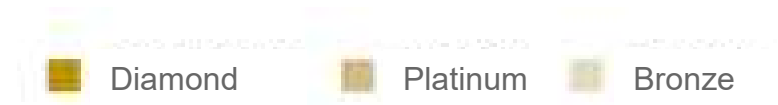


- Domestic transaction volume in FY2022 renewed the highest level since opening
- Inbound transaction volume in FY2022 exceeded that of the same period in 2019 since easing of border restrictions



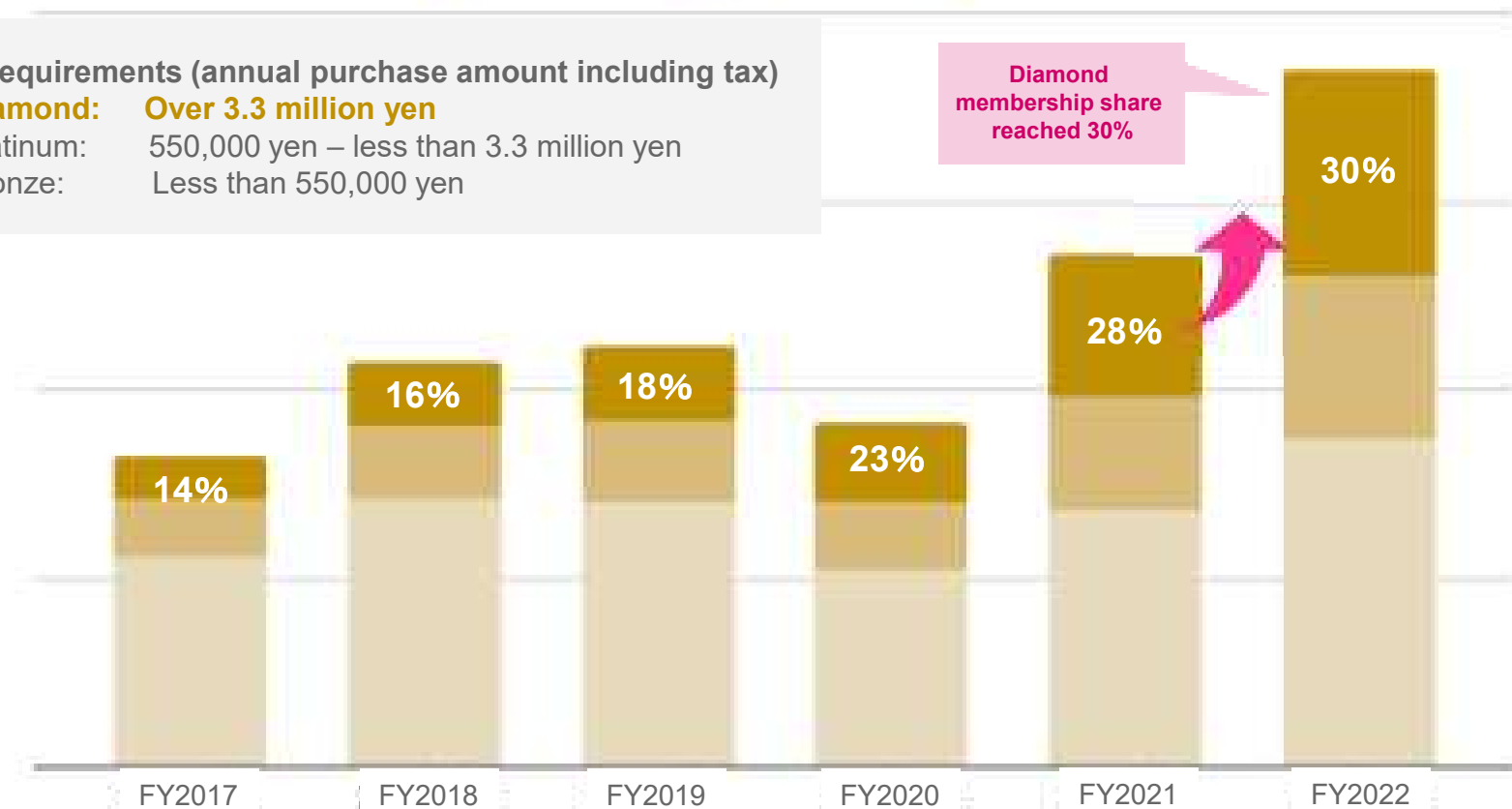
Transaction Volume by Customer (Member Stage)

- Transaction volume of members in FY2022 was up 36% YoY
- In particular, transaction volume for Diamond Stage members increased by 45% YoY (Share of all members increased to 30%)



Stage requirements (annual purchase amount including tax)

- **Diamond:** Over 3.3 million yen
- Platinum: 550,000 yen – less than 3.3 million yen
- Bronze: Less than 550,000 yen



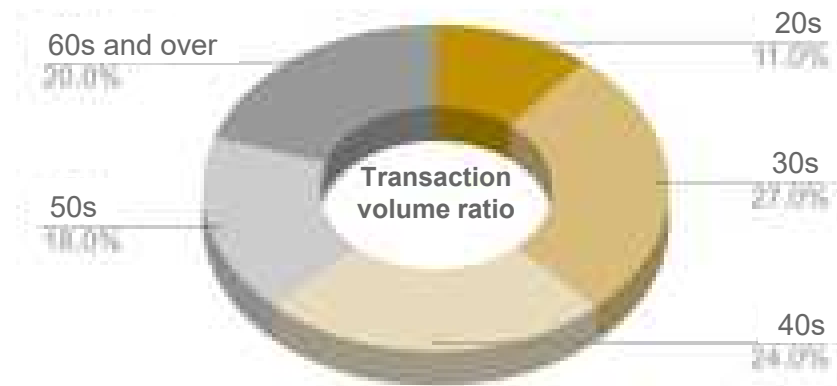
Transaction Volume by Customer (Age, Gender)

- Ratio of transaction volume among younger ages (20s-40s) increased 10% compared to pre-pandemic level (FY2019)
- Ratio of transaction volume by gender increased 3% for men compared to pre-pandemic level

FY2019

Transaction volume ratio of customers in their 20s to 40s:

62%



37%

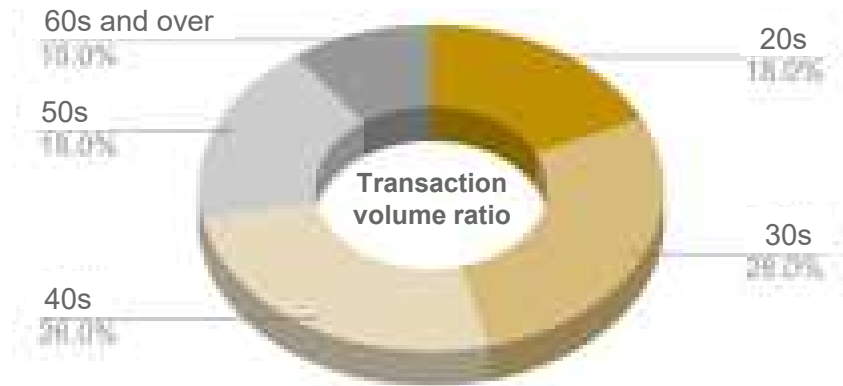
63%

Ratio of transaction volume by gender

FY2022

Transaction volume ratio of customers in their 20s to 40s:

72%



40%

60%

Ratio of transaction volume by gender

- Millennials as the customer segment accounting for the largest share of sales;
- Expansion of household income symbolized by “power couples” against the backdrop of women’s empowerment; or
- Emergence of new types of “business owners” in new industries

Key Customer: Millennial Generation

HENRY (high earner, not rich yet) **Fast shopper**

- Visits to buy fashion & beauty items after work on weekday evenings
- Visits on weekends to purchase luxury goods and other items of interest
- Power couples are included in this segment

Entrepreneur **Self-actualized influencer**

- Aims for weekdays when there are fewer people around and buys what they are looking for
- Focuses on brand consumption for self-appeal and personalized status
- Social media community originator

Affluent families (Sons and daughters)

- Luxury spending by affluent consumers in Japan and abroad drives sales
- Key customers in their 20s and 30s favor not only luxury brands but also contemporary brand lineups

Luxury Fashion

Section along Chuo-dori, 2F

- Affluent customers in their 20s to 40s
- Inbound

➤ Up **64%** vs. FY2019

Contemporary Fashion

3F

- Highly fashion-conscious customers in their 20s to 30s

➤ Up **37%** vs. FY2019

Lifestyle & Art

6F

- Customers in their 20s to 40s with interest in art
- Customers in their 20s to 40s who admire the key customers (affluent customers)


➤ Up **37%** vs. FY2019

Food

B2F

- Key customers in their 30s and 40s who enjoy wine, whiskey, and sake

➤ Up **11%** vs. FY2019



**1. GINZA SIX Initiatives & Results
(3) Analysis of Success Factors**

- Pursuit of the value provided “Life At Its Best” (tenants, promotion, service, environment)
- Structure to realize the value provided “Life At Its Best”

Factor	Details
Consistency of concept and strategy	<ul style="list-style-type: none"> ▪ Pursuit of the two elements: World Class Quality and New Consumer Mindset
Flagship shop strategy	<ul style="list-style-type: none"> ▪ Unparalleled breadth of product assortment ▪ Environment and services that enhance the shopping experience
Promotions to enhance the in-store experience ▪ Facilities and services	<ul style="list-style-type: none"> ▪ Art (atrium, permanent installation, promotion) ▪ Atrium, rooftop garden, Mihara Terrace ▪ Lounge, valet parking
Fixed-term lease agreements	<ul style="list-style-type: none"> ▪ Regular tenant replacement to maintain freshness of store lineup (Approx. 40% of tenants were replaced in 6 years of operation)



**2. Direction of Department Store
Based on the Achievements of GINZA SIX**

Short-term initiatives

In the strategic remodeling of department stores, develop contemporary fashion brands from GINZA SIX horizontally, targeting the young and affluent, and use the opportunity to provide new value to customers to uncover new customers.

Medium- to long-term initiatives

Evolve value creation for the young and affluent in conjunction with major remodeling of main stores. Develop a full-scale effort to attract the affluent other than gaisho customers.

In conjunction with the construction of a new merchandise zone, create art environment and promotion space, which are compatible with affluent people in their 20s to 30s, in the building.

Use of fixed-term lease agreements

Smooth tenant replacement to maintain and improve the freshness of the sales floor



Media delivery

Capture potential customers through an approach using influencers based on "international" and "art"



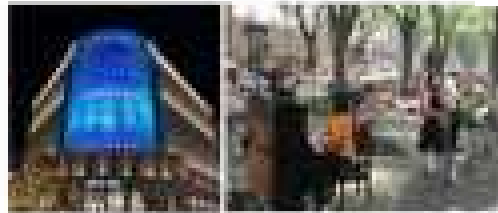
Art

Realization of new value offerings through art environments and promotions that are compatible with young, affluent customers



Daimaru Kobe store transmits art from the store and the area for the purpose of “coexisting with the local community,” “making the area more attractive,” and “improving the customer experience”

Former Foreign Settlement and streets



- ART ART KOBE
Former Foreign Settlement (tentative)
- Illumination
- Street concert
- Street galleries

Once a year



Art from the Store and the Area

Stage/atrium/windows



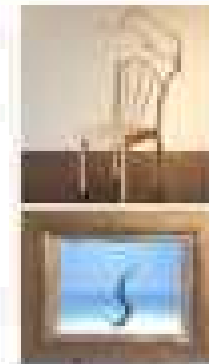
- Exhibition
- Production and expression
- Fusion with VMD
- BGM (ambient music)

Once every six months



Rest gallery on each floor

- Chairs
 - Local artists
- Exhibition (framed signage)
 - NFT art, digital art



Enjoy with

all five senses

Event space on 6F/7F

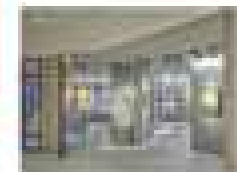
- Hobbies
 - Photos/posters/music/flowers/aroma/taste
- Living
 - Local artists
- Experiences
 - Events/workshops

At least once
a month
on each floor



Gallery on 8F

- Asset value
 - Bonded warehouse/connaissigne/lounge
- Up-front/information transmission
 - Young artists/new categories
- OMO
 - ARToVILLA/semi-EC/website/social media



Improve LTV by creating lounges at each store to increase the loyalty of affluent customers

<p>Target</p>	<ul style="list-style-type: none"> ● Main target is gaisho customers with a high frequency of store visits ● In addition, app users with top purchases are set as a sub-target (only Sapporo store)
<p>Aims and objectives</p>	<p>Objective is to further increase customer loyalty by providing new value to affluent customers, not simply serving as a place to rest</p> <div style="display: flex; justify-content: space-around; text-align: center;"> <div data-bbox="564 639 842 719"> <p>Feeling special = Status</p> </div> <div data-bbox="869 639 1128 719"> <p>Comfort</p> </div> <div data-bbox="1155 639 1415 719"> <p>New discoveries = Function as media</p> </div> <div data-bbox="1442 639 1702 719"> <p>New experiences = Function as media</p> </div> <div data-bbox="1729 639 1989 719"> <p>Convenience</p> </div> </div>

【Hardware】

- Create each store's own unique environment
- Utilize local designers and materials to coexist with the community

【Software】

- Sell products that can only be purchased here and host events that can only be experienced here

Daimaru Kobe D's Lounge



- Opened in July 2021
- No. of users (Mar-Jun 2023) 39,748
- Average no. of daily users: 326 (Daily avg. before renovation: 150)

Daimaru Sapporo D's Lounge



- Opened in Aug 2021
- No. of users (Mar-Jun 2023) 20,972
- Average no. of daily users: 172 (Daily avg. before renovation: 70)

**Matsuzakaya Nagoya
Loyal Customer Salon**



- Opened in Jul 2022
- No. of users (Apr-Jun 2023) 28,028
- Average no. of daily users: 308 (Daily avg. before renovation: 200)

In addition to the above, a VIP lounge was created at the end of June 2023 for high-end customers of the Matsuzakaya Nagoya store

- Expand the presence of department store gaisho business using GINZA SIX as a hook
- Particular focus on expanding the presence of gaisho in the Tokyo metropolitan area

New collaboration between GINZA SIX and gaisho will start in Sep 2023

The number of tenants that provide gaisho services
is expected to increase dramatically from the current level

Further promote the use of GINZA SIX to our gaisho customers



**Result in expanding the presence of
our gaisho business**

**In particular, for gaisho in the Tokyo metropolitan area,
maximize customer LTV by making the most of GINZA SIX**

<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.