



Rendering of new main building of Daimaru Shinsaibashi store

Creating “Future Department Store”

Structural issues facing department stores

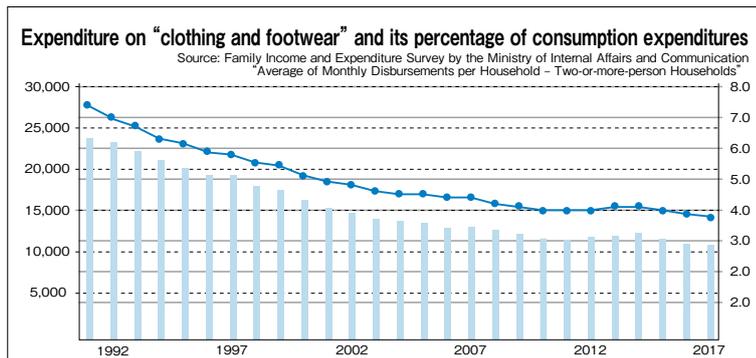
According to the statistics of the Japan Department Stores Association, department store sales in Japan remain on a downward trend after peaking at ¥9.7 trillion in 1991. There are multiple causes including store saturation, a shift in demographics, shrinking rural economy, globalization, changes in consumption quality and changes in customers. We think one of the important issues we should resolve is the store structure overly dependent on fashion clothing, which rapidly expanded in the early 1980s.

According to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the percentage of expenditure on clothing of the “annual average of monthly consumption expenditure per household” decreased from 7.3% in 1991 to 3.8% in 2017. Behind this trend, we assume that there are great changes in ways of self-expression and values particularly among young people as well as

increasing globalization and casualization of fashion, and furthermore, a shift to online shopping.

In spite of these changes in customers’ buying behavior, in flagship department stores, the sales floor area of women’s clothing remains bloated since the late 1980s. We are planning to reduce the area by about 30% or 16,000 square meters compared to fiscal year 2016 during the period of the current Medium-term Business Plan in an effort to correct this gap.

In the spaces newly created by such reduction, we will expand categories and contents that have growth potential and the ability to attract many customers. In the current fiscal year, we are planning to reduce sales area by around 10% compared to fiscal year 2016 mainly in the Daimaru Umeda and Sapporo stores and the Matsuzakaya Nagoya store. In thus created spaces, we will change merchandising by creating sales areas combining beauty products, food and daily sundries and introducing the brands that meet the demand for service and experience-focused consumption to respond to changes in the market for each store.



Rebuilding of the main building of the Daimaru Shinsaibashi store looking ahead to the future

The rebuilding project of the main building of the Daimaru Shinsaibashi store is positioned as a symbol of innovation of the Department Store Business. The main building of the Shinsaibashi store is being

rebuilt aimed at opening in fall 2019. In the new main building, we would like to embody an innovative “new department store model” showing the future directions of department stores in all aspects including merchandise mix, service and environment, which have never been seen in existing department stores.

The strengths of the Shinsaibashi store are many affluent customers and the ability to pull in the greatest number of inbound tourists in Japan. While further strengthening these strengths, we will “create added value” including new services and experiences only available in real stores.

At the same time, by drastically revising our transaction format mix including “kaitori,” “shoka shire” and “real estate rental” to achieve an optimal balance among them, we would like to embody an innovative and profitable “new department store model.”

Changing the business model of the north wing using synergy with Parco

After completing the reconstruction of the main building, the business model of the north wing will make a major shift from a department store to real estate rental. The north wing has two basement floors and 14 floors above ground. We decided to open “Parco” as its big anchor tenant occupying the 2nd basement floor to the 7th floor above ground.

There is no store in Parco format in the Osaka area and many local customers have eagerly awaited for the opening of Parco. We think this project will meet their expectations and be positioned as an important measure to help Parco enhance the strength of store brand. It is also very meaningful as store opening in one of the key areas of the Urban Dominant Strategy implemented by the Company.

The big full-scale joint development of stores by the “department store” and “Parco” in this north wing is the second case following “Ueno Frontier Tower.” Through this initiative, we will further expand the creation of the Group synergy.

And then, by connecting these two buildings, the new main building and the north wing, we will create an innovative and profitable hybrid commercial complex with a total floor space of more than 80,000 square meters to attract a wide range of customers from a wide area and draw new crowds to the area.

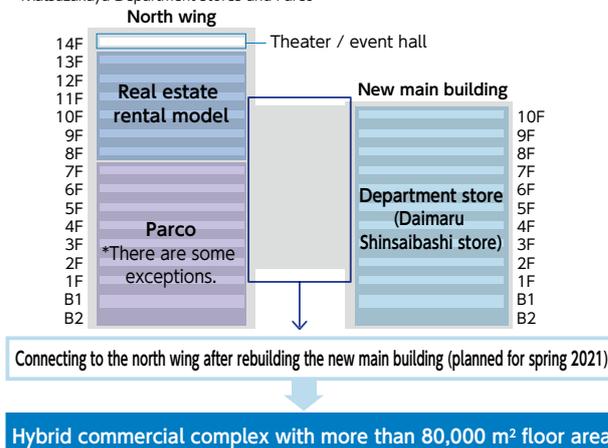
Future Standard Laboratory

Five years from now, how will we live? What tools will become mainstream? What clothing will we wear? What food will we eat? And what will we experience? – We created “Future Standard Laboratory” in 2017 to propose and deliver information on what will become a standard in the future. Contacting with various creators, cultural figures, universities, local communities and NPOs and many companies, we will promote the “combination of different elements” to “create” things and services/experiences which will become standards in the future.



Structure of new main building and north wing of Daimaru Shinsaibashi store

- Changing the business model of the north wing of the Shinsaibashi store to “real estate rental” after completing the new main building
- Anchor tenant “Parco” will occupy the 2nd basement floor to the 7th floor. Upper floors will be operated by Real Estate Division.
- Creating more synergy of the Group through the joint development of Daimaru Matsuzakaya Department Stores and Parco



< MAP around Shinsaibashi store >

