

Develop as “Developer Business”



Rendering of redevelopment of Nagoya Nishiki 3-chome District 25 (provided by Mitsubishi Estate Co., Ltd.)

Centralized the Real Estate Business in Parco

The Real Estate Business of the Group existed separately in the Department Store and Parco. However, when Parco became a wholly owned subsidiary, the Group has decided to centralize the Real Estate Business in Parco. As part of this centralization, 47 properties held by Daimaru Matsuzakaya Department Stores were transferred to Parco to intensify the Group resources and centralize the management and development functions. Thereby we got ready to further promote joint development of stores including large-scale complexes, which was difficult for the Department Store or Parco alone to implement.

The current COVID-19 pandemic made it apparent how vulnerable the Group’s business portfolio overly dependent on the Department Store and Parco SC is. Therefore, it is urgent to build the third pillar following the Department Store and Parco SC to increase the resilience of the Group’s business structure. One of the Group’s strengths is to have stores in major cities and a fair amount of real estate around them, which we do not use well in terms of revenue generation. We think it has a potential enough to grow as the third pillar by promoting these developments.

From the Real Estate Business to the “Developer Business”

Basically, the main activity of the Real Estate Business in the Group was commercial development. As a matter of course, however, the functions required of communities are not only commercial ones. The Group’s key social role is to coexist and grow with communities. We need to continue to look for optimal solutions by staying with local communities and having a dialogue with them.

To this end, the Group will promote real estate development for not only commercial but mixed use such as offices, residences and hotels, and at the same time, implement CRE* strategies by selling and replacing assets to maximize real estate value. That is to say, we would like to pave the way for dramatic growth by developing into

the Developer Business through portfolio transformation to diversify revenue streams beyond the former Real Estate Business.

*CRE stands for Corporate Real Estate.

Portfolio transformation to diversify revenue streams

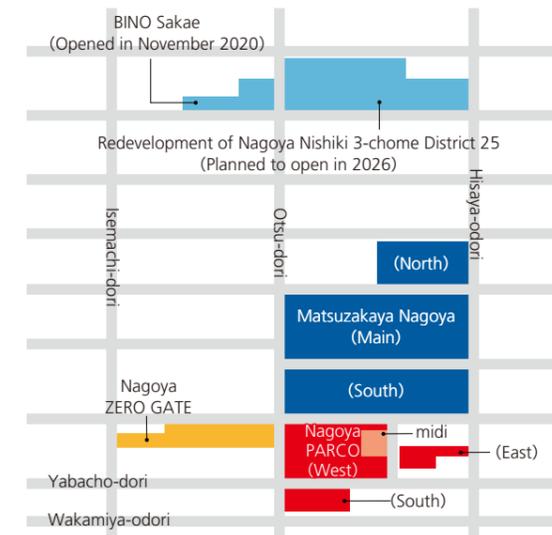


Particularly, the Nagoya Sakae area and the Osaka Shinsaibashi area have a great potential for growth in the Group at present. We think we will be able to create exclusive zones making full use of the Group’s management resources.

One example is the redevelopment of the “Nishiki 3-chome District 25,” which will be completed in the Sakae area in 2026. It is a large-scale complex development project pursued through collaboration among three parties including Parco Co., Ltd. in the Group, Nagoya City and Mitsubishi Estate Co., Ltd. These parties organically combine introduced functions (a hotel, an innovation hub, offices and a theater), which will create good quality and sophisticated culture and exchange, with high quality commercial functions in the approximately 200-meter high symbolic building with 36 floors above the ground and four basement floors to steadily attract a crowd in the entire building both on weekdays and weekends throughout the year and contribute to enhancing the brand power of Sakae. The Group plans to operate an upscale commercial specialty store business on the 4th floor above the ground to the 2nd basement floor.

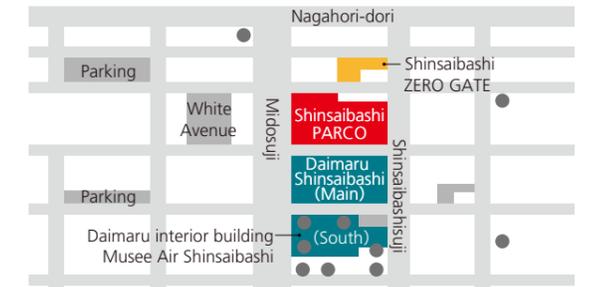
In addition, we will right-size the Department Store and Parco, make use of relaxed floor area ratio and consider complex development. In that process, we will improve

Map of Nagoya Sakae area



profitability by increasing the share of non-commercial use. The Developer Business will not fully contribute to profits until after 2024 when the Group will alter its course to “regrowth” after achieving “full recovery,” that is, the next Medium-term Business Plan. During the period of the current Medium-term Business Plan, we will steadily make preparations and upfront investment to ensure results.

Map of Osaka Shinsaibashi area



Medium-term pipeline



Interview ▶ NOHIRA Tsutomu, Supervising Manager of Operations, Urban Development Department, Parco Co., Ltd.

Create Our Original Real Estate Portfolio

“The Real Estate Business of J. Front Retailing was centralized in Parco ahead of the social situation in which conventional values are rapidly changing.” Seeing this as the biggest opportunity, I would like to complete our real estate portfolio, which only Parco can achieve, in the new market in the with corona era. To this end, I think it is important to sprint from the start. The developer business strategy group is an agile organization whose members can work in cooperation with each other having an overview of the entrance/development, construction, design, leasing, operation and an exit strategy of real estate. Using human resources strengthened by this centralization, we will develop unique branding early. In the “development of the Nishiki 3-chome District 25,” which is the first large-scale complex development after centralization, the members with different careers from different departments discuss vigorously to proceed with the project. I think the merit of centralization is reflected in a tangible manner immediately. Going forward, we would like to contribute to increasing the resilience of the business structure by having more and deeper discussions, realizing various ideas early, and completing our original real estate portfolio.

