

# Rebuild the Value of the Real World



GINZA SIX

## Identify markets

Lifestyles and consumption styles have rapidly changed due to the COVID-19 pandemic and the markets that will not return and the markets with growth potential are becoming fairly apparent. In this situation, we focus investment on key categories that are expected to produce results early and certainly on physical sales floors.

We understand that customer needs for department stores are changing in response to changes in life and consumption trends such as low birthrate and longevity, consumption polarization, and widespread remote working.

On the other hand, prime categories such as luxury brands, art, and watches continue to grow steadily even amid the COVID-19 pandemic. Their sales already exceeded the fiscal 2019 levels before COVID-19 partly due to increased purchase by young affluent customers.

In December 2021, GINZA SIX, which is symbolic as Japan's first luxury mall, recorded the highest sales since opening. Duty-free sales accounted for 30% before COVID-19, but currently, purchase by young affluent people boosts sales.

## Sales floor portfolio conversion

In response to this situation, the Department Store is trying to change its sales floor portfolio to focus on key categories, and this year, we will accelerate this initiative at once.

In the Daimaru Kobe store, sales recovery is progressing earlier than other stores and sales of the entire store already exceeded the fiscal 2019 level. The causes behind its strong performance include the selection of luxury brands that can respond to customer needs as well as its solid customer base including *gaisho* customers. In March 2022, we opened the West Japan flagship store of Louis Vuitton near the store to further improve its range of products. The boutique will attract customers from a wide area with the flagship's distinctive attractiveness to help activate the entire store.

The Matsuzakaya Nagoya store conducted a large-scale renovation of its watch and jewelry department on the 5th floor of the north wing for the first time in 14 years and the new watch and jewelry department GENTA the Watch with doubled floor space will make its grand opening in fall 2022. The floor space of Rolex shop tripled and thus its merchandise mix was dramatically improved. We aim to make it the "Japan's number one watch department" by strengthening online services and installing a repair factory with an entertainment element.



GENTA the Watch, Matsuzakaya Nagoya store

## Department store that does not sell

We have reviewed the functions expected of physical stores and worked to diversify their sales floor models. In the showrooming space for D2C brands "asumise," which opened in the Daimaru Tokyo store in October last year using the strength of the Department Store that has physical stores, customers can hold up and look at the D2C brand products sold directly through EC sites and hear stories about the products and brands from the staff members of Daimaru Matsuzakaya Department Stores (= ambassadors) who are knowledgeable about the product backgrounds. Based on the concept of a place that creates new possibilities from the "cycle of encounter," products are shown for a limited time and replaced successively. We will seek the ways of alliance and aim to operate it in multiple locations in the future.



asumise, Daimaru Tokyo store

## New models to activate rural stores

In response to rapid changes in the external environment, rural stores have worked to change their merchandise categories and business models at a faster pace than urban stores. As consumption beyond time and space became possible due to the progress of digitization, rural stores had to work early to create motivation to visit them.

The Matsuzakaya Shizuoka store introduced SMART AQUARIUM SHIZUOKA in April 2022 as a new trial. We carefully and repeatedly consider what is necessary for a department store to contribute to the local community for the future and aimed to create the core content in front of the station by not only selling products but also creating space that delivers experience value. The Shizuoka store already renovated 55% of the total sales floor area including this initiative. It realized a drastic category conversion by reducing the apparel floor area to rightsize it while strengthening luxury items, cosmetics, and food.



SMART AQUARIUM SHIZUOKA, Matsuzakaya Shizuoka store

## Review of terminal stores

The Daimaru Tokyo store and the Daimaru Umeda store are located in front of the Tokyo Station and the Osaka Station, which are two biggest terminals, respectively, and they have been buoyed by a lot of traffic. On the other hand, the two stores were most affected by COVID-19 such as a significant decrease in interregional travel for the past two years.

Therefore, they fell behind other stores, but currently, they are recovering rapidly. The large-scale development of the areas around both the Tokyo and Osaka stores is steadily progressing. And in the medium to long term, the population around the stores is expected to increase and we can have enough hope for their regrowth. Amid environmental changes such as remote working that has become widespread due to COVID-19, we need to consider

new existence value of the stores.

In fiscal 2022, both the Daimaru Tokyo and Umeda stores will invest in renovation to improve the offering of high-end watches. And at the end of 2022, Nintendo OSAKA, an official shop directly managed by Nintendo Co., Ltd., will open in the Daimaru Umeda store. It is Japan's second shop following Nintendo TOKYO in Shibuya PARCO. Using the location characteristic of the terminal stores that can attract customers from a wide area, we will strive to provide attractive content that entices a wide range of customers in Japan and abroad to visit them.

The environment around each store is rapidly changing. While valuing the history of each store, we will sincerely face customers and continue to respond to changes to make the stores more attractive.