

High Quality Content and Service



D's LOUNGE, Daimaru Kobe store

Affluent market is expanding

Recently, with share prices rising due to monetary easing, net financial asset holdings in Japan go on increasing. Not only the asset holdings of existing affluent people are increasing but more and more households including entrepreneurs in their 20s to 40s are becoming affluent partly due to an increase in the value of their asset holdings. The upper class including young dual-income households that manage their financial assets is also expanding.

These affluent young people have preferences and values different from existing affluent people for contemporary art, etc. They are also well versed in information collection and communication using digital technologies. With this in the backdrop, the number of customers who spend much money other than *gaisho* customers is increasing.

In response to the expansion and diversification of affluent market, mainly the Department Store is promoting the Prime Life Strategy, which significantly expands the traditional framework of *gaisho*, and steadily accumulating results.

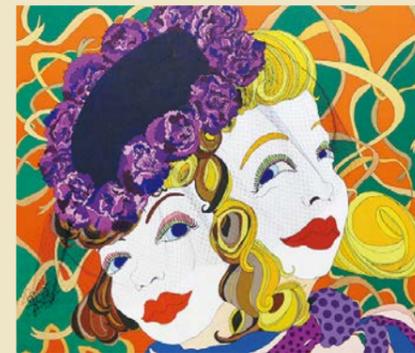
Develop new good customers

The first pillar of the strategy is to expand and deepen our customer base using digital technologies. Currently the number of *gaisho* customers is approximately 320,000 people and we strive to further increase the numbers of accounts and customers by implementing an online sign-up system since fiscal 2021 and encouraging the customers of our alliance partners to sign up. It has become possible to approach the customers who are highly motivated to buy by offering rare content through contemporary art-specific open media ARToVILLA and others and the content drives the development of new customers. Through these initiatives, average spend per customer of newly acquired accounts in the first year exceeds ¥1.40 million.

We are also fostering customers centering on the Department Store app. It has become possible to learn from data on the use of app that sales from the customers who spend ¥1 million or more a year other than *gaisho* customers are increasing. We encourage these customers who spend much to sign up for *gaisho* accounts to provide better services. By activating communication through customer sign-ups for app, we have in place a system that smoothly helps provide information to customers timely and increase their purchase amount.

Expansion and improvement of prime content

The second pillar of the strategy is to improve valuable content, which motivates customers to buy. As for luxury items and high-end watches, which are our key categories, we focus investment on flagship stores to expand sales floors and introduce new brands. With respect to art, we are working to create the Group synergy by holding large-scale events such as D-art,ART, an art fair touring around department stores across Japan, introducing Parco's art events, and actively conduct presale. Furthermore, we expand the offering of content not limited to department store products such as condominiums and premium cars through alliance with companies outside the Group.



D-art,ART (ASAOKA Sakiko, Takeda Art)

"Matching" between customers and content

The third pillar of the strategy is the initiatives to connect customers with content offline and online. We installed customer lounges in flagship stores to create special hospitable space. Customers not only relax there but also as galleries, artists visit them and a tasting of rare western liquor is held. Thus, we provide the customers who use them with special opportunities to further strengthen the connection between customers and stores/content. The building of relationships online is steadily progressing through digitization. Our closed website for *gaisho* customers "connaisslign" plays an important role as a customer touch point with rich content that meets the demand for intangible goods such as VIP seats to enjoy festivals as well as rare products such as luxury items.



Closed website for *gaisho* customers "connaisslign"

Progress of the use of data

Amid the diversification of the needs and buying characteristics of *gaisho* customers against the backdrop of an increasing number of affluent young people, we are working to build a *gaisho* organization that provides optimal information and services. We strive to improve the system group staff who conduct sales activities by emails and phone calls, mainly transferring customers to stores and attending customers in stores, as well as the dedicated staff who conduct finely tuned sales activities on a one-to-one basis. The full use of the system increased more than fivefold the number of accounts that can be managed by one staff compared to dedicated staff.

Dramatically advanced use of data also greatly contributes to improving sales activities. We create prediction models based on the online behavior data obtained from app, websites, and email viewing. In addition, by combining them with information on approach to each customer by *gaisho* staff, we will make a list of non-buying potential customers. We

already identified categories such as high-end jewelry and it leads to highly efficient sales in flagship stores.

It is existing store staff who are experienced in sales and customer service that support the improvement of the *gaisho* organization. By reskilling them concerning the transaction of high-priced and rare products and attending customers, we are expanding new stages for them.

