**Management Strategy**

**SC Business 01 Real × Digital Strategy**

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**Polish Up Physical Stores through “Production by Parco”**

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**Real × Digital Strategy of SC Business**

The greatest focus of Parco (SC Business) in “making stores/content attractive,” which is the axis of the Real × Digital Strategy, is on creating the irresistible value that makes even people who are used to using online services including e-commerce “want to visit physical stores right now.” Shibuya PARCO reopened in November 2019 after being rebuilt and Shinsaibashi PARCO opened on the site of the former north wing of the Daimaru Shinsaibashi store in November 2020 by changing its business format to PARCO. Though both stores started full operation or opened amid the COVID-19 pandemic, they perform steadily even in the circumstances of living with COVID-19. Given this situation, it can also be said that they do not realize their inherent potential yet and further development in the future is expected.

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**Potential of Shibuya PARCO / Shinsaibashi PARCO**

In Shibuya PARCO, unique limited-time shops and exhibitions have achieved success. In 2022, it actively opened unique limited-time shops including “Jiyu na Sebiro (literally free suit jackets)” jointly organized by United Arrows, Comme des Garçons, and New Balance. When an exhibition Mickey Mouse Now and Future was held, its pop-up truck toured around PARCO and Daimaru stores throughout Japan to contribute to “making content attractive” at the Group level.

In addition, in September 2019, capturing the growth of the outdoor market with changes in lifestyles, about a half of the 5th floor of Shibuya PARCO was renewed as PARCO OUTDOOR PARK. With a wide selection of items that can be used outdoors and in towns, it proposes urban outdoor styles that travel between streets and fields.

By continuing to evolve as one and only commercial space, it will enhance the ability to communicate Parco brand. Shinsaibashi PARCO is connected to its adjacent Daimaru Shinsaibashi store with access ways and they create synergy as unified commercial facilities. According to our buying data analysis, more customers buy in both stores than expected. Cards and points can be used or earned in both Parco and Daimaru/Matsuzakaya stores and joint events are held. And Parco finds and produces attractive content and proposes it to Daimaru/Matsuzakaya gatisho customers.

In order to make stores/content attractive, Parco entered a new business of developing and operating medical malls, and in November 2021, it opened the first site of a medical mall Welpa, which seamlessly provides healthcare, products, and services, on the 13th floor of Shinsaibashi PARCO. Its seven tenants including a gynecological clinic and a femtech shop, and a lounge and a gallery provide a wide variety of products and services that are useful for daily self-care, ranging from healthcare to food.

We will develop new markets in the Shinsaibashi area to contribute to attracting crowds to and revitalizing the area while creating the Group synergy.

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**Renew mainly major stores in fiscal 2022**

In fiscal 2022, we are working on large-scale renovation in response to changing times in major stores including Ikebukuro PARCO and Nagoya PARCO.

In Ikebukuro PARCO, we introduced new shops with the themes of “athleisure,” “skincare / inner beauty,” “food,” and “culture” and completed renewal in April 2022. We strengthened pandemics and ageless offerings by renovating the entire ground floor for the first time in about 16 years and renewing the lower floors of the main building on which mainly ladies fashion items had been provided for a long time. At the same time, shops in the game and animation culture fields were introduced on the 5th floor of the main building to contribute to making the area more attractive and attracting new crowds to the area.

In Nagoya PARCO, we conducted large-scale renovation of 13,000 square meter area, which is approximately one third of the total floor area, in the three buildings including the west building, the east building, and the south building by May 2022. First, the west building was upgraded to provide high quality products and space focused on fashion, culture, and beauty. The east building evolved into an entertainment-specific building and new zones for events and live performance were newly created to attract crowds. And in the south building, we are working to provide unique floor layout and item selection by operating a grouping store of a leading apparel company Baycrew’s on four floors. We will strive to further polish up our physical stores to make them a “place in which customers can encounter attractive products and services and gain high quality experience.”

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