

Aim for Business Growth by Implementing Portability and Scalability.

KAWASE Kenji

Representative Director, President and Executive Officer
Parco Co., Ltd.

Complete four strategies

In fiscal 2024, Parco's business profit increased by 51.2% from the previous fiscal year to reach 12.6 billion yen, surpassing the target set for the final year of its medium-term business plan (fiscal 2026). This is mainly because Shibuya PARCO and Shinsaibashi PARCO, which opened during the COVID-19 pandemic and had been unable to demonstrate their full potential, have finally been able to realize their potential and have gained customer support that exceeds their initial business plans. The value we offer, based on our principles of genderlessness, agelessness, and borderlessness, resonated with customers in Japan who share our sensibilities, leading to an increase in domestic transaction volume. In addition, by offering overseas tourists who share the same sensibilities and values as Japanese customers the unique value and experiences that can only be found in Japan, such as Made in Japan and Japan Design, at PARCO, sales to inbound tourists have expanded to a scale far exceeding expectations.

However, I do not feel that we have achieved our medium-term business plan ahead of schedule based on these results. Parco's medium-term business plan focuses on

implementing four key strategies: "structural evolution of store business," "development of new business bases," "expansion of content business," and "restructuring and strengthening of management foundations." While these four themes are still in progress, the challenges we identified when the medium-term business plan was formulated remain unchanged. Only by completing these four key strategies can we truly say we have achieved Parco's medium-term business plan.

Promote floor layout reforms of core stores

As part of the structural evolution of store business, we are promoting floor layout reforms under our medium-term business plan. Nagoya PARCO and Sendai PARCO, which were the first to take on this initiative, have been able to clearly define the characteristics of their respective areas, and I feel that they have become much stronger. In addition, Shibuya PARCO reopened in November 2019 as the "new" Shibuya PARCO, but immediately after that, it was hit by the COVID-19 pandemic, and about one-third of the tenants who had initially agreed to join us were forced to leave. I believe this experience is useful for the large-

scale renovation we are currently undertaking with a clear purpose in mind.

PARCO is a commercial facility that embodies its worldview through its unique curation skills in IP content, fashion, restaurants, and other areas, based on the vision we have built. For this reason, I believe that PARCO is unique and cannot be easily imitated. It is most important to us that PARCO continues to be loved and admired by people in Japan and around the world even 10 and 20 years from now. We don't aim for perfection, where everything is exactly as customers expect. Rather, we take pride in hearing people say that PARCO is always different and interesting, offering exciting combinations they never thought of. In a positive sense, I believe that our value lies in continuously exceeding our customers' expectations.

Content development with a medium- to long-term perspective

At the start of this fiscal year, the IP content business was narrowed down to five areas. These are two areas involving our own IPs, namely "games" and "manga," and three areas involving the use of other companies' IPs, namely "retail," "museums," and

"artist films." Among these, "Chiikawa Ramen Buta" and "Chiikawa Restaurant" under the retail category are progressively expanding new locations, with plans for further international expansion. We are also embarking on new initiatives in the game category. These businesses not only make our commercial facilities more attractive, but also enable us to expand our business beyond our commercial facilities.

Looking ahead to 2040, we would like to develop new businesses in addition to our current ones. The value of "finding things amusing" that we have cultivated and cherished through our experience in operating and producing commercial facilities can also be applied to our IP content business.

In addition, this content will enable us to combine "portability," which is absent at Parco's commercial facilities, with "scalability," which enables business expansion. Shibuya PARCO and Shinsaibashi PARCO are already able to offer something that pleases people from overseas, so if we can gain portability, we would like to go to their locations and bring them joy. For example, first they encounter Parco's content overseas, then stay connected online. When they come to Japan, they become even bigger fans of Parco by visiting our physical stores. After returning home, they continue to interact with us online. In this context, we are thinking about not only having people buy things, but also creating new monetization points for our business. We believe that games and manga are content that can realize this.

Provide alternative value

In a sense, it is inevitable that Parco will expand overseas, and we hope to achieve significant results overseas in the future. PARCO started in Ikebukuro in 1969, when Japan was in the latter half of its period of rapid economic growth, and urbanization continued to progress throughout Japan. As urbanization that began in Tokyo spread to Osaka and Nagoya, a kind of common sense of values emerged, which then spread to regional cities such as Sapporo, Sendai, and Fukuoka. This urbanization, combined with information asymmetry, created fertile ground for PARCO to be accepted in

various locations, and it gained support mainly among young people, leading to the expansion of stores throughout Japan. What was happening at that time can be described as physical or geographical urbanization.

In recent years, as Japan faces the reality of population decline and regional decline, and as concentration in major cities progresses, Parco is focusing its resources on stores and businesses where it can leverage its strengths, and is working to select and concentrate its businesses. In the past, when there was no internet, Parco expanded its business by riding the wave of urbanization and increasing the number of stores, but I feel that the current urbanization is progressing all over the world in a largely sensory or conscious way. Even if buildings aren't built or trains don't run, the internet allows us to instantly access the same information and enjoy the same experiences as our friends no matter where we are in the world.

We ourselves may sometimes fall into the trap of believing we can only do business in cities, but I think it is important to realize that there are actually countless cities. Once we can adopt this mindset, we will be able to expand our business by merging our commercial facilities and content. I believe this must be achieved by 2040. By then, people overseas who share the same sensibilities as those in Tokyo may be living lifestyles similar to those in Tokyo. We will present Parco to them, gain their sympathy, and create new value. Our goal is to build sustainable relationships with diverse stakeholders in this process while striving for sound business results. No matter how far we go, cities will always demand the provision of alternative value. Parco wants to take on that role.

Co-creation is the basis of Parco's activities.

Co-creation is fundamental to Parco. All of its businesses are based on co-creation, which forms the foundation of Parco's activities. Our strength is our ability to quickly empathize with creators and key players and get them involved. As curators, when we have a strong conviction that "this is the kind of space we want to create," I believe it

creates persuasive power for the people we co-create with. And I believe that the fact that creators want to work with Parco is a precious asset in itself.

However, even so, I sometimes worry that we are limiting ourselves by clinging to past success experiences and restricting the potential outcomes that will emerge from combining our competencies with those of creators. For this reason, I consciously convey the message within the company that "past successes do not necessarily lead to future success." It is important to redefine Parco's capabilities, think outside the box, and accumulate new successes, no matter how small.

Currently, the entire Group is actively promoting personnel exchanges, and I feel that the distance between us and the holding company and Daimaru Matsuzakaya Department Stores has narrowed considerably. I hope that everyone will enjoy the differences while identifying each other's strengths and areas for improvement. And when people who have worked at both Parco and Department Stores become leaders and form a mixed team, if we can create something interesting that combines the best of Parco and Department Stores as a product of co-creation within J. Front Retailing Group, I would definitely like to see that happen.