

VALUE CREATION

J. Front Retailing Group's Strength

Develop, Merge, and Expand Strengths

The Group's strength 1 Commercial Production Capability

Daimaru and Matsuzakaya, which operate in the department store format, have kept their 300 and 400 years of histories responding to the changing times and have embodied sustainable management. They have strived to propose new lifestyles that make customers' lives more fulfilling all through the ages. Above all, they have an advantage in producing a luxury world view, having an overwhelming assortment of cosmetics and other beauty items, and attracting crowd to their depachika (department store basement food floor) that provides a wide variety of food. They also succeeded in developing a luxury mall GINZA SIX by selecting the drastic option "not to operate a department store."

Parco, which operates in the SC format, creates attractive commercial space using its total production capability for commercial facilities. Particularly symbolic is unique Shibuya PARCO, which is positioned as a next generation commercial complex. With a selection of

cutting-edge shops in the fields of mode, art, and culture, it serves as a hub for communicating Parco brand. Parco performs all operations from marketing in the areas where it opens new stores and planning to the compilation of shops, the production of environment, the operation of shops, and maintenance. Only in 2019, it opened as many as four stores and its commercial development in an optimal format continues to evolve. In addition, Parco keeps its stores fresh in response to market changes through regular and active renovations.

The Developer Business, which has growth potential, will try to develop new commercial spaces using the uniqueness of the Group that has these two formats and merging their strengths.

The Group's strength 2 Good Customer Base

Daimaru and Matsuzakaya have approximately four million identified customers, including industry-high 1.3 million app users (February 28, 2022). App is positioned as the centerpiece of the Real×Digital Strategy. They have as many as 320,000 *gaisho* customers unique to department stores and mainly composed of affluent people. The recent marked trend of *gaisho* customers is brisk spending by young people in their 20s to 40s. The development of young customers has been one of the Department Store's important long-standing challenges and it is steadily progressing driven by strengthened digitization.

Parco has approximately two million identified customers, which are

characterized by many highly discerning customers in their 20s to 30s. In fall this year, IDs in the real world and online will be integrated as PARCO members to further deepen CRM.

Data obtained from these more than six million good customers are the Group's invaluable asset that forms a base for improving its product selection and services. We can say these data are evolving as higher value-added information through app as a digital touch point. Using the Group customer data platform JCDP (updated from former LTS-Hub), we will accumulate and analyze data obtained from customer touch points to provide further advanced value.



The Group's strength 3 Real Estate Assets in Urban Locations

We operate 15 department stores, 18 PARCO stores, and a luxury mall GINZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Hakata, Fukuoka in the south. Thus our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Nagoya, Ueno in Tokyo, and Shinsaibashi in Osaka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, Daimaru, which was rebuilt and reopened in 2019, and PARCO, which was newly opened in 2020, are operated as one in connected buildings, many customers shop in both stores and they have become a symbol of the Group's synergy creation. By placing disparate things side by side, unprecedented new value was created.

As we own many of our flagship stores in urban areas, and furthermore, we also have a considerable amount of

usable real estate around our stores, we think there is enough room to develop as an "area" centering on our existing stores, that is to say, the Group has enough medium- to long-term growth potential.

In order to realize this, we developed a Developer Strategy as one of three key strategies in the current Medium-term Business Plan and newly created a Developer Business segment. The areas that can be expected to particularly develop in the future are the Nagoya area and the Shinsaibashi area in Osaka. Development projects are already underway in these areas. We expect them to achieve steady results in the next Medium-term Business Plan or later.

The Group's strength 4 Partners including Suppliers and Creators

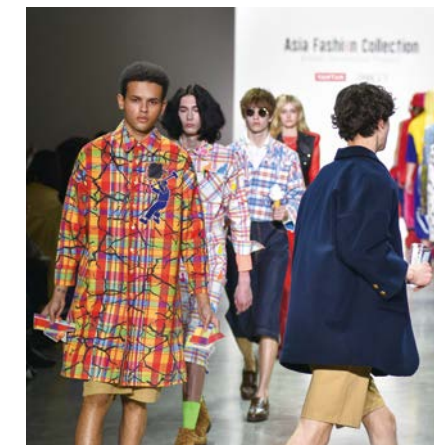
The Group can provide various values to customers only through co-creation with its partners. Currently the Group has approximately as many as 9,000 partners with whom it works to create value.

The Department Store found many foreign brands and concluded exclusive agreements with some of them in the past. Though times have changed, it is still discerning. So it has found pure internet players and D2C brands. Daimaru and Matsuzakaya, which have long 300- and 400-year histories, earn the deep trust of suppliers that value brand value. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, universities, communities, NPOs, and many companies and promotes "connections with foreign elements" beyond the

traditional department store framework.

Parco aspires to grow together with partners based on the principle of equal partnership. It helps develop formats when opening shops and actively attracts customers through advanced branding in promotion. It also puts a lot of effort into the development of new shop formats and "incubation" to support up-and-coming fashion designers and creators and companies with growth potential.

By having Daimaru Matsuzakaya Department Stores and Parco in the same group and transferring their respective partners selected with a discerning eye to each other, we think we can create exclusive synergy that other groups cannot create.



Asia Fashion Collection runway show at New York Fashion Week

