

## The Group's Strengths

## Fusion Creates New Strengths

Strength

## 01 Commercial Production Capability

Daimaru and Matsuzakaya, both department store operators, continue to accurately grasp the changing value that customers seek through their products and services, and continue to connect their long histories of 300 and 400 years through sustainable management. They are committed to proposing new lifestyles that enrich the lives of their customers at all times. Among these, they have an advantage in creating a luxurious worldview, an overwhelming assortment of cosmetics and beauty products, and the creation of a lively atmosphere in *depachika* (department store basement food floors) with a wide variety of high-quality foods. In addition, they have successfully developed a luxury mall GINZA SIX by making the bold choice of “not operating as a department store.”

Parco, which operates in the shopping center format, is working to create attractive commercial spaces through its total production capabilities for commercial facilities. Particularly symbolic is the one and only Shibuya PARCO, which is positioned as a next-generation commercial facility. It is also a hub for the Parco brand with a cutting-edge lineup of shops in fashion, art, and culture. They provide a full range of services, from marketing and planning for the areas where their stores are located, to shop selection, design of environments, store operation, and maintenance and management. Regular and proactive renovations keep the stores fresh and responsive to market changes.

Having the department store format of Daimaru and Matsuzakaya and the shopping center format of Parco, each of which has different areas of expertise, opens up possibilities for unique commercial activities through the fusion and combination of these formats. We will also take on the challenge of developing new commercial spaces in cooperation with J. Front City Development, which operates the Developer Business. We hope to show one variation of this fusion in The Landmark Nagoya Sakae, which is scheduled for completion in 2026.

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## 02 Good Customer Base

The Daimaru Matsuzakaya Department Stores app, which is positioned as the number one way to improve customer relations, has 2.19 million users (as of the end of February 2024). In addition, the number of the Department Stores' unique gaisho customers, mainly the wealthy, exceed 300,000. One of the most noticeable recent trends among gaisho customers is active purchasing by young affluent customers in their 20s to 40s. The development of younger customers has been one of the most important challenges for the Department Stores for some time, and with the support of enhanced digitalization, steady progress is being made.

Parco is characterized by its depth of highly sensitive customers in their 20s and 30s. With the recent introduction of luxury brands at Shibuya PARCO and Shinsaibashi PARCO, Parco is expanding its customer base to include wealthy people in Japan and inbound tourists.

Data obtained from the good customer base 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 JFR Group customer data platform JCDP, we will accumulate and analyze data obtained from customer touch points to provide further advanced value.

In addition, the Group is progressively unifying cards with different issuers within the Group to be issued by a single issuer JFR Card. This will enable us to build a stronger customer base and also expand the management base as the Payment and Finance Business. A new GINZA SIX Card was already issued by JFR Card this April, and new PARCO Card and Hakata Daimaru Card are scheduled to be issued in the future. Through this process, we expect CRM at the Group level, which contributes to synergies, to deepen considerably.

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## 03 Real Estate Assets in Urban Locations

We operate 15 department stores, 16 PARCO stores, and a luxury mall GINZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Fukuoka in the south. Thus, our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Ueno in Tokyo, Nagoya, Shinsaibashi in Osaka, and Fukuoka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, the Daimaru store, which was rebuilt and reopened in 2019, and the PARCO store, 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.

To achieve these goals, we established a new company, J. Front City Development, which operates the Developer Business, in March 2023, and also established a new CRE Strategy Unit within the holding company to significantly strengthen the promotion system. Specifically, The Landmark Nagoya Sakae in the Sakae area of Nagoya and the Shinsaibashi Project (tentative name) in the Shinsaibashi area of Osaka are both scheduled for completion in fiscal 2026, and we have also decided to participate in the Tenjin 2-chome South Block Station-Front East-West Area Project (tentative name), known as the Tenjin Big Bang, in the Tenjin area of Fukuoka, which is to be completed in fiscal 2030. Thus, the Developer Business will be an important pillar in driving the Group's growth in the future.

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## 04 Partners including Suppliers and Creators

The Group can provide various values to customers only through co-creation with its partners. The Department Stores found many foreign brands and concluded exclusive agreements with some of them in the past. We believe that Daimaru and Matsuzakaya, with their long histories of 300 and 400 years, respectively, have earned the trust of their suppliers, who value the value of their brands. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, communities, and many companies and promotes “combination with foreign elements” to propose and disseminate what will become the standard for the future beyond the traditional department store framework.

In addition to leasing activities such as the introduction of clothing and accessories shops to meet diversifying needs, Parco pioneers the introduction of shops that meet the changing lifestyles and demands of consumers in order to achieve further business growth. Parco also focuses on “incubation” to support up-and-coming fashion designers, creators, and companies with growth potential, as well as the development of new store formats in collaboration with companies that operate shops in PARCO stores. And considering the discovery and growth of new talent to be the key to its growth, Parco is implementing proactive support measures, such as organizing Asia Fashion Collection, which can serve as a catalyst for designers to become known to the world and providing a venue for young designers to showcase their work.

By having the 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. Among others, they are essential competencies for content development, which is an important factor for differentiation. Various trials have already begun in order to implement the new retail model we are aiming for.

