

# Alliance

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M & A



# Strengthening the Group to Develop into “Multi-Retailer”

## Acquired a 65% stake in Parco Co., Ltd. and made it a consolidated subsidiary

J. Front Retailing aims to achieve the status of leading retail company in Japan both in quality and quantity with the department store business as its core.

In the core department store business of the Group, we are building a new out-of-the-box department store business model adapting to market changes through new department store model that aims to change the business formats, while working on developing ourselves into a multi-retailer that operates multiple businesses to increase the growth potential of the Group.

To this end, after acquiring a 33.2% stake in Parco Co., Ltd. (“Parco”) from Mori Trust Co., Ltd. in March 2012 and making it an equity method affiliate, we increased our stake to 65% through a takeover bid made from July to August 2012 and made it a consolidated subsidiary.

With the vision of “Urban Lifestyle Producer” that makes spiritually affluent lifestyle proposals, a shopping complex operator Parco operates commercial facilities named PARCO in the Tokyo metropolitan area and other major cities in Japan including Nagoya, Sapporo and Fukuoka and the company has excellent expertise in developing and operating advanced and highly cultural urban commercial facilities.

## Efforts to create various synergies

Deeper alliance with Parco that has excellent know-how in the development and operation of urban commercial facilities will allow us to accelerate our efforts to change our department store business model through new department store model and strengthen our competitive edge. And at the same time, as a retail group operating various businesses and channels, we will be able to increase the growth potential of the whole Group.

The top executives of Daimaru Matsuzakaya Department Stores, which is expected to achieve the highest effect, meet regularly with Parco’s top executives and the two companies started to exchange human resources to use each other’s know-how. Thus they are trying to share information on actual operations, operation systems and others. Through these efforts, the two companies will work on:

### 《Parco Co., Ltd.》

#### Corporate profile

- Name: Parco Co., Ltd.
- Headquarters: 1-28-2, Minamiikebukuro, Toshima-ku, Tokyo
- Line of business:
  - Shopping complex business
  - Retail business
  - Space engineering and management business
  - Other businesses
- Capital: ¥34,367 million
- Established: February 13, 1953

#### Consolidated financial results of Parco Co., Ltd. (Millions of yen)

	FY 2/2009	FY 2/2010	FY 2/2011	FY 2/2012	FY 2/2013
Sales	282,509	261,076	264,840	259,789	264,779
SG&A	35,614	33,417	32,806	32,456	31,742
Operating profit	9,362	8,601	9,218	9,168	10,824
Ordinary profit	9,171	8,554	8,750	8,966	10,329
Net profit	3,730	4,108	4,400	4,319	5,083
Comprehensive income	—	—	—	4,199	5,351
Net assets	75,617	78,657	81,868	84,577	103,573
Total assets	191,681	187,093	222,135	208,697	206,243
Net assets per share (yen)	917.61	954.52	993.52	1,028.21	1,020.92
Net profit per share (yen)	45.29	49.87	53.41	52.49	54.44

- (1) Collaboration in the invitation of major overseas brands and the introduction of popular Japanese shops;
- (2) Further cost reduction by adopting Parco’s business operation model;
- (3) Use of Parco’s know-how in tenancy agreement;
- (4) The operation of Daimaru Matsuzakaya Department Stores’ original business in Parco’s premises; and
- (5) Considering opening Parco in the south wing of Matsuzakaya Ueno store at the time of its rebuilding.

We will also consider collaboration in affiliated businesses including Daimaru Kogyo and J. Front Design & Construction to achieve synergy as the Group early.