



Promote Growth in Urban Markets

Parco Business includes the Shopping Complex Business that develops and operates commercial facilities mainly through Parco Co., Ltd., the Space Engineering and Management Business that creates space and manages buildings, the Retail Business that operates trendy select shops, the Entertainment Business that offers hot information and creates added values, and the Web Consulting Business that provides web-based consulting services and recruitment support for commercial facilities and specialty stores across Japan.

Active investment to secure predominance in urban areas

Parco Business is actively expanding its business bases in central urban areas for future growth.

Specifically, Fukuoka Parco acquired the existing store and the adjacent land and building and aims to open the new building in fall 2014. It is also planning to extend floor space into part of the adjacent building in spring 2015. In March 2014, we decided to open the second commercial complex in Sendai and its opening is aimed for spring 2016.

The new Zero Gate business, which efficiently operates low- to medium-rise commercial facilities in prime downtown locations using location advantage and based on the size of business, opened new stores in Shinsaibashi, Dotonbori and Hiroshima and decided to open new locations in Nagoya and Sapporo.

In order to increase the appeal and competitiveness of existing Parco stores, we renovated them in fiscal year 2013. Among them, flagship stores in Shibuya, Nagoya and Hiroshima underwent large-scale renovations mainly to add a new category of shops and brands new to the areas. We will continue to renovate approximately 15% of

tenant floor space to keep the stores fresh as advanced commercial space.

In the FY 2014 to 2016 Medium-term Business Plan, we are planning a capital investment of ¥37 billion in total for three years in Parco Business to steadily build a solid operating base for the next growth.

Pursue group synergy

By working more closely with Parco, which has excellent expertise in developing and operating urban commercial facilities, we will be able to increase the group-wide growth potential as a retail group operating various businesses and channels, while accelerating our efforts to change a department store business model through the new department store model and strengthen competitiveness.

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 exchange human resources to use each other's know-how. Thus we are trying to share information and strengthen collaboration.

1 Joint development of stores

The south wing of Matsuzakaya Ueno store, which is under reconstruction, will be reborn as a high-rise complex featuring commercial facilities, a cinema complex and offices. Parco will occupy the 1st to 6th floors of the building. The presence of Parco is expected to attract a broader range of customers and revitalize other floors of Matsuzakaya Ueno store that offer daily goods including food and women's accessories.

2 Collaboration in attracting popular Japanese shops and major foreign brands

As the first initiative with Japanese suppliers, Daimaru Matsuzakaya Department Stores and Parco launched two domestic women's apparel brands "Eddy Grace" and "Sophila" for young and young adult women in spring 2014. Daimaru Matsuzakaya Department Stores and Parco are also considering initiatives with foreign suppliers.

3 Further cost reduction by adopting Parco's business operation model

In March 2014, Matsuzakaya Ueno and Shizuoka stores started to operate with a small management team as a department store by adopting Parco's concept of store operation system.

4 Operation of Daimaru Matsuzakaya's Original Merchandising Business at Parco

As part of Daimaru Matsuzakaya Department Stores' initiative of operating the Original Merchandising Business outside the company, "Woop Woopl," a general merchandise select shop developed independently by the company, was opened in Fukuoka Parco and Ikebukuro Parco in September 2013.

5 Special events at Parco

Special events, which Daimaru Matsuzakaya Department Stores excels at, are held at Parco. Specifically, 11 events were held in community complexes including Chiba Parco, Urawa Parco and Chofu Parco in the second half of fiscal year 2013.

In addition to these joint initiatives with Daimaru Matsuzakaya Department Stores, we will pursue collaboration with affiliated businesses including Daimaru Kogyo and J. Front Design & Construction to steadily generate a synergy effect as a group.



Artist's impression of New Building of Fukuoka Parco (tentative name)



Artist's impression of Nagoya Zero Gate (tentative name)



Artist's impression of Sapporo Zero Gate (tentative name)



Artist's impression of Sendai New Building (tentative name, scheduled to open in spring 2016)