



Expand Growth Base in Urban Markets

The 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 provides topical 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.

Become a “business group that prospers in urban markets”

Under its long-term vision of being a “business group that prospers in urban markets” to ensure that we will identify changes at home and abroad and turn them into business opportunities, the Parco Business aims to become a “pioneer group that designs 24/7 urban life” and a “creative driver group that creates urban maturity.”

◆In order to realize our vision, we are promoting the following three business strategies.

① “Cultivation of major urban areas” to offer more value to customers by adding new commercial presence and placing more emphasis on business expansion in urban areas;

② “Expansion of core targets” to accommodate diversified lifestyles and include mature individuals who retain youthful sensitivities; and

③ “Innovative use of ICT” to promote business innovation and operational reforms based on stores using advanced Internet and ICT.

Active investment to secure predominance in urban areas

The 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 opened the new building in November 2014. It also extended floor space into part of the adjacent building in March 2015 to better meet the expansion of experimental consumption, more mature customers, demand for higher

quality and inbound tourism demand. In the same March, Nagoya Parco opened Nagoya Parco Midi adjacent to the west building. In addition, we decided to open the second Parco in Sendai and its opening is aimed for early summer 2016.

The 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 a new store in Nagoya, following openings in Shinsaibashi, Dotonbori and Hiroshima, and furthermore, we are planning to open a new location in Sapporo in 2016.

In order to increase the appeal and competitiveness of existing Parco stores, we renovated Shibuya, Ikebukuro, Nagoya and other stores, totaling approximately 46,000 square meters, in fiscal year 2014. For the purpose of adapting to changes in lifestyles and expanding our target into sensitive mature people, we will continue to renovate approximately 15% of retail floor space every year 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 the Parco Business to steadily build a solid operating base for the next growth.

Started full-scale operation of services using ICT*

A new service named Kaeru Parco was launched to allow customers to reserve and order products online from the stock of Parco stores. Beginning with Shizuoka Parco, it was expanded into eight urban stores in the previous fiscal year. In fiscal year 2015, it will become available at more than 100 shops in all Parco stores. Parco’s official smartphone application Pocket Parco was released when the new building of Fukuoka Parco was opened last year, and in March 2015, it was expanded into all stores. This application allows customers to browse products recommended by Parco’s tenant shop staff nationwide and reserve and buy products by linking with Kaeru Parco to offer even greater convenience to customers.

*ICT, which stands for Information Communication Technology, is a generic term that refers to technologies and services in various fields related to information processing and telecommunications.

Pursue synergy as a group

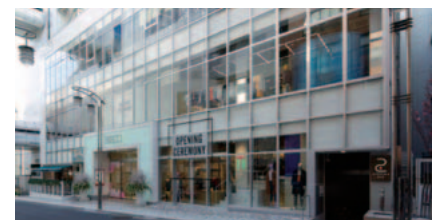
By working more closely with Parco, which has excellent expertise in developing and operating urban commercial facilities, we will be able to increase the group-wide growth potential as a retail group operating various businesses and channels, while accelerating our efforts to change a department store 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 they are trying to share information and strengthen collaboration. Especially, in terms of the 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 in fall 2017 and 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.

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



Fukuoka Parco



Nagoya Parco Midi