

Make Our Strengths Even Stronger, and Connect Them to the Future.

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Maximize the potential of key stores

Parco's Medium-term Business Plan for fiscal years 2024 to 2026, which started this fiscal year, looks ahead to the future of 2040 and backcasts from there to break down what needs to be done over the next three years into two major areas.

The first is the restructuring of our store business. I believe that we need to make our strong stores even stronger.

Specifically, the key point is to invest management resources in the four PARCO stores in Ikebukuro, Shibuya, Nagoya, and Shinsaibashi to maximize the social and economic value of these stores. In particular, Shibuya PARCO and Shinsaibashi PARCO will reach a major milestone of five years since their opening during the current Medium-term Business Plan. Both stores are doing very well, capturing a large amount of inbound demand, but it is difficult to say whether their current success will continue five years from now. Looking to the future, we would like to take firm steps where changes need to be made. Furthermore, Nagoya PARCO will evolve into a store with the strongest pop culture

content in the Tokai region, and will contribute to creating synergies by participating in The Landmark Nagoya Sakae, a development project currently underway in the Sakae area of Nagoya by the J. Front Retailing Group. Ikebukuro PARCO will undertake a fundamental reform of its tenant composition in light of significant changes in the surrounding commercial environment.

In addition to these four key stores, PARCO stores in Sapporo, Sendai, Urawa, Chofu, and Fukuoka will also implement floor layout reforms. For example, in fiscal 2023, Urawa PARCO achieved a record high tenant transaction volume. Thanks to proactive renovations, the store has gained popularity among a wider range of customers, and I am proud to say that it has become a one-of-a-kind, "indispensable presence" for customers in the area. One of our roles is to deliver cutting-edge culture and fashion according to demand, but it is even more important to highlight the unique characteristics of the area.

The second is content. In a reorganization in March this year, we established the Culture Creation Business Headquarters with the aim of creating world-class content. In addition to the existing entertainment

business, we have consolidated new business development functions and incorporated Shibuya PARCO, which is Parco's largest management resource, into this new organization.

The new Shibuya PARCO, which was rebuilt in 2019, is a one-of-a-kind commercial facility that combines fashion, art, culture, and more at a high level, under the themes of borderless, ageless, and genderless, and is popular with many customers, including overseas customers. Since its founding, Parco has independently operated an entertainment business such as theater, music, movies, and content in this Shibuya area, and has created a unique culture. In September 2023, we launched a new Gaming Business Department. We expect games to be a growth field for next-generation culture, and we will develop and explore new businesses such as game-related events, exhibitions, game development, and esports in collaboration with the Group company XENOX. By combining together the information gathered in Shibuya and the power of Shibuya PARCO itself with our entertainment business, we will enhance the value of the Parco brand both domestically and internationally, and create new world-class content. During the three years

of this Medium-term Business Plan, we aim to find a winning formula for the content business through repeated proof-of-concept experiments to achieve success.

A major feature of the current Medium-term Business Plan is to simultaneously pursue these two things that we need to do when we look to the future. We ourselves are trying to foresee the next era and establish our business and management foundations ahead of the new era's movement.

Launched the Future of Work Project

Along with our efforts to strengthen our stores, we launched the Future of Work Project in July this year.

The cities in which PARCO stores are located are mature, so significant growth as a market is not expected in the future. Under such circumstances, Parco's business model must shift from its past approach, which was based on growing population and increasing consumption, to a new approach. Imagining "work in 2030" within the company, we will identify tasks that will no longer be done in the future, and for tasks that we will continue to do, we will review whether the current way of doing them will be still good, and create a way of doing work that can produce results quickly and steadily. In order for us to maintain our identity as Parco and further grow our business in the future, we will proactively revise the way we work, which has been based on our past values and culture, and establish a system that will be applicable in the future.

Redefine the essence of Parco

Parco's major roles in society are Trends Communication and Incubation based on Urban Revitalization. Of these, we have elevated Urban Revitalization to a larger framework that the Group will work together

on. We at Parco will further refine and strengthen our two capabilities of Trends Communication and Incubation.

For the first, Trends Communication, I have been thinking since around 2019 about using Parco's strengths in attracting customers and creating buzz as a source of revenue diversification. We are treating our 16 PARCO stores from Hokkaido to Kyushu as media centers, utilizing them for TV commercials and film locations, and selling signage and store space. Each PARCO store has also begun to take on a production business that promotes co-prosperity with communities. We will use this power of Trends Communication to generate revenue.

In the area of Incubation, for example, in our collaboration cafe business, we operate cafes in collaboration with anime and other media, mainly at PARCO stores. When the content itself is still young and has room to grow, we would like to join hands with IP* that will become popular in the future and create space and time for customers to immerse themselves in that worldview and be delighted by it. PARCO has the advantage in this market. Over the next three years, we will further strengthen our relationship with IP* holders.

Deepen mutual understanding in the Group

In the personnel changes made in March, the exchange of human resources at the store manager level between the Group companies was conducted. For example, the store managers of Shibuya PARCO and Shinsaibashi PARCO were appointed as store managers of Daimaru Sapporo and Daimaru Tokyo, respectively. This is a sign of the J. Front Retailing Group's efforts to fully pursue synergies.

The number of human resources to be managed differs significantly between the Department Stores and

Parco. What is possible with a kind of tacit understanding on the scale of Parco, where managers manage a visible number of people, will not work on the scale of the Department Stores. Now that they have been appointed store managers of the Department Stores, they will have to learn management methods that are very different from what they have learned up until now. I hope that they will use the new perspectives and know-how they have acquired as a common language and provide feedback so that the good points of the Department Stores can be incorporated into Parco. I also think that Parco's employees should be interested in and understand the Department Stores' "gaisho." Conversely, there are probably many systems at Parco that are difficult for the Department Stores to understand. I think it is a good idea for young employees of the Department Stores to experience working at Parco. Many staff members have been transferred from the Department Stores to Parco, and the younger generation in particular are full of curiosity. They come up with ideas one after another on the spot, rather than through instructions from their superiors. I want them to experience failure as much as possible. I hope to see such a movement take place at various sites, where the young energies of the Department Stores and Parco collide with each other.

I worked at the holding company for a year and understand the difference between the view from the holding company and the view from Parco. I would like to further deepen the mutual understanding between Parco, the Department Stores, and the holding company, and help both Parco and the Group grow even larger.

*IP: An abbreviation for intellectual property. Ideas and creations born from creative activities, such as anime, games, movies, and other content that have value as intellectual property.