

FY2024 Sustainability Briefing

Human Resource Strategy to Support the Transformation to a Individual Customer Business

Wednesday, December 4, 2024



Isetan Mitsukoshi Holdings Ltd.

Today's Agenda

- 1. Why the Focus on "People" is Necessary**
On the occasion of the first change in business model in 120 years
Toshiyuki Hosoya, Director, President and CEO
- 2. Our Human Resource Strategy Toward a Individual Customer Business**
The state and expected role of the Lifelong CDP
Akira Kimbara, Managing Executive Officer, CAO, CRO and CHRO
- 3. Case Studies of Human Resources Who Play a Role in the Individual Customer Business**
 - ①** Data Strategy Department, IT Department
Toru Matsushima, Manager
 - ②** Isetan Mitsukoshi Human Solutions Ltd.
Ken Igarashi, President and Representative Director
- 4. Evaluation of Isetan Mitsukoshi Group Human Resource Strategy and Expectations**
Tomoko Ando, External Director
- 5. Question and Answer Session**

1. Why the Focus on "People" is Necessary

**On the occasion of the first change in business model in
120 years**

Toshiyuki Hosoya, Director, President and CEO

1673 Echigoya is founded

1754 Begins operations of Beniya, a kimono merchant.

1872 Opened Imai Kimono Store

1886 Iseya Tanji Kimono Store established

1904 Ousuke Hibi inaugurated "Department Store Declaration"

1957 Completion of the entire Isetan Shinjuku store

2008 Business integration

2023 350th anniversary

2024 120th Anniversary

Isetan Mitsukoshi Holdings Ltd.

In 1904, the Company issued Japan's first "Department Store Declaration" and this year marks the 120th anniversary of the Company's history as a department store.

Isetan Mitsukoshi Group Corporate Philosophy

Our Vision
We are a retail group committed to providing a wide range of products and services to our customers, and to creating a positive and sustainable future for all.

Our Values
We are committed to innovation, respect for human rights, and environmental protection. We believe in the power of collaboration and positive attitudes to create a better future for all.

Our Mission
Touching people's hearts with human-driven experiences.

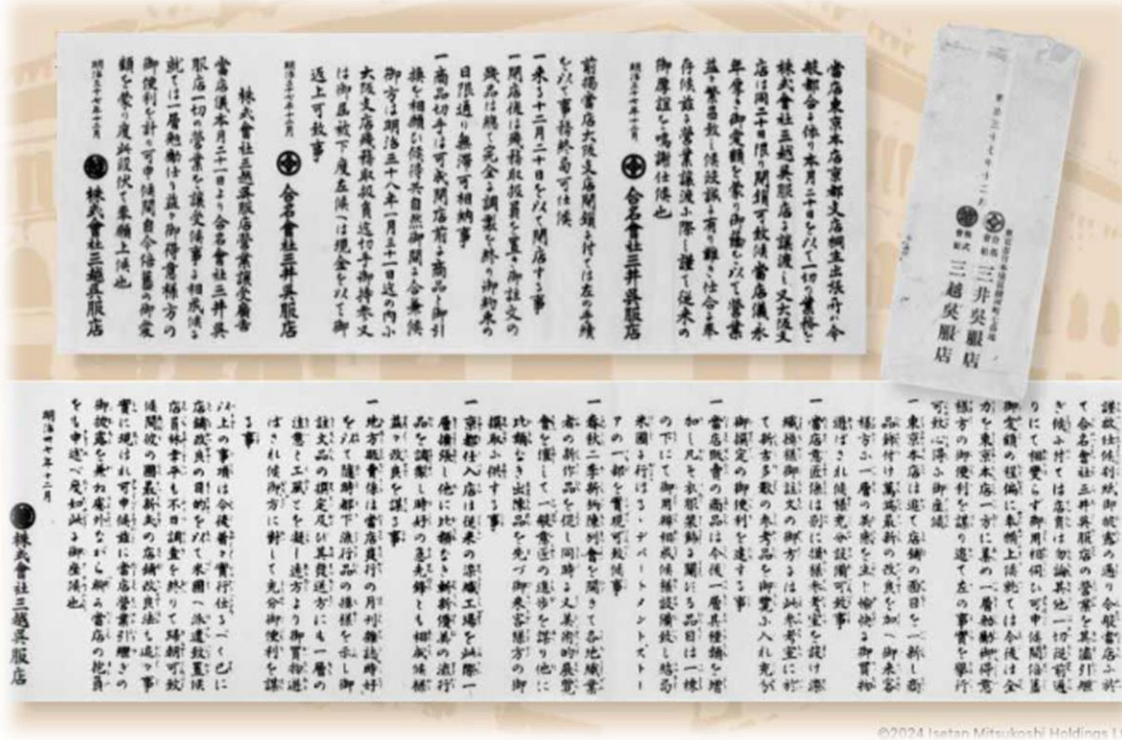
Isetan Mitsukoshi Group Department Stores Mitsukoshi will celebrate its 350th anniversary in 2023

Isetan Mitsukoshi Group Corporate Philosophy reorganized

Department Store Declaration

120th anniversary of building up the history of the department store

Announced in major newspapers nationwide on January 2, 1905 (the 38th year of Meiji)



1904 (the 37th year of Meiji) Mitsukoshi declares the beginning of the first department store in Japan

Mitsukoshi Kimono Store Ltd. is established on December 6, and Ousuke Hibi is appointed as the first managing director

On December 20, a greeting card containing the "Department Store Declaration" was sent to all customers nationwide

Dialogue with Employees



Held 198 dialogue meetings
since assuming CEO position,
totaling 315 hours with 3,488
participants



Dialogue with Stakeholders

Institutional Investors & Media



Shareholders



Isetan Mitsukoshi Group Corporate Philosophy

Our Mission

Touching people's hearts
with human-driven
experiences.

Our Values



Our Vision

We are a retail group centered
on extraordinary department stores
working toward improving
the lives of our customers.

With our Japanese heritage and strong global branding,
we create lasting impressions through sophisticated
and high-quality experiences
that make us the first choice for our customers.

2 . Our Human Resource Strategy Toward a Individual Customer Business

Akira Kimbara, Managing Executive Officer, CAO, CRO and CHRO

Deepening Sustainability Management

VISION in our Corporate Philosophy - The Image We Aim for

A retail group centered on extraordinary department stores working toward improving the lives of our customers

Medium-term Management Plan

Increase in economic value



Enhancement of social value

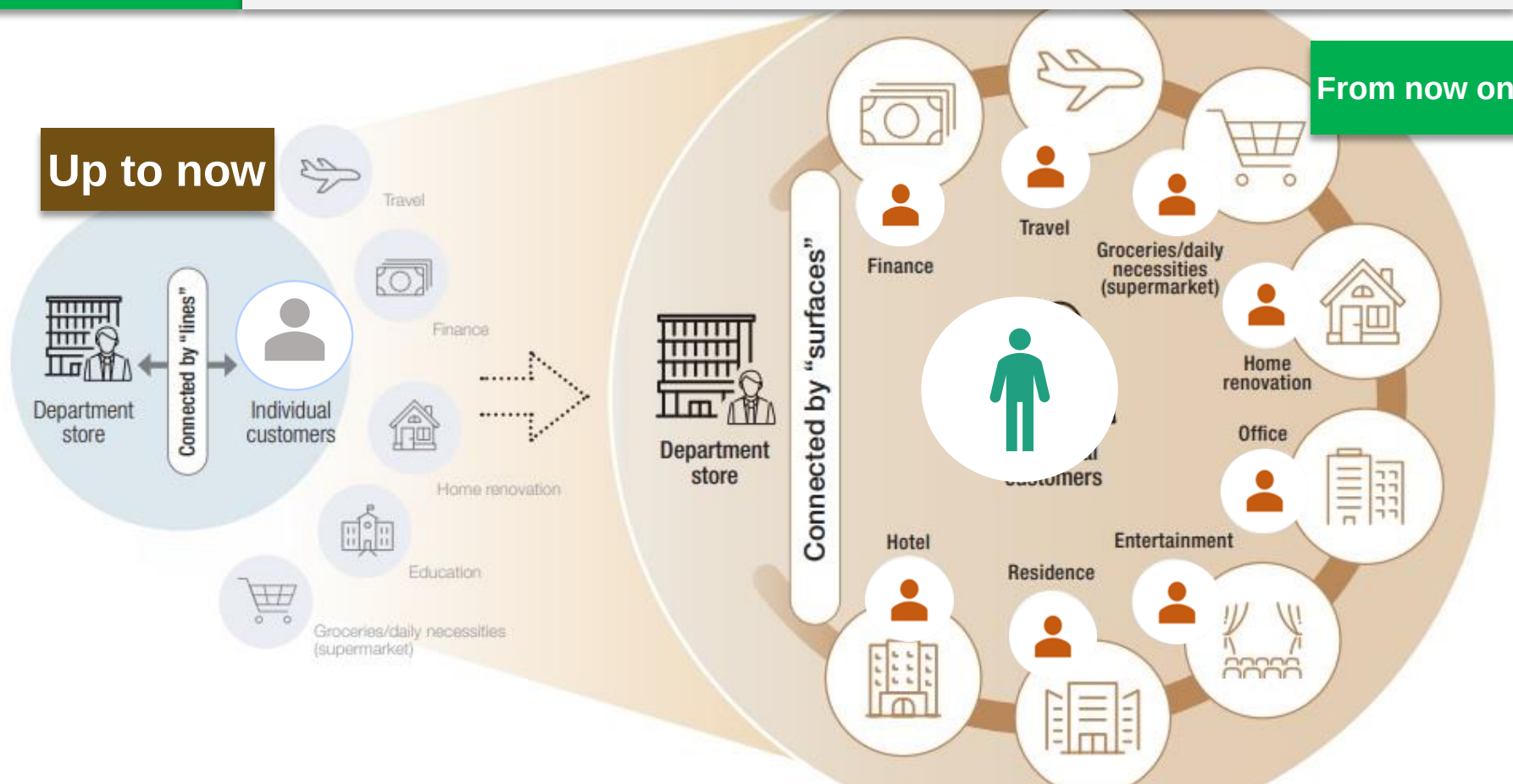
Implement **key initiatives (materiality)** linked to the **medium-term management plan**

	Reviewed in FY2023	Reviewed in FY2023	Newly established in FY2024
① Connecting People and Communities [Business and sales activities] Evolution of the "think good" initiative [Social activities and support activities] Charity, environmental beautification activities, etc. Target for FY2030 Number of "think good" endorsers 600 companies	② Connecting Sustainable Environment and Society [Responsible business activities] Introduction of renewable energy to storefronts Supply chain management, etc. Target for FY2030 - Greenhouse gas emissions (42% decrease from FY 2023) - Re-energy introduction rate 55%	③ Maximizing the power of people [Human resource strategy activities] Corporate culture reform Strengthen human capital investment, etc. Target for FY2030 - Percentage of female managers 37% - Childcare leave taken 100%	④ Group Governance and Communication [Group Governance and Communication Activities] Improvement of internal control effectiveness Stakeholder engagement, etc. Target for FY2030 Ratio of female directors 30% or more

Business Model Reform for "Individual Customer Business"

Transformation
into a "individual
customer
business"

Transformation from a business model centered on department stores (=store business) to a new business model of "**individual customer business**" centered on individual customers.



In this once-in-120-year period of change, it is imperative that human resource strategy also undergo a transformation

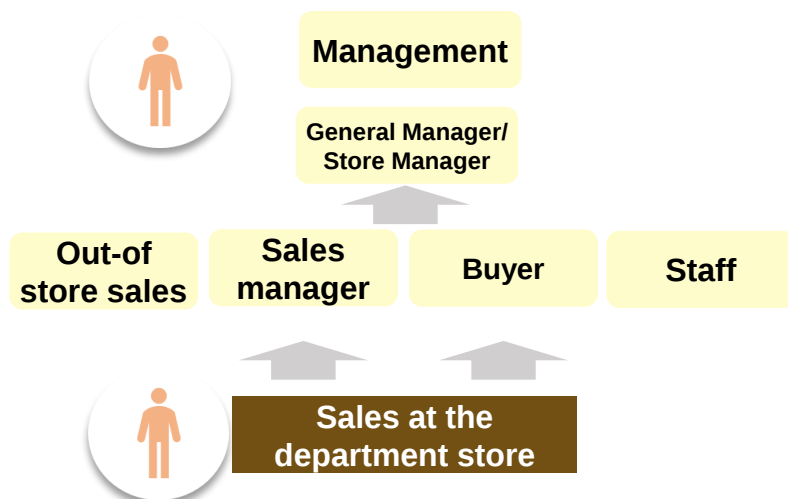
Lifetime CDP* in the "Age of the Individual Customer"

* CDP= career development program
Long-term programs for companies to train their employees

CDP in the Age of the Individual Customer

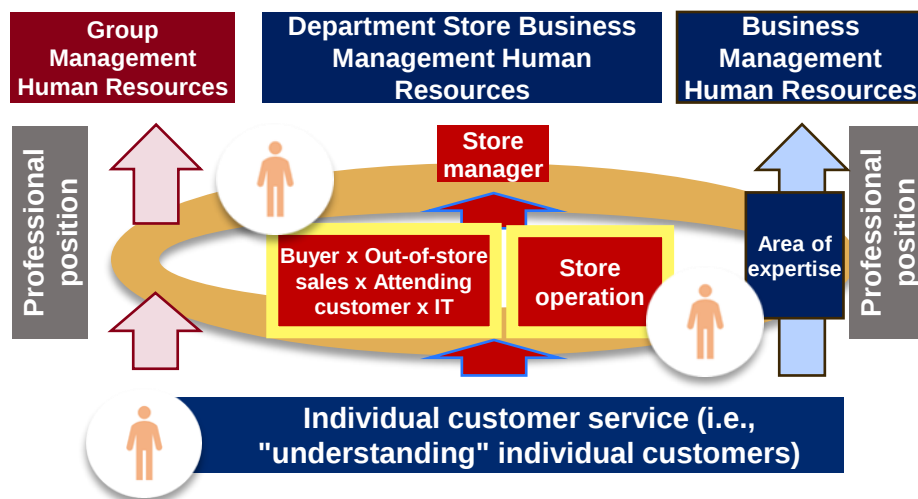
CDP over the employee's lifetime will shift from traditional "single-line" CDP to **"vertical, horizontal, and diagonal" CDP across the group**

(Up to now) CDP in the Department Store Business



Almost single-line CDP, mainly in department stores

(From now on) Establishment of Group CDP



Multiple CDPs (**horizontal combination of human resources creation and vertical establishment of professional human resources**) for the "entire group"

Restructuring of CDP to **"maximize the power of diverse people"** in the Group

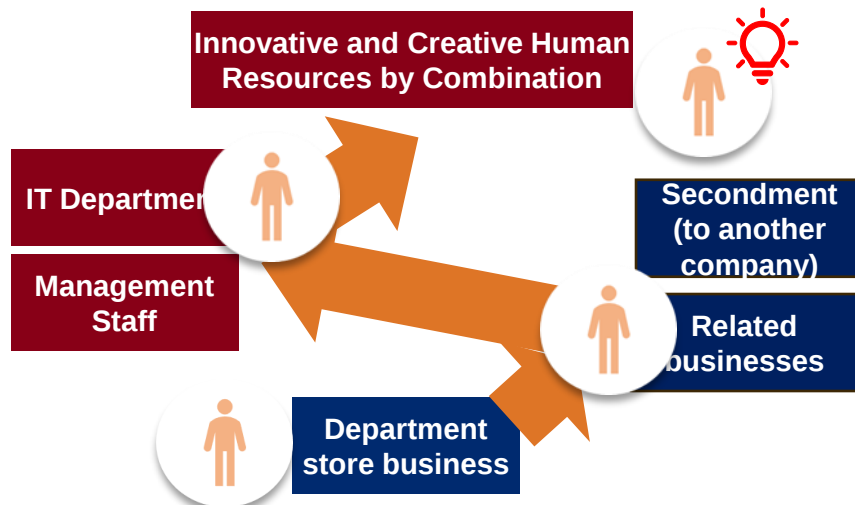
Lifetime CDP* in the "Age of the Individual Customer"

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Long-term programs for companies to train their employees

CDP in the Age
of the
Individual
Customer

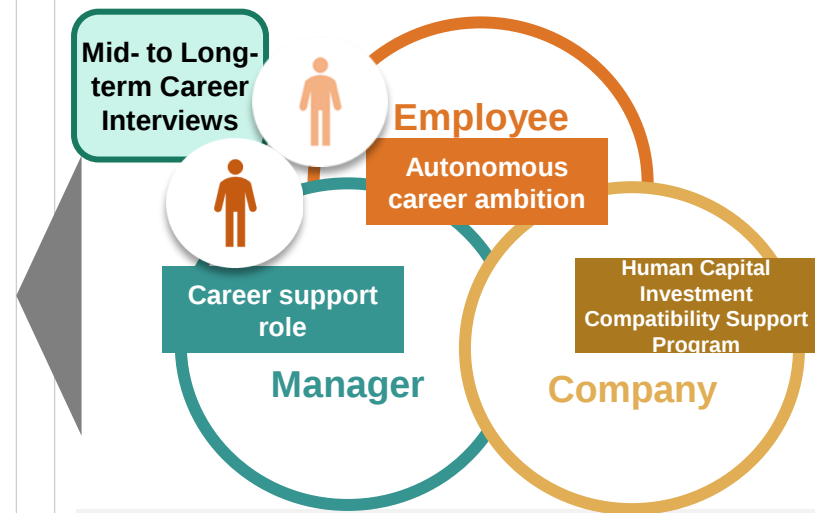
Creation of human resources that produce innovation through **"combination"** as well as "establishment of professional human resources" for the future shift to individual customer business

Creating innovative human resources with "multi-disciplinary experience"



Creating "future innovations" with experience in multiple areas

Lifelong CDP that supports "maximizing the power of people" by integrating employees, managers, and the company



The Key to drawing out people's strengths is "managers"
Rebuild CDP and training system together with the company

The "main actor" that moves people's hearts is the power of each employee's "individuality"

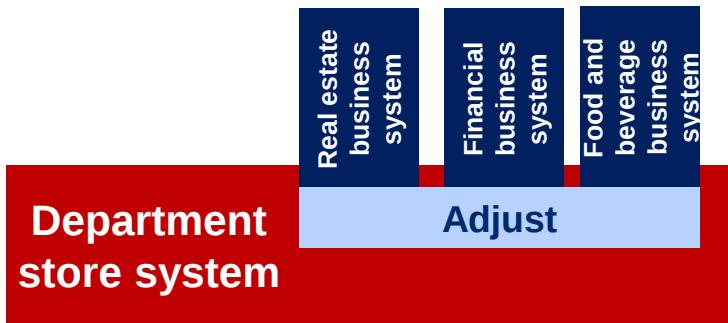
Lifetime CDP* in the "Age of the Individual Customer"

* CDP= career development program
Long-term programs for companies
to train their employees

Personnel System in the Age of Individual Customer Business

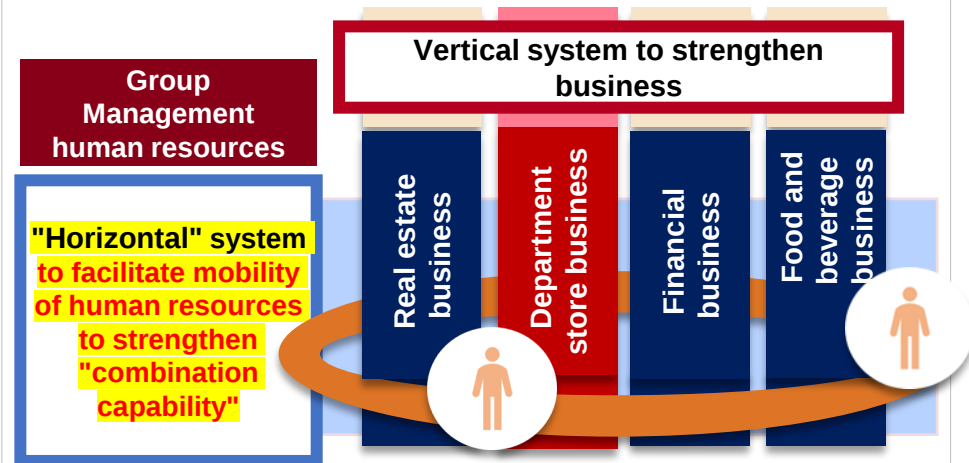
Renovated the personnel system from a system design centered on the department store, the main axis of the Company, to a personnel system with an awareness of "CDP realization in the age of the individual customer business".

(Up to now)
System with a focus on the
department store business



Spillover of department store system to related businesses

(From now on)
System in the individual customer business



Compatibility between horizontal system for "horizontal human resource creation" and system for "establishment of vertical professional human resources"

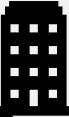
Renewed the human resource system to maximize the growth potential of people

Direction of Department Store Business (Core Business) Reform

From a store business to a "individual customer business"

"Redefining "new ways of working" and "roles" using DX to further improve productivity

Department store (Up to now)

"Individual customer" service	• Out-of store sales • Attending customer
"Contents" service	• Buyer 
"Store" service	• Store operation  • Store sales

individual customer business (From now on)

Reduce overall headcount by leveraging DX to improve productivity	
"Individual customer" service	Out-of-store sales x Attending customer x Buyer x DX
"Store" service	Store operation (IMH)

Maintenance and enhancement

Aggregating

Change to "individual customer" service utilizing data and "store" service integrating store operation know-how

Leading cases of "transformation into an individual customer business"

From a store business to a "individual customer business"

Both of the two individuals introduced here have "experience in multiple fields" and have "acquired the ability to combine skills and create new value"

Examples of human resources who will play a role in the individual customer business

"Individual customer" service

Out-of-store sales x Buyer x Attending customer x DX



Introduced today ①

Contributing to "individual customer business" through "combination" of department stores x outside sales x DX

"Store" service

Store operations and contracting (IMH x DX)



Introduced today ②

Contributing to "individual customer business" by "combining" department stores, DX, and group strength

To realize our vision of "transformation into a individual customer business," we will steadily achieve this transformation by maximizing the power of people

3. Case Studies of Human Resources Who Play a Role in the Individual Customer Business

Case Study ①

Pursuit of Customer Satisfaction through Utilization of Out-of-store-sales Data

Toru Matsushima, Data Strategy Department, IT Department

<Brief Personal History> Toru Matsushima (Data Strategy Department, IT Department)

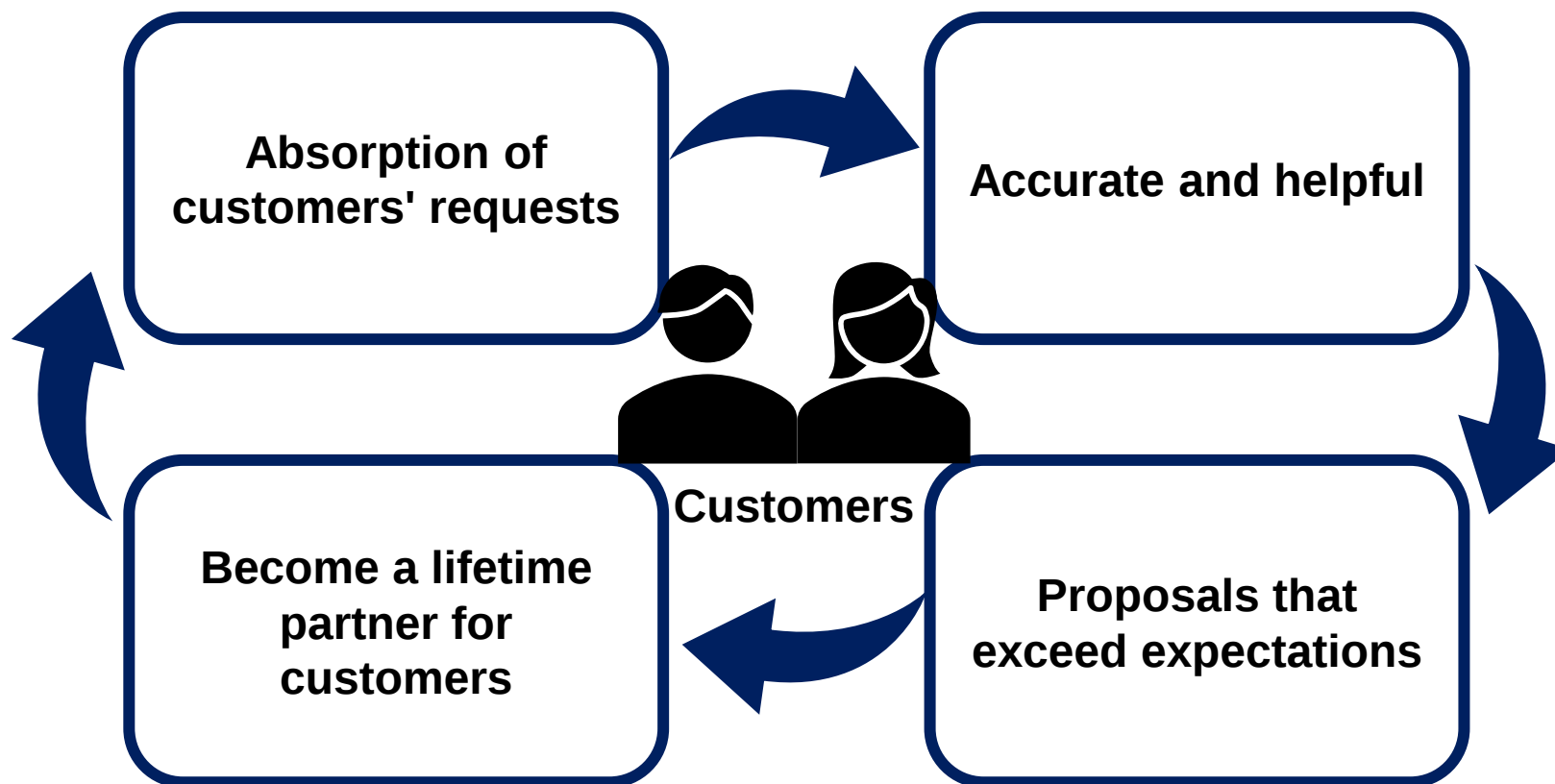
- **From a regional store; joined Shizuoka Isetan in 1991**
Women's clothing, cosmetics, sales policy, customer policy, out-of-store-sales
- **Experience in out-of-store-sales 2008-2011**
Responsible for areas more than 40 km away from Shizuoka City
- **Transferred to Isetan Mitsukoshi 2017-**
Utilized the Group's transfer system
- **Data Strategy Department, IT Department 2019-Present**
Establish an out-of-store-sales support program



We are engaged in the service of pursuing customer satisfaction by supporting the out-of-store-sales activities with data, valuing the experience of local stores and out-of-store-sales

Out-of-store-sales activities

Basic PDCA cycle for out-of-store-sales

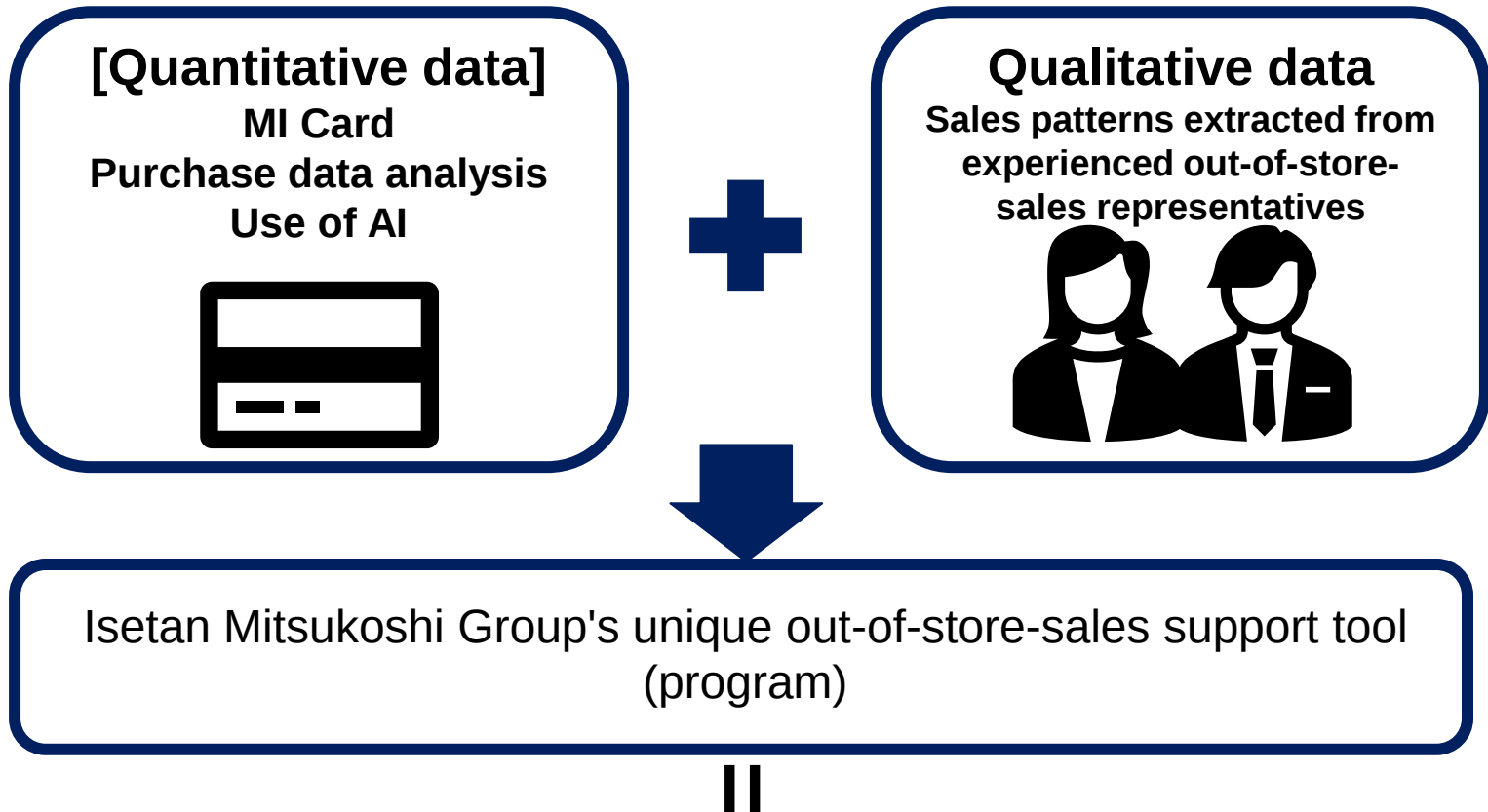


"Long experience and intuition" are important for out-of-store-sales activities

Challenges of out-of-store-sales: training beginners in a short time

Establishment of a mechanism for "transformation into a individual customer business"

Establishment of "Out-of-store-sales support tool (program)" by combining Department Store x Out-of-store-sales x DX



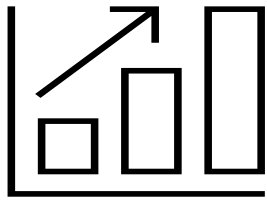
Even inexperienced sales reps can **achieve performance similar to experienced sales reps in a short period of time**

Program combining department store x out-of-store-sales x DX

Conducted MTG to improve the effectiveness of analog out-of-store-sales activities by utilizing data (a sales support tool originally developed by Isetan Mitsukoshi)

[Data Strategy Dept.]

- Facilitation based on data analysis and AI



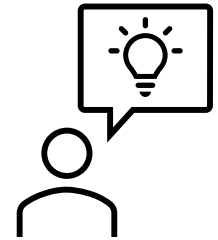
- Weekly (5 days a week)
- 1 sales rep 30 min.
- 200 target sales reps
- Expanded to 10 stores nationwide



MTG using support tools

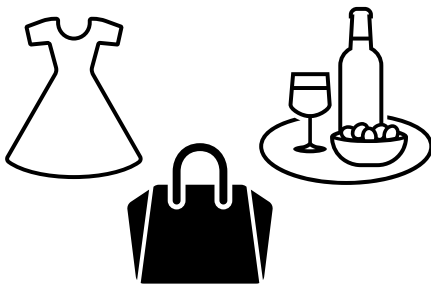
[Out-of-store-sales]

- Assemble proposals that exceed customer expectations



[Merchandise Buyer]

- Recommendation of the optimal merchandise for customers



Regional Store Sales

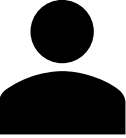
- Acquisition of know-how that can be used in the region

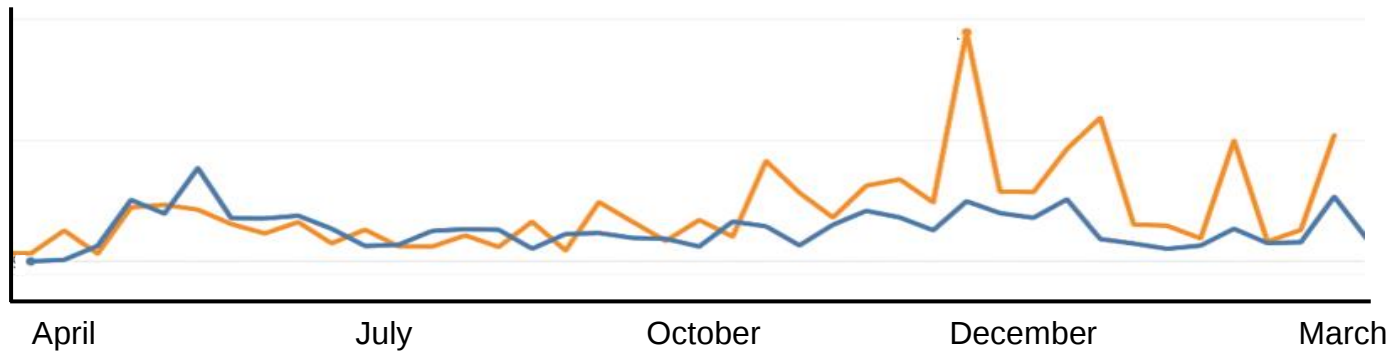


Outcome of the out-of-store-sales support tool (program)

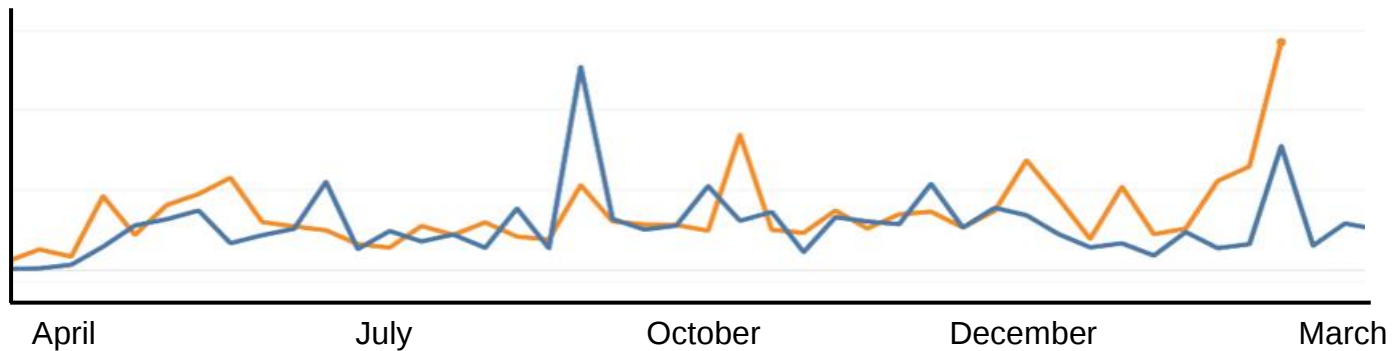
Even inexperienced beginner sales reps **can achieve the sales results of experienced sales reps in their first year**

■ Comparison of performance in the same account throughout the year


Beginner sales
Mr. A




Beginner sales
Mr. B



Orange: Beginner Sales Results
Blue: Experienced Sales Year-on-Year

Elements made possible only by the Isetan Mitsukoshi Group

Perspectives we value in our program activities

Supplement with data, not just traditional "the power of people"

- Understand what customers value
- Analysis of the optimal distance from the customer
- Proposals that exceed customer expectations
- Understand the characteristics of the sales representatives



**Ability to
understand**

**Analytical
ability**

**Ability to make
proposals**

**Ability to
build up**

"Transformation into an individual customer business" is achieved by integrating and structuring the power of people (analog) and the use of data (digital).

Case Study②

Human Resource Development and Group Contribution through Expertise

Isetan Mitsukoshi Human Solutions Ltd.
**Ken Igarashi, President and Representative
Director**

<Brief Personal History> Ken Igarashi (President and Representative Director)

- ◆ **Joined Isetan Co., Ltd. in 1993; department store and storefront experience**
 - Experienced sales in the Men's Sales Department at Shinjuku Store
- ◆ **2011- Men's Sales Department**
 - Experienced sales, merchandise, and sales manager in the men's area
- ◆ **2021 Cosmetics Group**
 - From men's sales to the cosmetics area, which is a different domain
- ◆ **2022 - Present**
 - Isetan Mitsukoshi Human Solutions
Entering the human resource field based on our past experience



Isetan Mitsukoshi Human Solutions (IMH) Company Profile

- Comprehensive human resources service company established based on the Isetan Mitsukoshi Group Human Resources Management Department
- Support for companies with human resource issues



Isetan Mitsukoshi Human Solutions (IMH) Company Profile

Four businesses that utilize "know-how," "expertise," and "experience" as unique points of reference

Beauty business

- Store management inside and outside the group with professional human resources
- Consultation services for skill development



Human resource training

- Develop measures for establishing "vertical professional human resources" and creating "horizontal" group management human resources for human resource platform creation



Temporary staffing and outsourcing

- Supporting the Isetan Mitsukoshi Group through horizontal relationships
- Specialized skills to promote in-house production of the group



Shared personnel

- Aiming for operational efficiency and further convenience through DX



Expand business to increase revenues internally and externally

Example of activation of professional human resources in the store management and contracting business

ISETAN MiRROR in 20 stores including station terminal buildings and shopping centers

Developing a personnel system, education system, and working environment that supports beauty professionals



Source: ISETAN MiRROR HP/ IMH HP and Instagram

Environment and services that can provide all at the same time

**An environment that
transcends brand
barriers**

**Department store level
lineup**

**Customer service of
hospitality**

Example of activation of professional human resources in store operation and contracting business (human resource development)



In-store sales experience

Learning the basics and applications of "Omotenashi no Kokoro (Spirit of Hospitality)"



Developing professional human resources through secondment to department stores

Returning employees take on outside sales responsibilities and **strengthen relationships with individual customers**



Expanding business externally

Store operation management with "Omotenashi no Kokoro (Spirit of Hospitality)" and "High Expertise"



Case Study of Activation of Professional Human Resources (Unique Points of Human Resource Platform)

Business development as a **"unique point by maximizing the power of people,"** which is the basis of our human resource platform

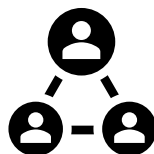
Initiatives to nurture people

Human resource development structure to foster **Omotenashi no Kokoro (spirit of hospitality)**

Always there for our employees

Support from recruitment to training from a front-line perspective (operational and mental aspects)

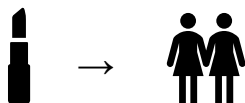
Accompanying members in their growth



Education on **spirit of hospitality** for customers

Education that is **close to the heart of the customer**, not the merchandise

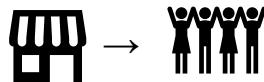
Strengthening relationships of trust with individual customers



The "field" nurtures people

The "field" nurtures beauty professionals

Expertise through a combination of experience and knowledge



(ISETAN MIRROR 20 stores)

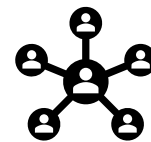
Initiatives through our business

Utilizing know-how from onsite initiatives, **human resources with expertise are active in a various locations**

From a "vertical" store to a "horizontal" store

From a single store to multiple stores

Work in multiple stores efficiently, not tied to a single store
(ISETAN MIRROR multiple stores)

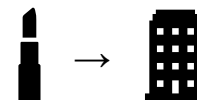


(DX utilization)

From small store operations to operations **within department stores**

From ISETAN MIRROR operation to multi-brand store operation

It strengthens the relationship of trust with the store, **Realization of Professional Human Resources x Multiple Places**



(Isetan Tachikawa Cosmetics floor)

Inside the group to **outside the group**

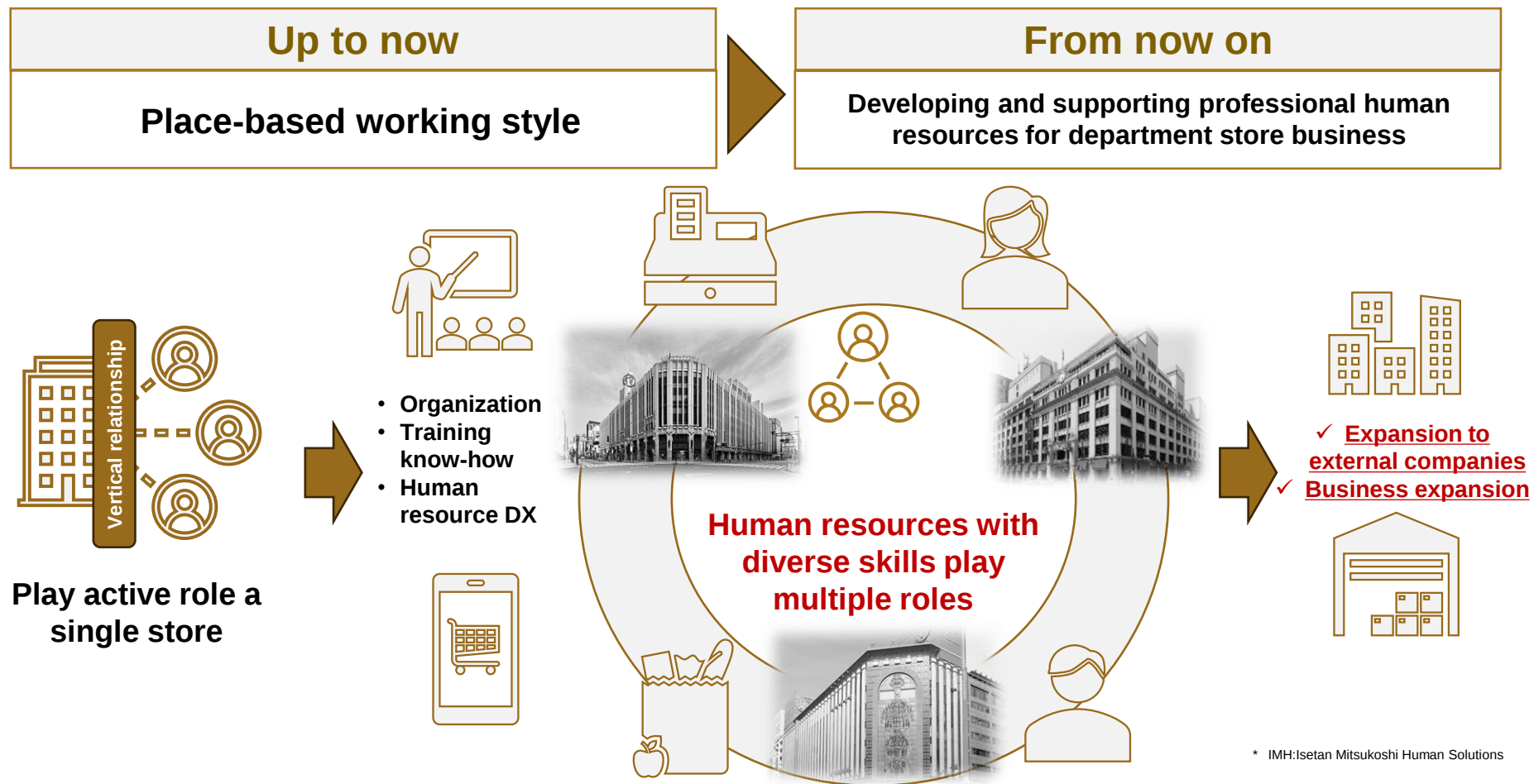
Group's performance is highly evaluated, and **projects outside the Group are commissioned**

Strengthening relationships of trust with business partners to promote **sales and earnings outside the Group**



(Commissioned by domestic and foreign brands)

IMH's future business model



- **Contribute to the Group's business infrastructure management** by expanding the scope of business
- **Expand sales to external customers** by leveraging both "human resources" and "training know-how"

4 . Evaluation of Isetan Mitsukoshi Group human resource strategy and expectations

Tomoko Ando, External Director

<Biography> Tomoko Ando, External Director



- 26 years of experience in leading companies in the world
- 10 years of experience in business frontlines such as brand marketing and sales planning
- 16 years of strategic personnel experience
Responsible for human resource development, organizational development, and D&I management
- Maintains ICF (International Coaching Federation) certified coaching qualifications
Has extensive experience in corporate executive coaching

April 1982	Joined Nissan Motor Co., Ltd.
March 1991	Joined Coca-Cola (Japan) Company, Limited
January 1993	Global Brand Marketing Brand Manager
December 1996	Joined Master Foods Ltd. (currently Mars Japan Limited)
January 2006	People Pipeline Manager, Personnel & Organization, Master Foods Ltd.
August 2008	Joined NIHON L'ORÉAL K.K., Senior HR Manager, Human Resources
March 2011	Vice President, Head of Human Resources, NIHON L'ORÉAL K.K.
June 2022	External Director of the Company (current position)

- **Evaluation of Human Resources Strategy**
- **Challenges of Human Resources Strategy**

5 . Q&A
