

# **FY2024 Sustainability Briefing**

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

Wednesday, December 4, 2024

 Isetan Mitsukoshi Holdings Ltd.

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

After the presentation by Hosoya, followed by Kimbara, and then Matsushima and Igarashi introduce some good case studies.

Lastly, Ando, External Director, will speak.

# **1. Why the Focus on "People" is Necessary**

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

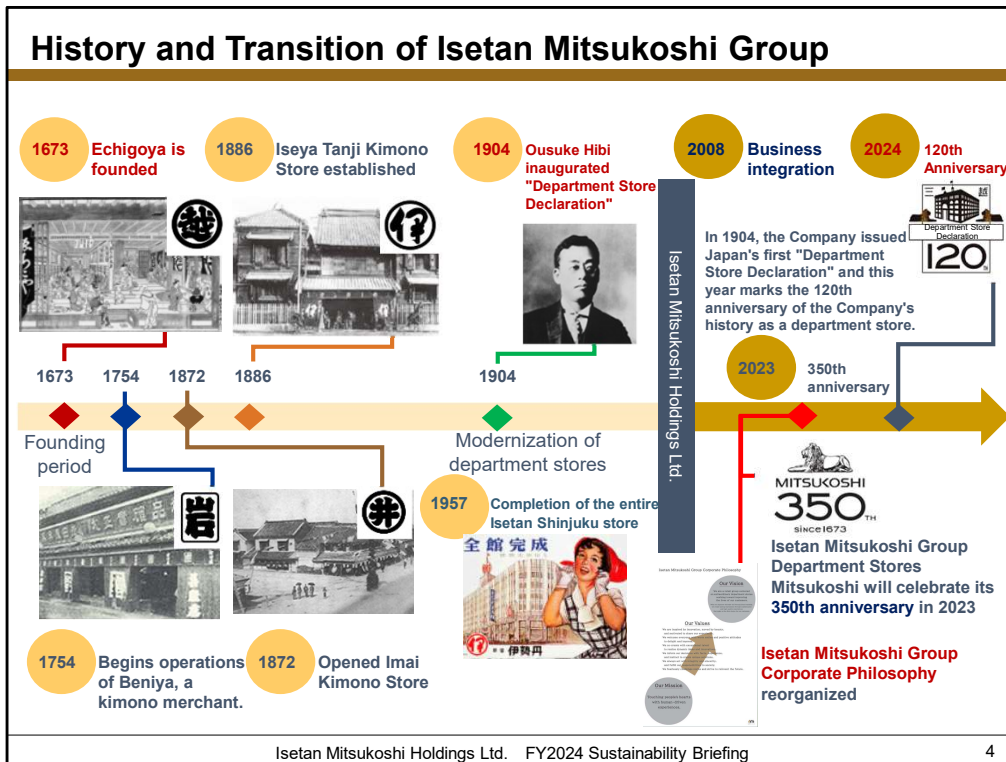
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Toshiyuki Hosoya, Director, President and CEO

[Toshiyuki Hosoya, Director, Representative Executive Officer, President and CEO]

Now I, Hosoya, would like to start.

Today, I would like to talk about why a focus on people is necessary for our company.



To talk about why we need to focus on people, I would like to start with a bit of our history.

Our company was founded in 1673 as Echigoya, a kimono shop in Nihonbashi during the reign of the fourth shogun of the Edo period, Tokugawa Ietsuna.

Our group has four major department store brands, Mitsukoshi, Iwataya, Marui Imai, and Isetan, all of which were originally kimono stores.

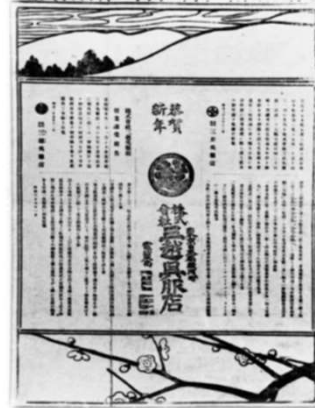
While business was based on one item, kimono, just 120 years ago, Mitsukoshi issued the "Department Store Declaration" to the world, and the department store was born.

## 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)



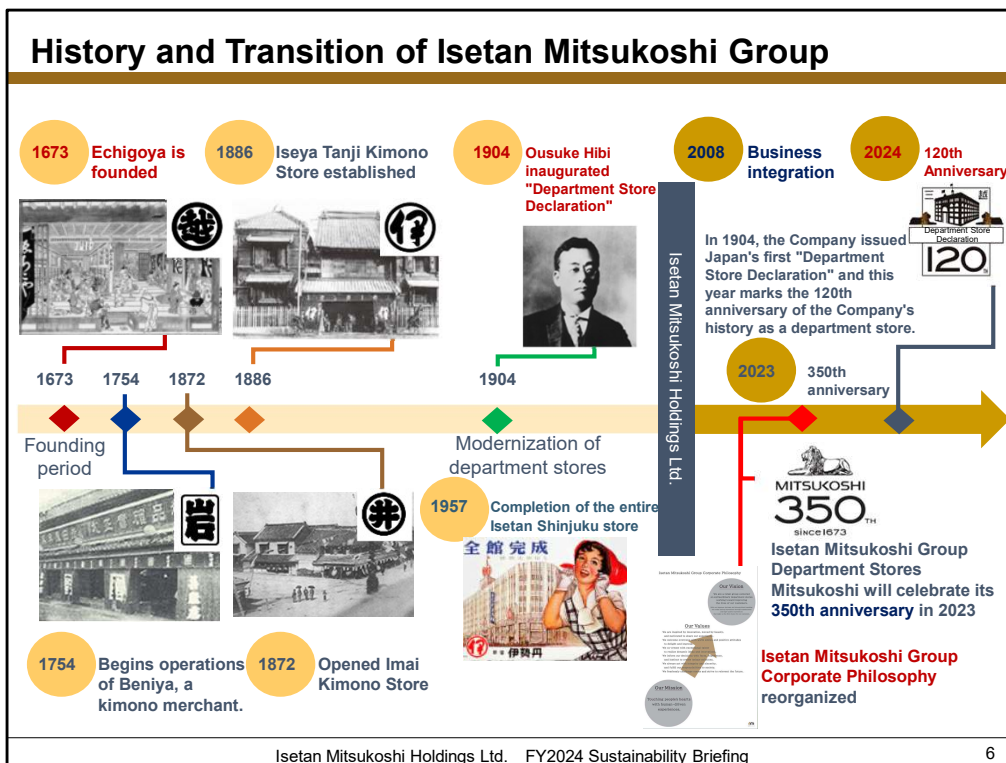
1904 (the 37th year of Meiji) Mitsukoshi declares the beginning of the first department store in Japan

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

At that time, Mitsukoshi announced the Department Store Declaration extensively to its business partners, newspapers, and other internal and external audiences.

We have many such documents in our possession.



When the Department Store Declaration was issued 120 years ago, exactly about 200 years after Echigoya was founded, Mitsukoshi began to sell 100 different items from one item, kimono. The timing of the Department Store Declaration marked a major business model shift for Mitsukoshi.

However, while we have evolved gradually throughout our 120-year history up to the present, I don't think we were able to make a significant shift in their business model. Now, 120 years after the Department Store Declaration, I have been thinking about how our company must change in order to remain relevant in the world.

To this end, I have developed a new strategy, coined the term "individual

customer business," and communicated in various places to spread the term throughout the company.

## Communication System

### Dialogue with Employees



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



Since I became CEO, I have conducted 198 conversations with about 3,500 employees at each of our regional offices or group companies.

## Communication System

### Dialogue with Stakeholders

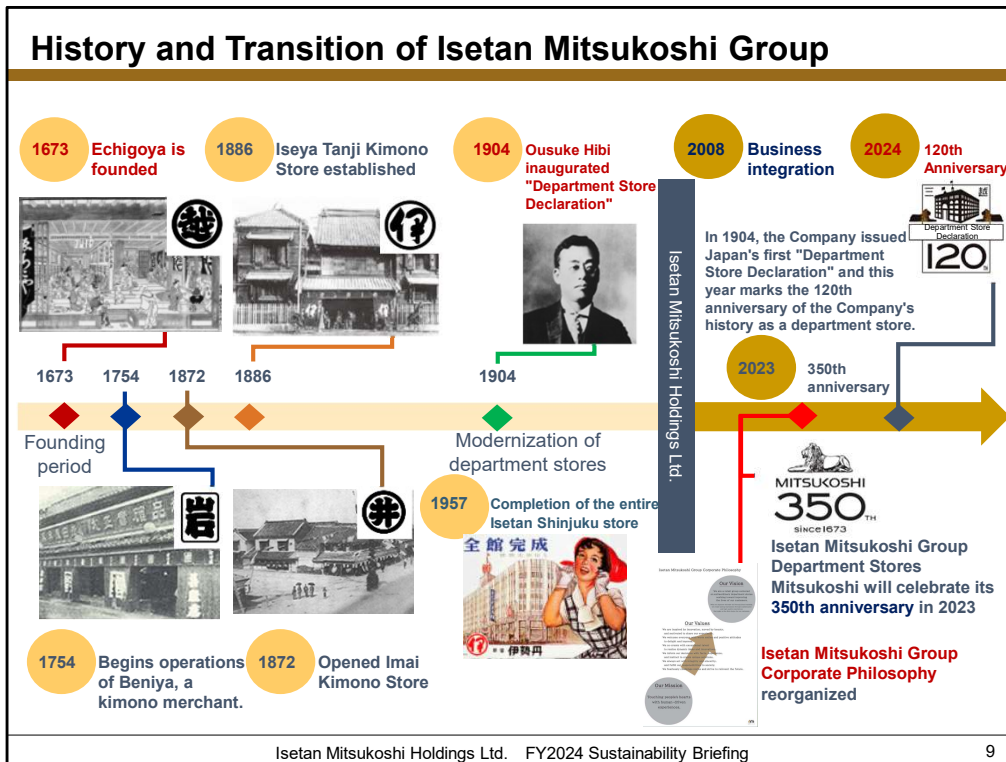
#### Institutional Investors & Media



#### Shareholders



I have also actively engaged in dialogue with stakeholders such as the media, institutional investors, shareholders, and business partners.



I believe that as a result of my dialogue with our internal and external stakeholders, they have developed a better understanding of our strategy.

On the other hand, as I talked to everyone about our strategy, I felt very uneasy.

## Communication System

### Dialogue with Employees

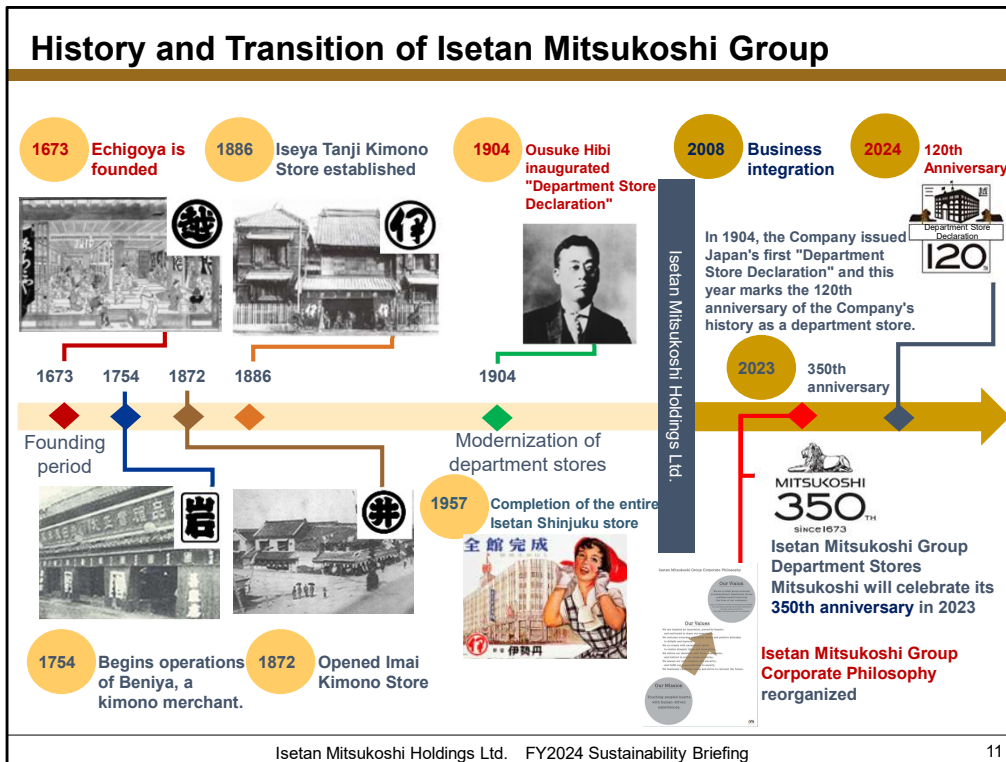


Held 198 dialogue meetings since assuming CEO position, totaling 315 hours with 3,488 participants



Of course, it was a very anxious time of the COVID-19 disaster, but in particular, in our dialogues with Group employees, many of them asked what the *raison d'être* of our company was.

I sensed that our employees were very distrustful, insecure, and unsure of our company's *raison d'être*. We had a thorough discussion about how we should overcome this situation.



And at the timing of the 350th anniversary of Echigoya's founding, we established a new corporate philosophy for the Isetan Mitsukoshi Group.



The Isetan Mitsukoshi Group Corporate Philosophy was eventually worded as described above.

Our Mission is "Touching people's hearts with human-driven experiences."  
Our Vision is "We are a retail group centered on extraordinary department stores working toward improving the lives of our customers."  
And to realize the Vision, we have set our Values and the medium-term management plan.

For us, our customers are people, and our greatest asset is also people (employees). That is why we realized again that we need to focus on people and move forward firmly in the future.

We are proud to say that we have created our corporate philosophy with the participation of all members of the company, rather than having only a few people discuss it, or having the management team discuss it alone. A questionnaire was sent to 15,000 employees, and over 1,500 discussions were held throughout the group, resulting in the formulation of a new corporate philosophy.

Managing Executive Officer Kimbara will explain in detail what kind of human

resource strategy we will conduct in conjunction with our medium-term management plan toward our corporate philosophy and Vision.

## **2 . Our Human Resource Strategy Toward a Individual Customer Business**

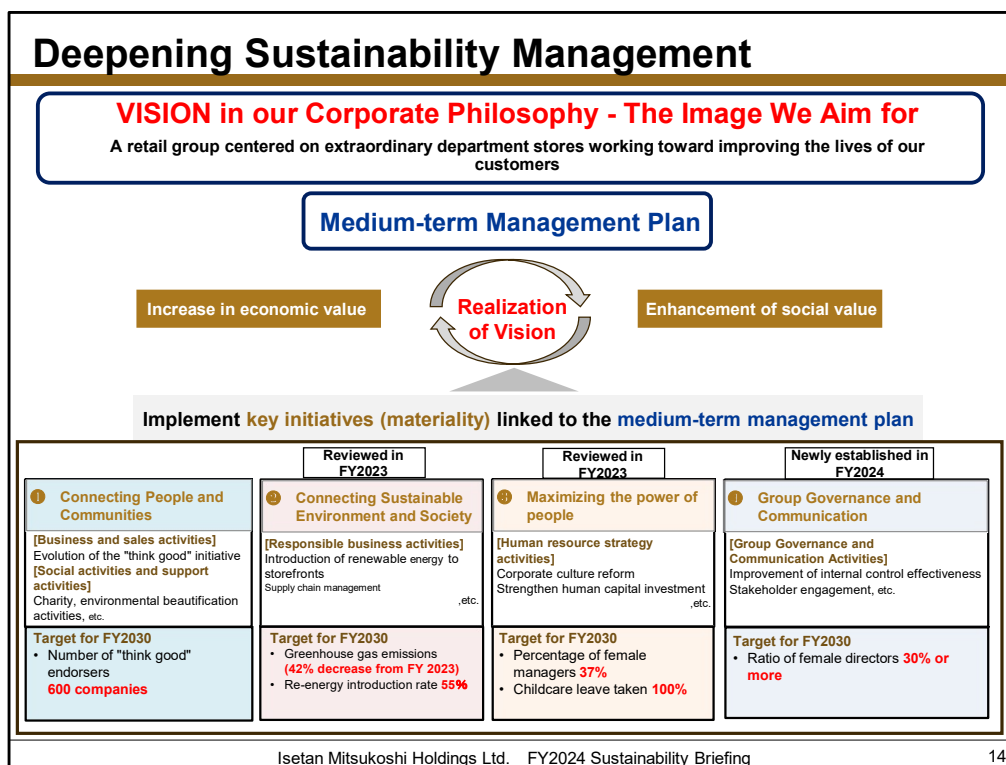
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Akira Kimbara, Managing Executive Officer, CAO, CRO and CHRO

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

This is Kimbara, the CHRO.

I would like to talk about our human capital strategy as we move toward the individual customer business.



First of all, as an overall view of sustainability, I will briefly mention the materiality that has been changed from last year and the KPIs that we are targeting for 2030, and then I will talk about the main theme, the human capital strategy.

I would also like to talk about specific initiatives that we are trialing to achieve individual customer business.

This diagram shows our sustainability management in a single sheet. The corporate philosophy that Hosoya spoke of earlier is at the top of the list. In order to realize the medium-term management plan, which is based on our corporate philosophy, we have identified four key initiatives, or materialities, that are linked to the medium-term management plan.

The first is "Connecting People and Local Communities." We recognize that "Connecting People and Local Communities" is the materiality in which we can best demonstrate our uniqueness. We have established the slogan "think good" for the Group's sustainability activities, and all members of the Group are involved in these activities. We are also developing company-wide initiatives to solve social issues through co-creation with local communities and by relating cultural inheritance and innovation to our business. For example, the Denim de Mirai initiative has become a hot topic. This is a

representative example, which we often introduce internally and externally. We collaborated with 70 brands using scraps of Levi's denim fabric that would otherwise have gone to waste, creating new value that transcends the industry, turning it into a variety of products, and revitalizing the fashion industry as a whole. This is an initiative that has become a hot topic. We will place the utmost importance on activities that embody the various ideas that emerge from the field. Our goal for 2030 is to have 600 companies supporting the "think good" initiative. We have about 20,000 business partners, of which 600 companies account for about 80% of our sales.

We would like to strengthen the relationship with our 600 core partners by getting them to agree with our sustainability concept, especially "think good" and "Connecting People and Local Communities," rather than just chasing numbers.

The second is "Contributing to a Sustainable Environment and Society." Regarding environmental issues, we have received a high level of interest in addressing climate change and, from our department store customers, in resource recycling.

When we ask our customers in our customer surveys about their level of interest, resource recycling is always at the top of the list. While working on resource recycling, we also conduct sustainable procurement activities based on respect for human rights through human rights due diligence and dialogue with our suppliers. Last year, we held dialogues with about 600 suppliers, aiming for mutually responsible procurement based on the Code of Conduct we have established.

And we hope to achieve the figures we have set as our target for FY2030.

We intend to revise our previous targets upward to a level that will allow us to obtain SBT certification, and to rebuild our plan and steadily implement it so that we can stably procure renewable energy power to back it up.

The third is "Maximizing the Power of People." This will be the main theme of today's briefing.

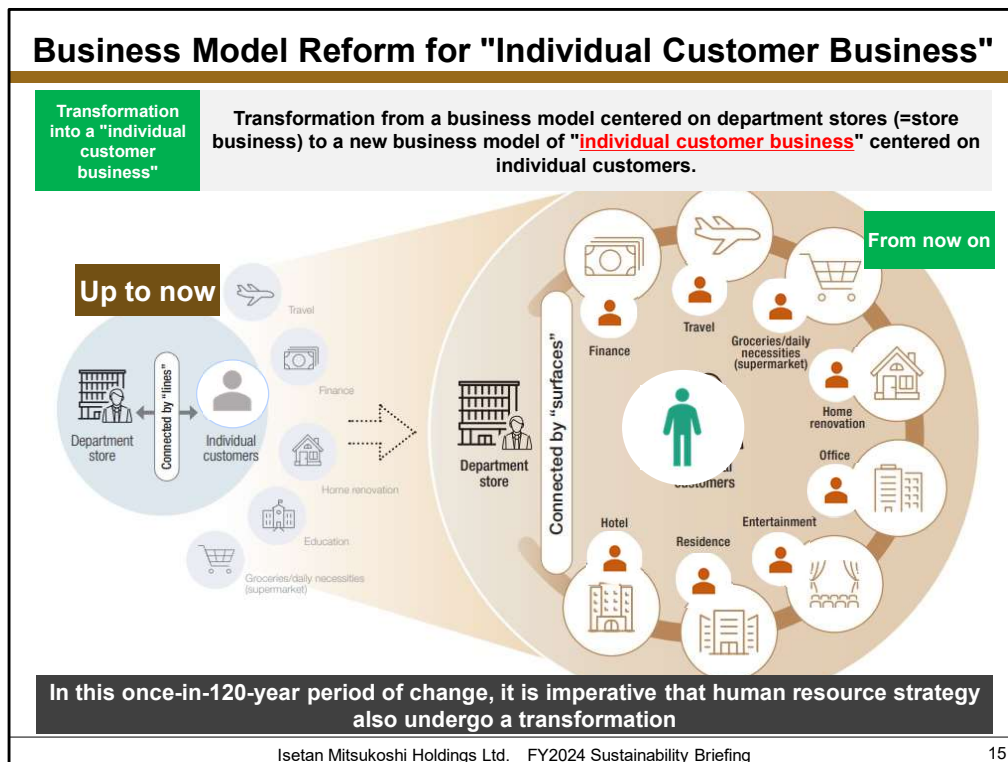
I will talk about various initiatives to invest in human capital and reform the corporate culture, and how the company as a whole will make major changes in the shape of the company.

We have set the ratio of female managers as one of our KPIs. The current ratio of female managers is just over 31%. We will expand the ratio of female managers to 37% by 2030. We intend to significantly transform our business portfolio toward the individual customer business in the future.

Since the percentage of managers varies greatly by business, the company will achieve its target figures based on the characteristics of each business.

We also want to transform the company into a culture that encourages diversity, which is our original goal. Furthermore, we have an ambitious goal of increasing the percentage of female managers to 40% by 2033.

The fourth and final one is “Group Governance and Communication.” This is a new materiality added this year. We will make company-wide efforts to improve the accuracy of the internal control system required of companies and to increase engagement with stakeholders. It is a foundational activity, so to speak. As a KPI, we set the ratio of female Directors at 30% or more. Currently, we have nine Directors, three of whom are women. So the ratio of female Directors is 33.3%. As we continue to deepen our strategy, even if there is a change in the total number of Directors, we would like to aim to ensure that the ratio of female Directors is at least 30%.

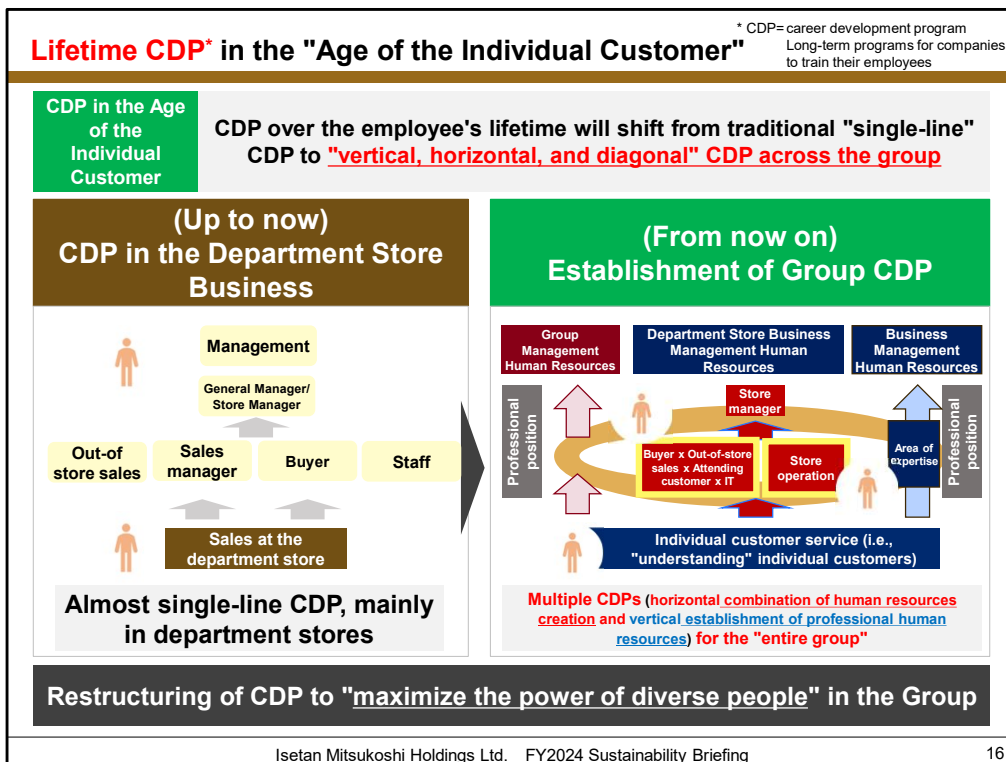


Next, I would like to talk a little about what the individual customer business is, in terms of business model reform for the individual customer business.

In a nutshell, we are transforming our business model from the traditional department store and Japanese customer-centered business model to a business model that places the individual customer at the center, focusing on individual customers around the world.

In other words, we believe that our business model is to thoroughly analyze the individual needs and insights of the customers we have identified, and to create diverse value through the intra-group coordination of our 37 consolidated subsidiaries.

As Hosoya mentioned earlier, we believe that we are now in a period of great change that comes only once every 120 years. Therefore, we believe that human capital strategy must also undergo a transformation.



The next question is what the company will do to transform itself into an individual customer business.

First of all, we believe that it is necessary to consider a different way of training people.

In other words, we believe that it is necessary to make major changes and enhance our program to nurture our employees for their entire lives, which we call the Lifetime Career Development Program (CDP).

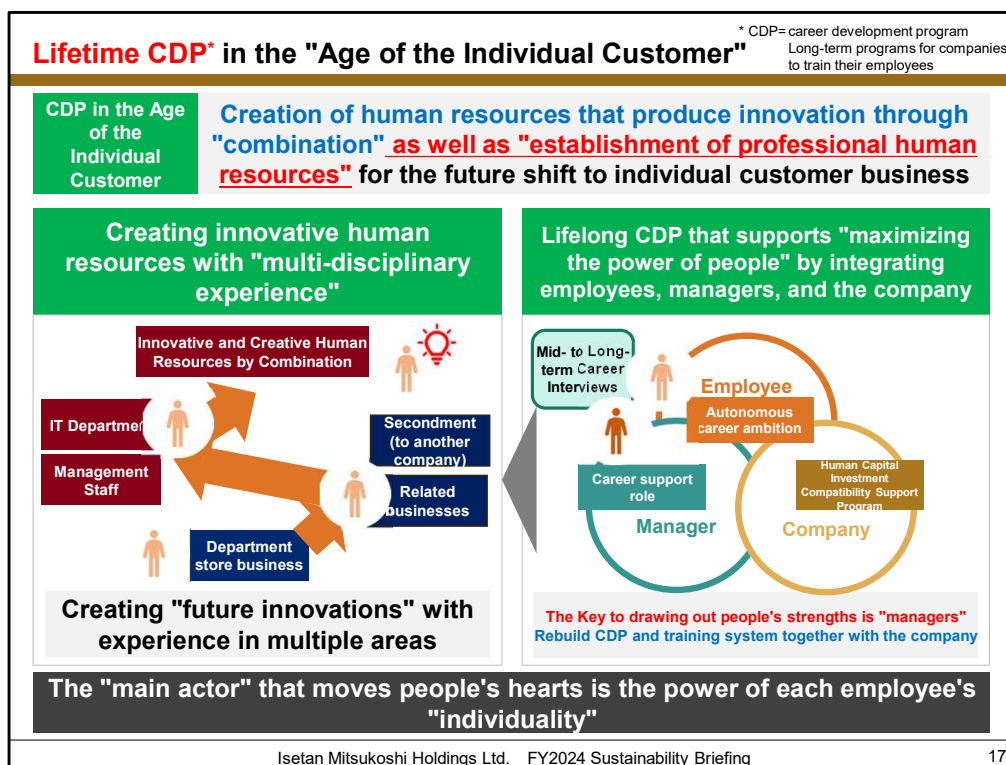
As you can see on the left, department stores have traditionally been the focus, and the career path was almost exclusively single-line CDP, starting with sales operations in stores, becoming a buyer or shop manager, experiencing department head and store manager, and eventually taking on management responsibilities.

From now on, we would like to establish CDP as a whole in the group, as described on the right side.

Naturally, while keeping the core department store CDP in the middle, we will strengthen the route to develop human resources with specialized skills or knowledge in each business characteristic on the right side.

The other group management human resources listed on the left side is our

desire to create a route to produce management personnel capable of truly innovative business creation across the entire group's businesses. Our aim is to maximize the power of diverse people through a group-wide, multi-flow CDP.



I will talk about a system to increase the number of human resources who can innovate by giving them experience in multiple areas while establishing expertise in each business.

To illustrate with the diagram on the left, starting with the department store business, the employee may experience related businesses such as MICARD or IMPD, which is in charge of the construction business, or may be transferred outside the company to acquire skills and know-how in the real estate business. We also expect them to experience the management staff of the Holdings, and to promote DX in the IT department.

We believe that experience in multiple areas is the key to achieving the individual customer business.

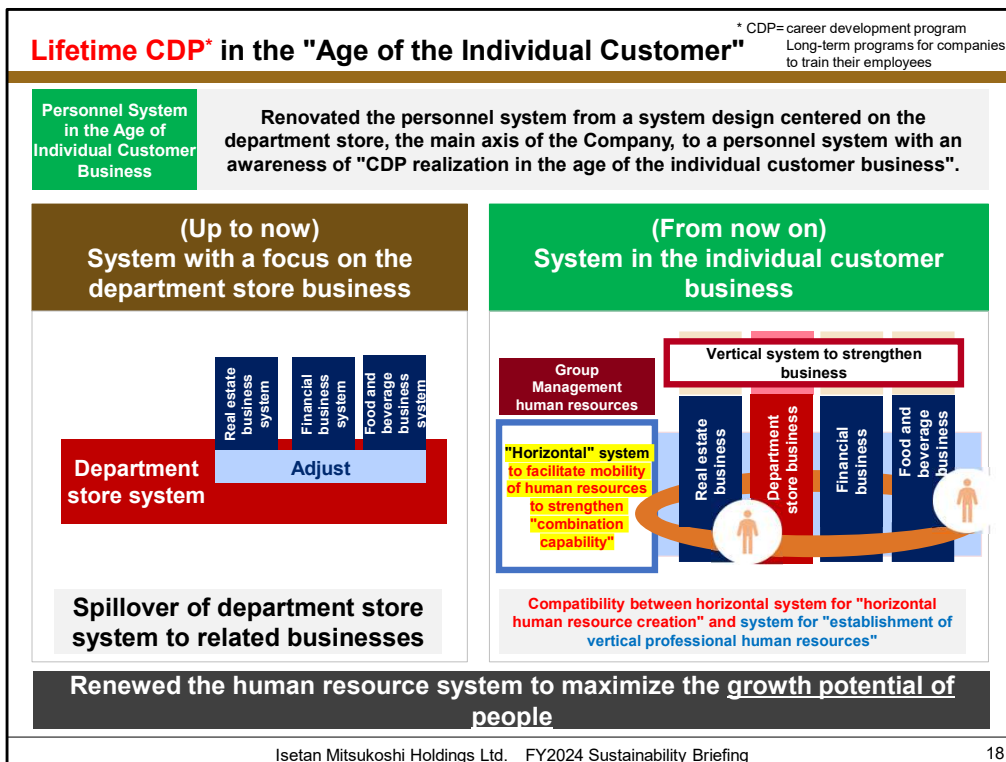
For your information, 21 employees from 14 companies are currently on studying on secondment to outside firms.

In addition, human resources who have returned from secondment to outside companies are now at the heart and driving force of our business.

A member seconded to Nikken Sekkei took the podium at last year's sustainability briefing and gave a case study, and he is now a human resource who is leading our CRE business.

In order to promote cross-functional careers, the concept described in the diagram on the right is what we tell people every time we have an opportunity within the company.

The starting point is for the employee to autonomously develop his or her own career vision. The supervisor is then asked to be the best career counselor to help the employee realize his or her career vision. In addition, the company will invest in human capital and at the same time put in place various personnel and wage systems, etc. We believe that only when employees, supervisors, and the company form a unified three-pronged promotion system, can the power of the individual move hearts and minds.



Next, I would like to talk about the personnel system I mentioned earlier.

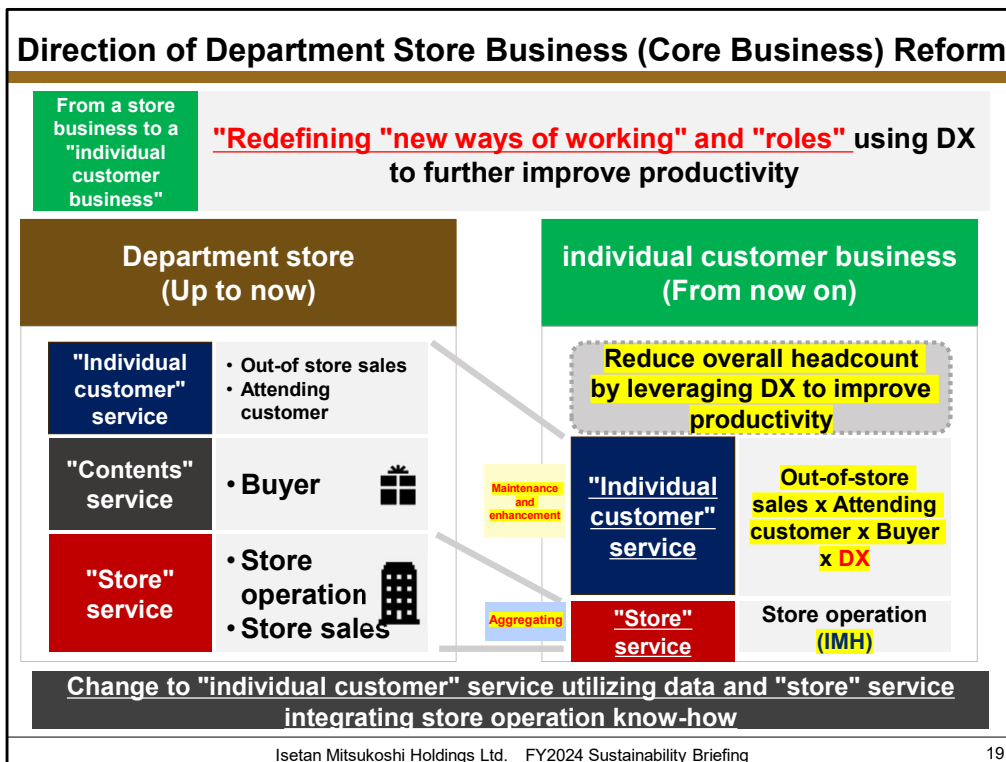
In order to convert to an individual customer business, it is essential to make significant changes to the existing personnel system.

Traditionally, the system was centered on department stores, as noted on the left side.

The design was premised on the department store personnel system, with each business making adjustments to the department store side.

We are considering to balance a "vertical" personnel system to establish human resources who are responsible for business growth in each business by enhancing their expertise, and a "horizontal" personnel system to establish group management human resources who aim for group growth by combining businesses and generating innovation.

Although we assume that it will take some time to design a specific system, we would like to build it up through careful discussions within the company.



I will now discuss the direction of change within the department store business, which remains our core business.

In our current medium-term management plan, we have set out to revitalize our department stores, and each of our employees has been working to increase productivity with a management mindset, leading to increased profits.

In FY2019, the Group's overall total headcount exceeded 19,000. (\*Not including temporary employees)

Currently, The number of employees fell below 16,000 as a result of company-wide efficiency improvements. In addition, the share of the department store business in total headcount has declined from 80% in FY2019 to 68% now. Along with streamlining the department store business, we are focusing on businesses other than department stores, and our personnel portfolio is gradually changing.

We also believe that the use of DX is indispensable for the future of the individual customer business, in order to review the contents and roles of business operations and promote further efficiency.

The dark blue areas indicate that we will strengthen the team consisting of

the out-of-store-sales staff who fulfill the various requests of customers, store attendants who attend to customers in the store beyond the boundaries of the sales floor, and buyers who propose products that customers desire.

In order to further improve the efficiency of the operations of stores, which is shown in red, we would like to gradually consolidate the operations into Isetan Mitsukoshi Human Solutions, a human resources strategy company, which I will introduce later.



We believe that strategic individual customer operations utilizing data and store operations that unify store management know-how will be key to the transformation to an individual customer business.

**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**

|                                      |   |   |   |
|--------------------------------------|---|---|---|
| <b>"Individual customer" service</b> | <b>Out-of-store sales x Buyer x Attending customer x DX</b> | <br>Introduced today 📌 | Contributing to <b>"individual customer business"</b> through <b>"combination"</b> of department stores <b>x outside sales x DX</b> |
| <b>"Store" service</b>               | <b>Store operations and contracting (IMH x DX)</b>          | <br>Introduced today 😊 | Contributing to <b>"individual customer business"</b> by <b>"combining"</b> department stores, <b>DX,</b> and <b>group strength</b> |

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

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The two people we will introduce later are both experienced in multiple areas. These are the human resources that are trying out the next form of individual customer operations and store operations.

The first, Matsushima-san has been a company-wide evangelist by proposing a new workflow that utilizes DX and AI to the out-of-store-sales team, which is now the flower of the department store. The workflow is known internally as the Matsushima model.

Igarashi-san, the president of IMH, a strategic subsidiary, will talk about how IMH can contribute to the individual customer business in the future by deploying the hospitality and store management skills developed in the department store business externally or by taking on the responsibility of educating the entire group as the infrastructure of the group.

**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**

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**Toru Matsushima, Data Strategy Department, IT  
Department**

[Toru Matsushima, Manager, Data Strategy Division, 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



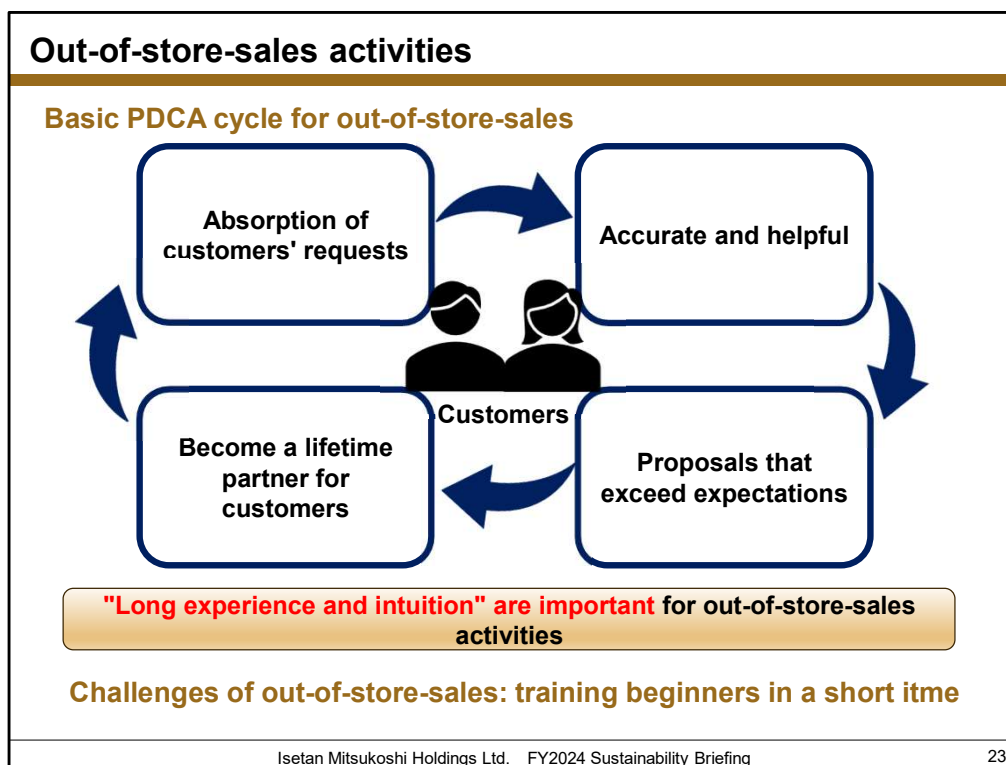
**We are engaged in the service of pursuing customer satisfaction by supporting the out-of-store-sales activities with data, valuing the experience of local stores and out-of-store-sales**

I come from a local department store in the Isetan Mitsukoshi Group. In 1991, I joined Shizuoka Isetan Ltd.

After that, I also experienced out-of-store-sales, which is today's theme, and in 2017, I transferred from Shizuoka Isetan Ltd. to Isetan Mitsukoshi Ltd. using the Isetan Mitsukoshi Group's transfer system.

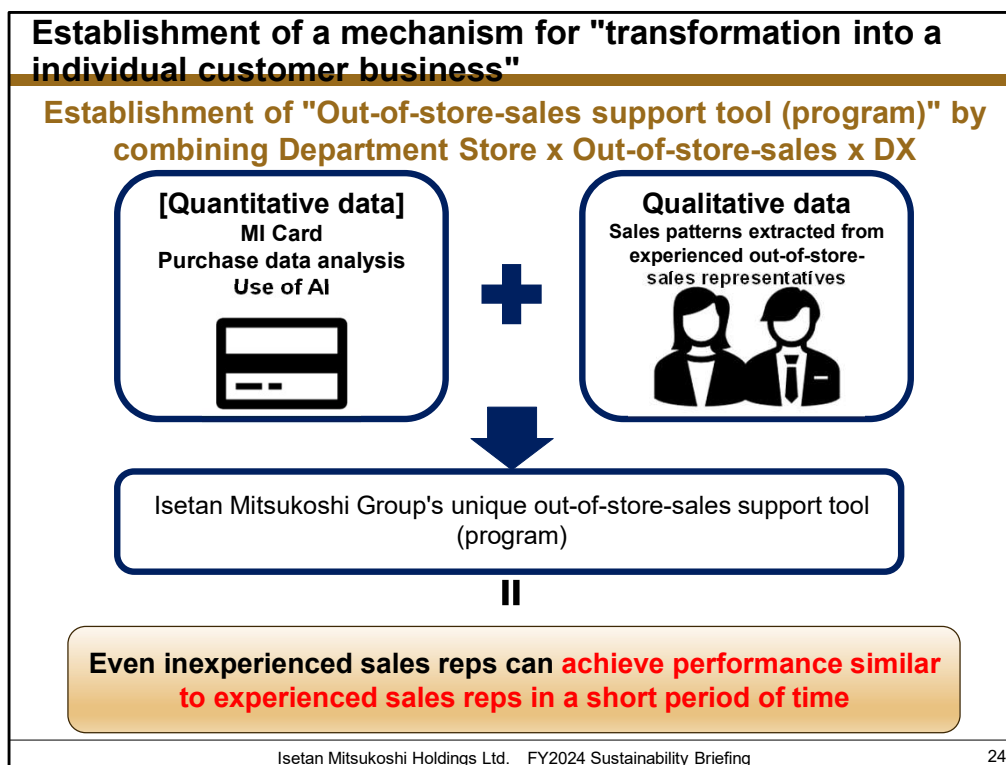
Currently, I have been working in the IT Department for a long time on a sales support program for the Direct Sales Department, which I will introduce later. I have always been in regional stores, not metropolitan stores, and even when I was engaged in out-of-store-sales, I was in charge of sales in a department that was a bit far away from the stores, and thus a bit far from the headquarters department. Although it may seem like a somewhat negative factor, I have experienced a lot of tips on how to do my job.

While utilizing this experience, we are engaged in the pursuit of customer satisfaction by supporting the activities of the Direct Sales Department through data analysis.



The following is a summary of the activities of the out-of-store-sales team. The most important thing for an out-of-store-sales representative is to do his/her best to absorb the customer's requests, to be close to the customer, and to absorb every detail of the customer's request. Second is the stage of precise helpfulness to customers. The most important point is "precise" and how "precise and helpful" we can be. As we communicate with customers, we gradually become able to hear their requests, and the third step is how we can make proposals that exceed their expectations. As the relationship of trust with the customer grows, the fourth step is for the out-of-store-sales staff to become the customer's life-time partner. I feel that the most important mission of an out-of-store-sales person is to be always present in close proximity to the customer and to be always ready to be called upon when there is an important need in the customer's life. Being an out-of-store-sales person requires "long experience and intuition." Currently, our company is undergoing a generational change, with more and more young members who have experienced only department store operations becoming out-of-store-sales people.

They have a wealth of knowledge about merchandises, since they come from department store sales. However, I believe that the biggest challenge is how to overcome the "long experience and intuition" required for out-of-store-sales.



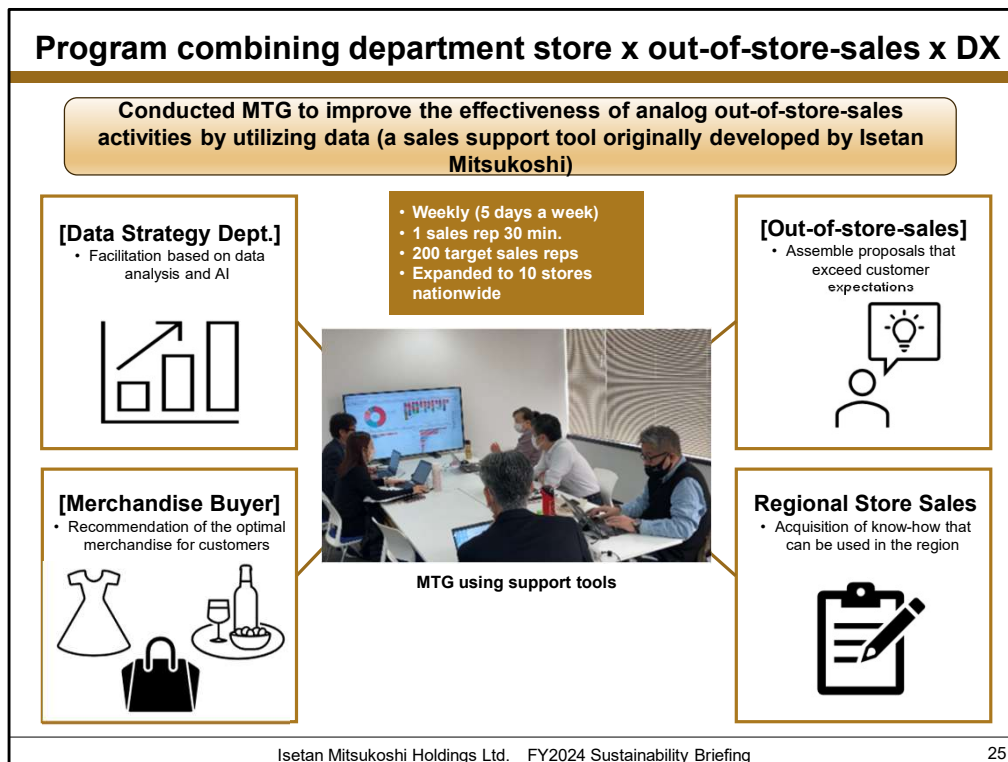
To address this issue, the Data Strategy Division has established the Isetan Mitsukoshi Group's own sales support tools for out-of-store-sales, and a program to implement these tools.

First, we will analyze the quantitative data we have, i.e., actual purchase data of the Group's MICARD. AI has also been utilized in this regard in recent years. AI is guiding us to think, "Customers who buy this kind of product are also likely to like this kind of product," or "Customers may be pleased if out-of-store-sales person proposes this kind of product."

Such quantitative data is multiplied by patterns of sales activity methods extracted from veteran out-of-store-sales people.

In fact, I interviewed about 100 seasoned salespeople and analyzed all 100 activities. It has long been said that somewhat seasoned out-of-store-sales people are difficult to imitate because there are 100 different patterns in 100 different people, but when we looked at the results of our analysis, we found that some common threads existed. As we came to understand this, we created Isetan Mitsukoshi's unique support tool by combining our own quantitative data with the patterns of sales activity methods we had extracted.

This has been fully introduced to the Direct Sales Department since FY2020. Today, even inexperienced out-of-store-sales people can achieve performance similar to that of seasoned out-of-store-sales people in a short period of time in various divisions of the Direct Sales Department.



On this page is a table showing specific initiatives. There are two points.

The first is that an out-of-store-sales support tool alone does not do what it is supposed to do.

We cannot easily obtain sales and customer satisfaction only with support tools. It is important to understand how to interpret the analysis results extracted from the support tools.

The key is to decipher the results because it is important to know how to implement the best actions that will lead to customer satisfaction as a result of the readings by the out-of-store-sales person.

Another is that out-of-store-sales is essentially a one-person activity.

Therefore, the key point is that a specialized unit should firmly encourage an out-of-store-sales person, and a specialized unit should firmly support his or her activities, thereby increasing the accuracy of the activities of the single out-of-store-sales person.

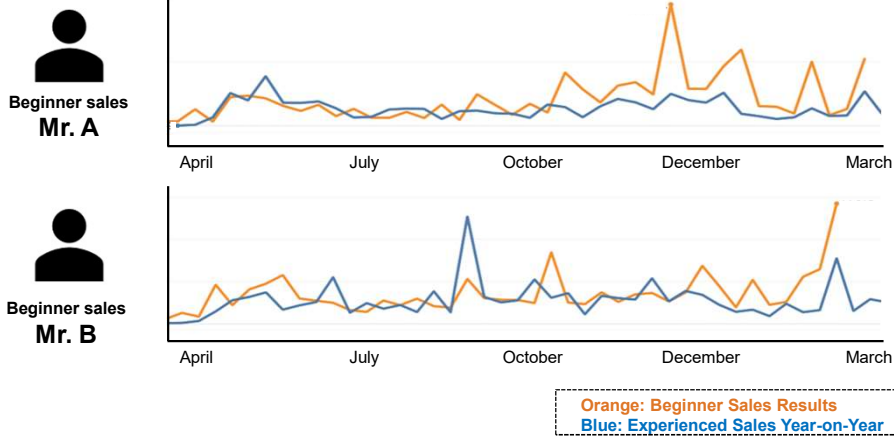
If you leave everything to one person, there will inevitably be differences in activities. It is important to work as a team to improve this, because the differences increase with each passing month.

As you can see in the photo, the out-of-store-sales support program is centered on the support tool, and consists of four parties: our Data Strategy Division, the buyers who purchase products, and out-of-store-sales person, the lead role, and the out-of-store-sales person of the regional stores. First, the Data Strategy Division will review the analysis data from the support tools. Data is like a living organism and will change from week to week. The Data Strategy Division immediately deciphers them and proposes hints for actions that will lead to customer satisfaction on the spot. For example, when analyzing data on the number of purchases sold during the week, analysts tend to focus on data on sales of expensive items. Even the smallest movement of data can have behind it the customer's high concern for sophisticated and high quality. We tell them things like, "Let's not let out-of-store-sales person miss those changes," or "According to the results analyzed by the Data Strategy Division, this is what out-of-store-sales person should propose next week, according to the AI analysis." The buyer sitting next to me will then raise his hand and immediately say, "Then, I have a good product in my area of responsibility, why don't you suggest it to me? Then, since the out-of-store-sales staff exists closest to the customer, the customer's face comes to mind. It is easy to think, "I bet this customer would be very pleased if I proposed the product he just mentioned." A out-of-store-sales person belonging to a regional store who is watching from the side can take notes and write down the know-how and "this kind of movement is taking place at Isetan Mitsukoshi in the Tokyo metropolitan area" from what was just discussed, and spread this information when he or she returns to his or her own department. Thus, we are proceeding with the reading based on the supporting tools. This initiative is held five times a week and is repeated every 30 minutes per out-of-store-sales person. The target sales force is spread across 10 stores nationwide, with more than 200 salespeople receiving these meetings in a single week. We initially started with Isetan Mitsukoshi stores in the Tokyo metropolitan area in 2020, but now we are considering initiatives to improve customer satisfaction by using this tool in Isetan Mitsukoshi Group stores nationwide. The point of this initiative is to "answer the next out-of-store-sales activity, although it will only take 30 minutes."

## 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



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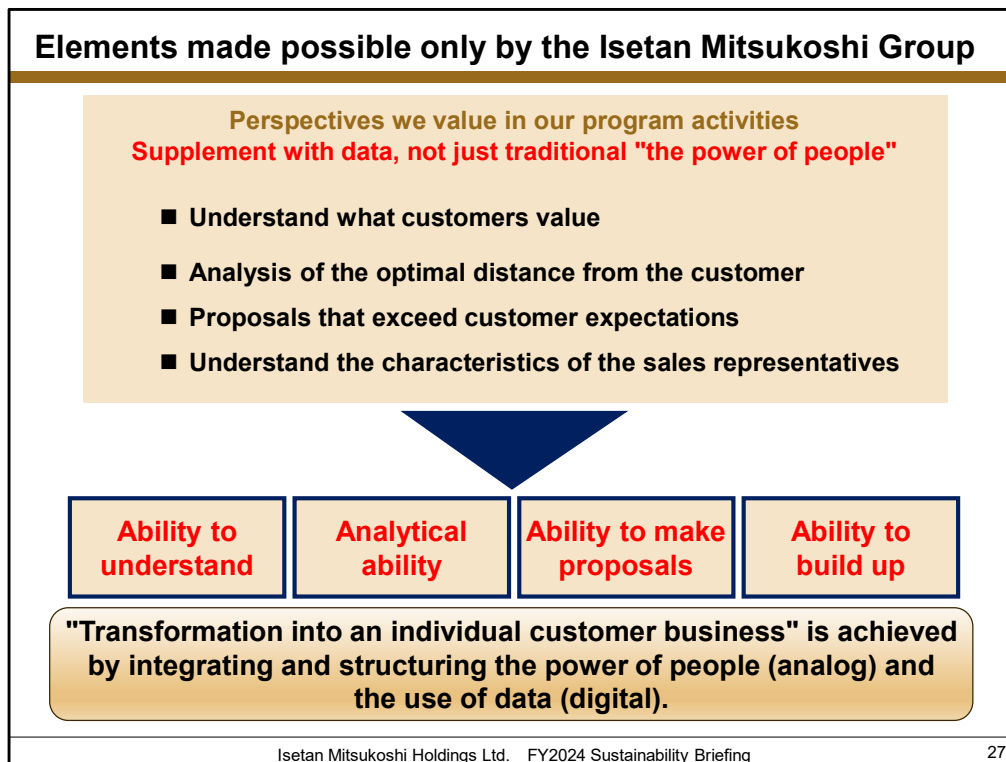
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Here are the results from the out-of-store-sales support tool and program. Even inexperienced beginner out-of-store-sales people have achieved results comparable to veteran out-of-store-sales people in their first year in their respective organizations. As a slightly extreme example, the blue line on the graph shows the graph of sales made by a veteran out-of-store-sales person for 52 weeks over the last year. The orange line shows the 52-week transition for the current year since beginner out-of-store-sales person replaced the veteran due to the generational change. Until now, it has been said that it takes about three years for a beginner out-of-store-sales person to acquire the skills of a seasoned out-of-store-sales person. Naturally, in the first half of the year beginning in April, the performance of the beginner out-of-store-sales person has not been able to easily keep up with the performance of the veteran from the previous year. However, this graph shows that in the first half of the year, he learned his way using this program, and for the second half of the year, he began to exceed the sales of the veteran in some weeks.

And as a result, the total annual sales performance of the beginner out-of-

store-sales person has surpassed the veteran's. This can also be interpreted as increased customer satisfaction.

We in the Data Strategy Division could not have predicted that the results would be this good at first, but as we continue to do this, we are seeing cases like this in various locations. We are now promoting this initiative throughout the country.



Here are four things we value in this program activity.

The first is that "out-of-store-sales people should use the results of the analysis to understand what customers value anyway."

After all, the best proposals by out-of-store-sales people cannot be made unless they themselves first understand what is important to the customer.

In general, people tend to focus on large data movements, but in many cases, what customers value is expressed in small data movements, so we tell them, "Let us check small data movements carefully."

Second, "make sure you have a good grasp of how to optimally distance yourself from your customers on the data." Some customers say, "I want the out-of-store-sales person to always be close to me," while others say, "I don't need close communication with the out-of-store-sales person, I just want constant information about products and services." This support tool will give you some hints on how to optimally keep distance from customers, so we also suggest such things with this tool."

The third point is an important one: "proposals that exceed customers' expectations." Relying on the experience and intuition of veterans will inevitably lead to biased proposals, so by introducing AI, we are guiding them to new proposals.

I often tell salespeople, "In the AI proposal, you should sell this kind of product," making an unexpected suggestion, and they say, "What?" But I have come across many cases in which they say, "The customer was very pleased when I told them as the AI proposed."

We first started this initiative to encourage beginner out-of-store-sales people to implement it, but gradually experienced salespeople began to express a strong desire to do so as well, and the initiative is now spreading.

Finally, the fourth important point is for each out-of-store-sales representative to understand their own characteristics. Salespeople will devote themselves to understanding the customer in front of them, so they are often unaware of their own features.

When the Data Strategy Division presents the data analysis and says, "Your sales activities have these characteristics," the good activities performed by the out-of-store-sales people for the customer will be patterned and the same quality will be proposed to the next customer. That is also what we do at these meetings.

These four points are intangible assets that the Isetan Mitsukoshi Group has accumulated over the years through the "power of people." Intangibles can take a long time to be replaced generationally, and there are many obstacles to propagate them to other divisions. This initiative aims to compensate for this, even if only a little, through the power of data analysis.

This initiative is a "transformation into a individual customer business" that pursues optimal proposals and satisfaction for each and every customer by combining the "power of people," "utilization of analog and data," and digital technologies into a system that patterns various things, including the ability to understand, analyze, make proposals, and accumulate information.

**Case Study②**  
**Human Resource Development and Group  
Contribution through Expertise**

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



Next, I will introduce a case study of Isetan Mitsukoshi Human Solutions under the theme of "Human Resource Development and Group Contribution by Utilizing Expertise."

My name is Ken Igarashi, and I am the President and Representative Director of the company.

**<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



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

First of all, let me briefly explain my background.  
After joining the company in 1993, I gained experience in sales and purchase operations in department stores.  
Since 2011, I have worked as a product manager and sales manager in the gentlemen's area, and since 2021 I have been in charge of the cosmetics area, which is a different product area.  
And since 2022 I have been in charge of my current human resource services company.



Since our company name is long, we will be referred to from now on as IMH for short.

Here is a brief overview of IMH.

We are a comprehensive human resource service company established based on the Isetan Mitsukoshi Group's Human Resources Department.

Our business areas include temporary staffing, store management agency, human resource training, and HR shared services.




Annual sales are 3.6 billion yen, and the company employs approximately 450 people, of which 210 are cosmetics workers.

We have approximately 50,000 registered staff members.

The number of training sessions is approximately 450 per year, the number of companies involved is approximately 600, and sales offices are located in Tokyo, Nagoya, and Fukuoka.

## Isetan Mitsukoshi Human Solutions (IMH) Company Profile

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

|  |  |
|--|--|
| <p><b>Beauty business</b></p> <ul style="list-style-type: none"> <li>• Store management inside and outside the group with professional human resources</li> <li>• Consultation services for skill development</li> </ul>                                | <p><b>Human resource training</b></p> <ul style="list-style-type: none"> <li>• Develop measures for establishing "vertical professional human resources" and creating "horizontal" group management human resources for human resource platform creation</li> </ul>  |
| <p><b>Temporary staffing and outsourcing</b></p> <ul style="list-style-type: none"> <li>• Supporting the Isetan Mitsukoshi Group through horizontal relationships</li> <li>• Specialized skills to promote in-house production of the group</li> </ul>  | <p><b>Shared personnel</b></p> <ul style="list-style-type: none"> <li>• Aiming for operational efficiency and further convenience through DX</li> </ul>    |

**Expand business to increase revenues internally and externally**

Isetan Mitsukoshi Holdings Ltd. FY2024 Sustainability Briefing 31

Next, we will explain the characteristics of IMH. IMH is engaged in four businesses that utilize people's know-how, expertise, and experience as unique points of reference. The first is a beauty business centered on cosmetics with specialized personnel to manage stores inside and outside the group. The second is a human resources training program to develop vertical business-specific human resources for the human resources base and horizontal group management human resources creation. The third is a temporary staffing and contracting business that provides horizontal support to the Isetan Mitsukoshi Group and promotes the Group's in-house production with specialized skills. Finally, the fourth is the HR shared business, which aims to improve operational efficiency and further convenience through DX. We are currently aiming to expand revenues internally and externally by changing our business model for these four businesses.

**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**



**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**

In this presentation, I will introduce examples of store operations in the beauty business and professional human resource revitalization in the contracting business from among these businesses. Currently, IMH is entrusted by Isetan Mitsukoshi with the management of a small store named "ISETAN MiRROR." With the concept of a cosmetics select store where you can buy just what you want, just when you want it, 20 stores operate including those in station terminal buildings and shopping centers. As features, we have gained the support of our customers by preparing a purchasing environment that allows comparison across brands and a beauty department staff that enables a free buying process. The value provided to customers by "ISETAN MiRROR Stylists," the beauty department staff known as the professional group of "cosmetics and skin," is important. Our company is responsible for the recruitment, training, and sales activities of this beauty and operations staff, which currently numbers 210 members.

The company has developed a personnel system, education system, and working environment that support beauty professionals, and is using this expertise to revitalize its professional human resources, and is promoting the expansion of contributions within the group and the expansion of external sales.



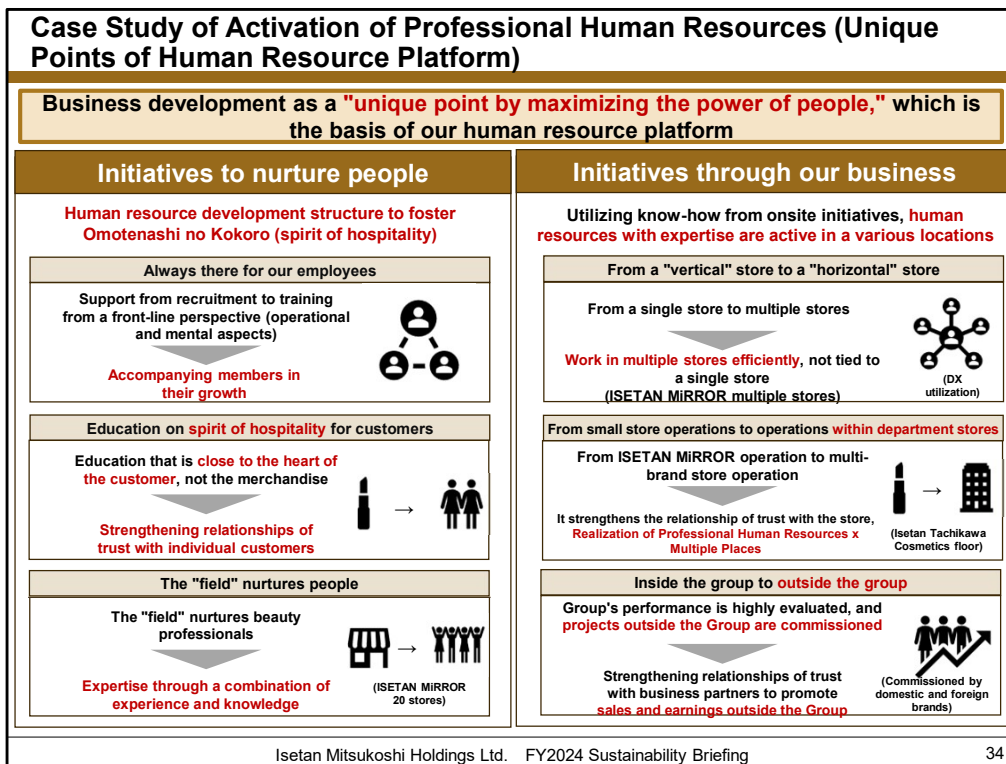
Next, I will explain about human resource development.

Upon joining the company, our human resources will grow through in-store sales experience, acquiring everything from basic knowledge of cosmetics to manners as a member of society and the hospitality of department stores, in stages according to the skill level of each individual employee.

Based on the experience of "ISETAN MiRROR," the company will develop professional human resources by transferring them to the department stores within the group.

Returning employees are responsible for external sales and strengthening client relationships. Through this experience, they will be able to manage store operations with a sense of hospitality and a high level of expertise, and will also be responsible for external business development, as shown in the upper right-hand corner.

We have established a personnel system that is limited to the beauty field, allowing employees to take on various career challenges within their area of expertise, which is also an advantage in attracting human resources.



Next, I will explain the unique points of IMH's human resource platform. I will begin with a three-point explanation of "Initiatives to Develop Human Resources" on the left side of the sheet. The first is an initiative to develop human resources.

IMH's approach to human resource development that fosters the spirit of hospitality has the following three characteristics

The first is to be attentive to employees.

We handle the hiring and training of people, and have a system in place to accompany the 210 members in both business and mental aspects as they build their careers.

Specifically, we have established a personnel system that allows for career development in the beauty field, a comfortable working environment, and a system in which supervisors closely follow up with their members.

The second is the education of hospitality that is close to customers. We have about 20 different proprietary training programs.

IMH has a prerequisite before the mere acquisition of knowledge: education that is close to the heart of customers.

Strengthening the relationship of trust with customers is the first priority, and knowledge acquisition is based on this.

For example, the term "Select 3" is in the IMH.

This is a statement that IMH employees are to be selectors, not sellers.

Selector means someone who helps customers choose.

3 means that selectors help customers make purchasing decisions by offering them three products.

Third, the sales floor develops people. IMH has a site commissioned by Isetan Mitsukoshi, where we develop professional human resources.

The constant combination of experience and knowledge creates a high cycle of specialization and development.

Next, the right-hand side, "Initiatives through Business," is also divided into three sections. Utilizing the know-how of on-site initiatives, our specialized skilled human resources are now beginning to play an active role in a variety of locations.

The first is changing from a single store to multiple store operations to improve productivity.

Work efficiently and actively in multiple stores, not tied to a single store.

To achieve this operation, we also utilize digital tools for business reform offered by the Isetan Mitsukoshi Group.

Second, we are shifting our business domain from the operation of small stores to the operation of stores within department stores.

We are expanding our store operations from operating only "ISETAN MiRROR" to also accommodating multiple brands.

We have built trust with stores, and professional personnel are working in various departments. For example, we have begun to manage the sales of cosmetic brands at the Isetan Tachikawa store.

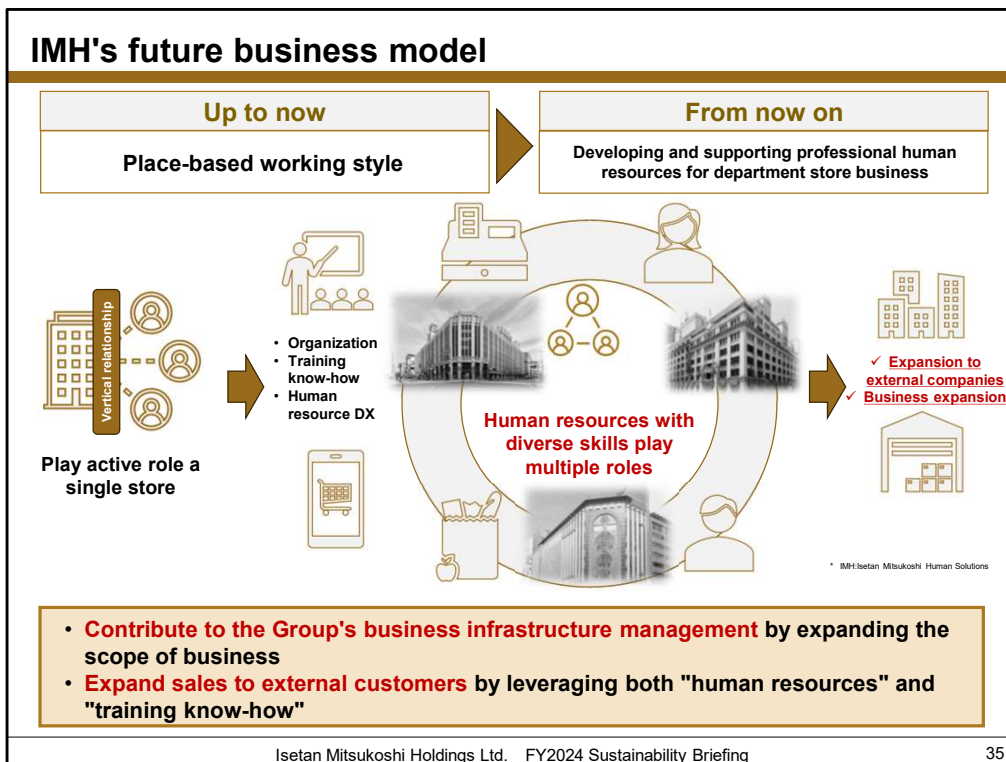
Finally, the third one.

We are expanding from operating stores within the Isetan Mitsukoshi Group to operating stores outside the Isetan Mitsukoshi Group.

We have been entrusted with projects outside the Isetan Mitsukoshi Group in recognition of our achievements within the Group.

Our trusting relationships with companies outside the Group have become stronger, and operating revenues from outside companies are increasing.

Specifically, we are currently supporting a wide range of initiatives with domestic and international brands dealing in makeup, skincare, and beauty appliances, not only in sales, but also in the establishment and operation of stores.



Finally, I would like to explain the future business model of IMH.

Building on the system established in the beauty business, IMH will support the development of professional human resources for the department store business based on IMH's know-how from now on, instead of working based on the store location so far.

And as you can see in the circle in the middle, we will enable people with specialized skills to work in a variety of departments and locations.

In the future, IMH intends to contribute to the operation of the department store business, which is the foundation of the Isetan Mitsukoshi Group, while gradually expanding its area of expertise, and to expand sales of human resources services to external parties. That is all for the explanation.

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

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Tomoko Ando, External Director

[Tomoko Ando, External Director]

I would like to comment on today's theme from the perspective of an External Director.

First, in terms of human resources strategy, I believe that the Isetan Mitsukoshi Group is boldly facing two major changes at the same time.

The first change, which is required in Japan as a whole these days, is to evolve from operation-centered HR operations to strategic HR operations.

The second is the evolution of human resource strategies required to achieve our vision.

So what is the progress toward these two challenges? There are three points here, the first of which is to raise awareness.

Last year, the Isetan Mitsukoshi Group redefined its corporate philosophy and fostered a culture of dialogue based on that philosophy, and dialogue activities are ongoing.

The second point is institutional reform. After presenting an overall picture of what institutional reform should look like toward the organization we are aiming for, we are putting it into concrete measures one by one.

The career development plan and supporting measures mentioned today are indeed one of the key themes of this plan.

And the third point is that the company is promoting its unique reskilling to transform itself into an individual customer business.

As mentioned earlier in the explanation, a multi-track career development plan, and also the use of DX. In addition, its unique knowledge that the company has cultivated up to now. Create a new system to systematize and share these knowledge. It is also an attempt to provide the systematized knowledge to society in a new business form. We feel that this is what is being done. I feel that the utilization of DX and the systematization of knowledge are the very science part. The company is now attempting to provide new value to the world by adding an art perspective such as its unique editing skills to the science part.

In other words, I feel that the company's unique reskilling, which includes both science and art, is progressing, and I have great expectations for the future.

Then, what will society demand more of us in the future? The first is that we must further speed up the time to realize our initiatives. In order to increase this speed, I hope that the Isetan Mitsukoshi Group will make further investments in the strategic human resources area.

And also, secondly, I think it would be good to promote what is called "reskilling as an organization."

The reskilling I am referring to here is the idea of using the perspective of organizational development to create an organization and team in which our employees can grow on their own.

Human resource development and organizational development are like the two wheels of a car, but I often feel that in Japanese organizations, the focus on organizational development is relatively small.

Organizational development is the concept of cultivating an organizational culture in which all members of the organization can grow continuously by improving the quality of relationships, communication, and involvement of all members of the organization.

Take the example of women's success. If we view women's success as the development of female human resources, it is from the perspective of human resource development.

On the other hand, if we look at this from the perspective of building an organization and fostering a culture in which people with diverse personalities

can play an active role, this is the perspective of organizational development.

Both perspectives, human resource development and organizational development, are important, and although there is no clear distinction between the two, I believe that it is also very essential to address the promotion of women's activities from the perspective of organizational development, i.e., what kind of future organization and culture we want to create.

Now, as an example, I mentioned women's activities, but essentially, working on organizational development also means cultivating a culture of diversity among people through the process.

And it is precisely to make the richest use of diverse personalities. In other words, I believe that this will lead to "maximizing the power of people," and I believe that it will also lead to the revitalization of the organization's power to absorb diverse knowledge and ideas that are completely different from those of the department store business, edit them on its own, and create new value.

I believe that the cultivation of a culture of dialogue that we are currently promoting has already begun with organizational development as a gateway, and that if the company could expand its activities from an organizational perspective together with individual reskilling in the future, it would lead to a very big opportunity for our company.

As I mentioned, there are many areas where progress is being made and areas where we would like to see more progress, but it goes without saying that our important role as directors is to firmly support this transformation.

In this respect, I feel that the company's directors and committees are engaged in wide-ranging dialogue and discussion based on diverse perspectives that are conducive to this transformation.

Last but not least, I believe that the company has great potential to create new business models.

Pursuing both economic and social value at the same time sometimes means facing a dilemma.

We are looking forward to meeting this challenge head-on, believing that it will lead to an opportunity to present the full extent of our company's potential to the world.

I believe that looking to the future means not only drawing a line from the current situation, but also facing the gap between our own vision and the current situation, and committing to actions that will address that gap.

In light of these points, I will fulfill my responsibilities as a director by firmly supporting this change.

## <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

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|---------------|--|
| 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)                  |