Isetan Mitsukoshi Holdings

Fiscal 2024 Sustainability Briefing

Date: Dec. 6, 2023 (Wed.) 10: 30 - 12: 00

Our company Speaker: Toshiyuki Hosoya, Director, President and CEO
Tomoko Ando, External Director
Akira Kimbara, Managing Executive Officer, CAO, CRO and CHRO
NIKKEN SEKKEI LTD., Project Development Dept., Project Management Group
Koki Ito, Associate Facility Consultant, Solution Strategy Office
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Q. With Japan's declining birthrate and aging population, it will be important to attract talented people in the future. Please let us know if there are any initiatives the company is considering to attract talented employees, not only for new graduates but also for mid-career hires such as young employees and professionals.

A. Kimbara) In hiring this year, we placed the highest priority on hiring people who understand and sympathize with our company's medium- to long-term vision and corporate philosophy. Because the Isetan Mitsukoshi Group has potential not only in department stores but also in real estate and finance businesses, we were able to attract talented students who felt that the unique combination of businesses that other companies could not replicate would be worthwhile.

On the other hand, we believe that it is more important to promote the specialized human resources in order to promote "Urban Community Development. " In particular, we would like to promote the real estate business, including mid-career employment. Currently, about 2% of our group's managerial-level employees join the company in mid-career, with the department store business is the main contributor. Going forward, we hope to secure the necessary human resources while expanding mid-career employment in all areas, not just the department store business.

Q. What are the strengths and challenges of the Isetan Mitsukoshi Group's board of directors, decision-making and management? In particular, we would like you to tell us what you feel is possible when this situation changes.

A. Ando) In fiscal 2020, our company shifted its institutional design to a company with a nominating committee, etc., and its governance functions are now in place. At the Board of Directors meeting, the agenda has shifted to monitoring and discussing management from a long-term perspective, not only for the present but also for the future up to 10 years, and I feel that active exchange of views and constructive discussions based on the essence are being held. It is because the executive and the board of directors can build a relationship of trust amid tension that they are able to actively exchange opinions and engage in constructive discussions based on the essence of the matter. In addition, our company also ensures transparency of information and establishes a forum for high-quality discussions and dialogue.

Since I was appointed as an external director in fiscal 2022, I cannot compare it with the past. However, based on the results of various effectiveness evaluations and the stories from people around me, I feel that our company has changed and evolved tremendously over the past few years, and I think it shows the high potential and energy of our company.

On the subject, I believe that governance has no end and must constantly evolve. Therefore, there is still more work to be done. The more it evolves, the more it must evolve governance. In particular, I think that how we deal with non-financial information and how we connect intangible assets to the future corporate value will be the company’s potential growth. How to deal with non-financial information and how to link intangible assets to future corporate value are issues facing not only our company but also Japan as a whole, and our company is just starting to do , so I look forward to its evolution in the future.

Q. I once again recognized that dialogue with employees is at the heart of our human resources strategy. I would like to ask Mr. Hosoya to tell us about the strengths and challenges of the Isetan Mitsukoshi Group in terms of human resources strategy and what you realized through the dialogue.

A. Hosoya) Recently, I have been talking with manager-level or higher employees of affiliated companies and regional operating companies. We will revitalize department stores and transform marketing methods from mass to individual. We will thoroughly collect individual customers and spread them to affiliated companies. I believe that the employees' understanding of the strategy gave the entire Isetan Mitsukoshi Group great strength. The relationship between department stores and affiliated companies has completely changed, and under the name of "Intra-Group coordination," the idea of thinking about the happiness of customers, making proposals, and making them profitable has spread to every corner of our group, and I feel that the eyes of employees are changing when they talk to each other. I feel that the strategy of the Isetan Mitsukoshi Group as a whole influences the thinking of each affiliated company, such as "how to create a unique new system by ourselves" or "how to spread the hospitality of department stores to related businesses." I realize that three years of dialogue is not a waste.

Q. Is it correct to understand that the science of employees, organizations, and individuals has clarified the roles and career advancement of each employee, and has created an environment in which employees are motivated to work? Please tell us about the concept of revitalizing human resources that began with a review of the corporate philosophy as we aim for greater growth toward " Urban Community Development "

A. Hosoya) We shared our vision for the future with all employees, which made them feel more excited. In addition, the company's recent turnaround has boosted employee confidence. Over the past year, we have been discussing our corporate philosophy of "For People" and "By People." With the addition of innovation in the company's raison d'etre, I feel that employees are more excited and smiling when I walk in the field. I am very happy that the situation has changed significantly from what it was three years ago during the COVID-19 pandemic.

A. Kimbara) First of all, the recovery of the department store business improved the overall atmosphere of the company, and I believe that the corporate philosophy of "the power of people" was conveyed to employees as a message. I feel that each employee is starting to ask the question of how to move the mind. The human resources department has also begun to work on wage and work style reforms that our company has not been able to improve for many years. I believe that one of the characteristics of our company is that wage and work style reforms are carried out in dialogue. Through dialogue, employees are starting to think about our company's new retail business. We will work not only in the human resources department but also in the Intra-Group coordination to encourage people to learn careers autonomously.

Q. Do you have an image of increasing the number of specialists, mainly in the real estate and finance businesses? Please let me know if you have any mid- to long-term plans regarding mid-career employment ratio, seconded employees, etc.

A. Kimbara) At present, the Isetan Mitsukoshi Group is reviewing recruitment activities at each business. Currently, the ratio of mid-career employees in management positions within the Isetan Mitsukoshi Group is 2% of the total employees, but our company hopes to increase the number of mid-career employees in the future. Our company believes it needs to hire more people, especially in the real estate business. Instead of simply having a person who is familiar with the real estate business as the manager of the business, we want to identify the skills necessary for assembling the real estate business as an individual customers business and carefully search for a person who meets the requirements. Our company believes that it is important to identify with the Isetan Mitsukoshi Group's corporate philosophy and medium- to long-term strategy in hiring employees.

Q. As the real estate and finance businesses become more important within the Isetan Mitsukoshi Group in the future, will the company reduce the number of employees at domestic department stores and focus on real estate and finance?

A. Hosoya) I think it is very important to focus on real estate and finance businesses. The department store business uses the "Scientific analysis of department stores" method to create a business model that can be operated by a small number of elite employees. The Isetan Mitsukoshi Group has a strong understanding of department stores business and is committed to spreading its hospitality to other businesses. Our company has the concept of creating new value by enhancing the cooperation of Isetan Mitsukoshi Group's affiliated business companies.

Q. Does the Isetan Mitsukoshi Group plan to introduce a role system of Isetan Mitsukoshi System Solutions? Please let us know if there are any new personnel policies or systems to be implemented.

A. Kimbara) At present, highly specialized business companies such as Isetan Mitsukoshi System Solutions and Isetan Mitsukoshi Property Design have introduced a system similar to the roll system to measure the treatment of highly specialized human resources. While examining this system, our company is considering not only the appointment of generalists, but also the appointment of specialists and a double-track personnel system. However, I believe that the promotion of expert personnel and the double-track personnel system will not be successful unless there is not only the introduction of the system but also dialogue and the attitude of the superiors. Our company will work on institutional design as well as on changing attitudes.

Q. I think the ratio of female managers at Isetan Mitsukoshi Ltd. is about 27%. Please let me know if there is a target for the ratio of female managers in the future and any specific measures to increase the number of female managers.

A. Kimbara) The ratio of female managers at Isetan Mitsukoshi Ltd., is 27%, while that of the entire Isetan Mitsukoshi Group is 30.6%. Our company has set a target of raising the ratio of women managers in the group as a whole to 38% by 2030.

Originally, about 70% of our company's employees are women, and many of its customers are also women. Therefore, we believe that raising the ratio of female managers is not only a matter of diversity, but also a necessary and important issue in order to properly grasp customers' lifestyles.

With regard to support measures, particularly for women, it is necessary to respond to changes associated with life stages. Therefore, our company is promoting a system for taking parental leave and a system for male parental leave. The company is also expanding its work-from-home and short-time programs.

The other day, we held a discussion with six female department heads and outside directors. Our company hopes to promote the advancement of women through various educational activities.