FY2025 Sustainability Briefing

Isetan Mitsukoshi Group's Human Capital

Tuesday, December 2, 2025

Isetan Mitsukoshi Holdings Ltd.

Today’s Agenda

1. **Background to Our Human Capital Initiatives**
   Toshiyuki Hosoya, Director, President and CEO
2. **Human Resources Strategy Aimed at Transformation into an Individual Customer Business**
   Akiko Kano, Operating Officer, CHRO

   Case Studies

   ❶ Isetan Mitsukoshi Ltd.
   Toshihiko Tanemura, Planning Leader, Isetan Shinjuku Store Ladies’ and Children’s Wear Division, Merchandising Group II,

   ❷ Isetan Mitsukoshi Ltd.
   Atsuko Kawamoto, Planning Leader, MICARD App Promotion, Sales Operations Division, Isetan Shinjuku store
3. **Evaluation and Expectations of Isetan Mitsukoshi Group- Human Resource Strategy**
   Chieko Matsuda, External Director
4. **Question and Answer Session**

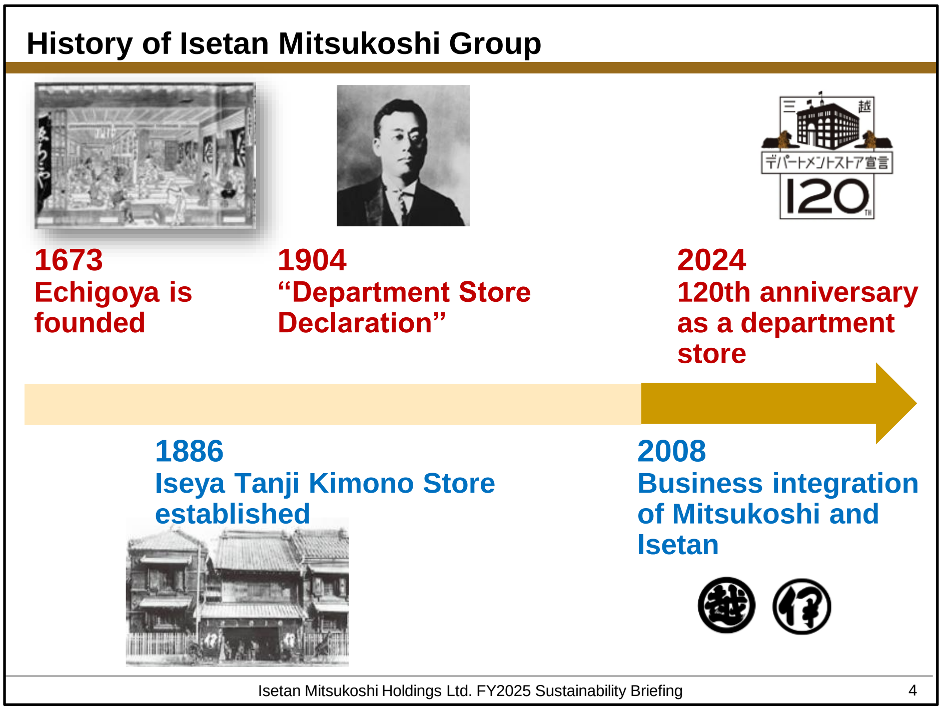
Today’s agenda is as shown. Hosoya will begin, followed by Kano. We will then introduce exemplary cases presented by Tanemura and Kawamoto, and External Director Matsuda will close.

1. Background to Our Human Capital Initiatives

Toshiyuki Hosoya, Director, President and CEO

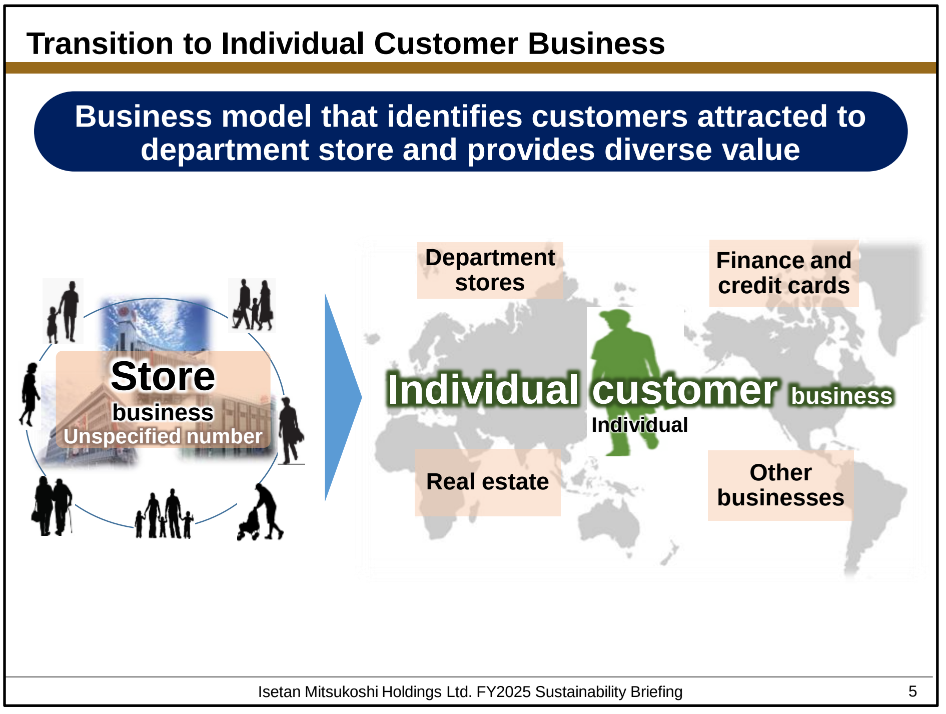
[**Director, President and CEO Toshiyuki Hosoya**]

This is Hosoya. I will start by sharing, from my perspective, the background to our focus on human capital—what the company has thought through from the past to the present and into the future, and what we will continue to consider.



Our origins trace back to Echigoya, the predecessor to Mitsukoshi, founded in 1673—352 years ago. In this long history, the epochal moment I consider most significant is the Department Store Declaration of 1904. It marked a decisive model shift from specializing in a single category—kimono fabrics—to handling the wide range of merchandise that earned the name “department store.”

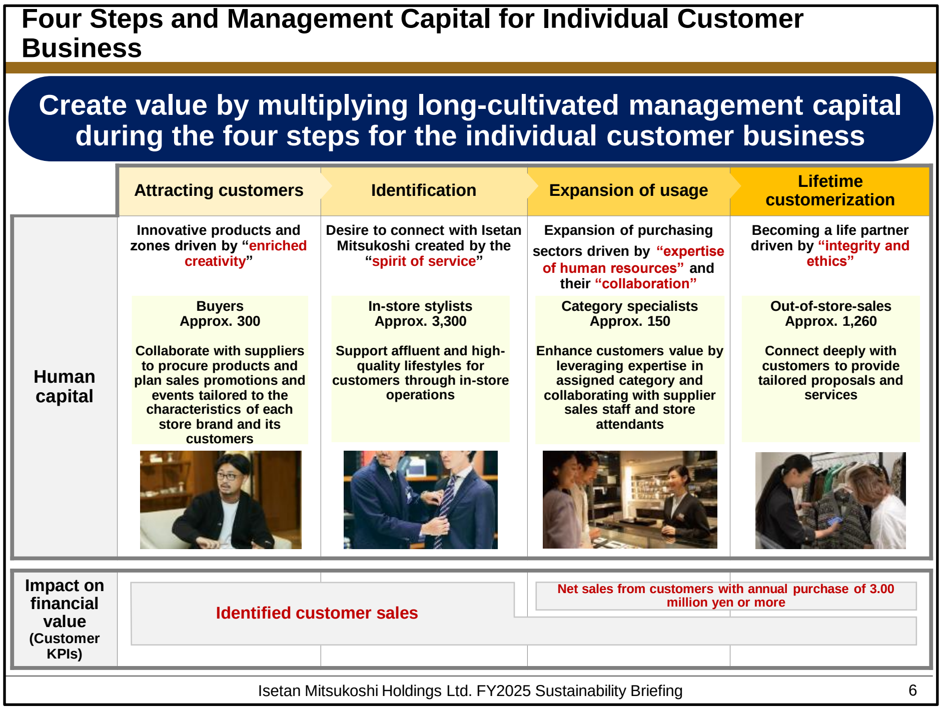
Over the 120 years since, we have continued to weave the “history of department stores.” However, we recognize that the strengths intrinsic to department stores have gradually diminished in recent years. Accordingly, we believe it is time to rediscover and redefine the significance of another major model shift.



Let me explain briefly our current state. We define the traditional department-store model as the “Store business.” In this model, the primary task was to draw people into the store; once that was achieved, our role largely ended. Customers then roamed freely, made purchases, and sales and profit followed as the result.

While this Store business persisted for 120 years, the total sales of the Japanese department store market have fallen from roughly 10 trillion yen at their 1991 peak to around 6 trillion yen today. We therefore feel strongly that now is the time to transform from the Store business to the “Individual customer business.”

Conceptually, the Individual customer business begins by thoroughly attracting customers across Japan and around the world and first converting them into our customers. Through their use of our cards and apps, we identify customers and strive to enter their hearts, deepen our understanding, and comprehensively grasp their needs and preferences. We then optimally deliver diverse goods, experiences, and services to each individual. Through these processes, we aim to forge stronger connections and turn customers into fans—building relationships one by one, harnessing either the power of people or digital tools to deepen engagement.



We analyze the Individual customer business scientifically in four steps: "Attracting customers," "Identification," "Expansion of usage ," and "Lifetime customerization." We clarify how human capital engages at each stage.

First, in Attracting customers, our 300 core buyers diligently refine each store, and plan and execute new products and special promotions to invite customers in. Next, in Identification, 3,300 in-store stylists from our company and roughly 30,000 stylists from our business partners identify customers—encouraging them to use cards or apps, or to become out-of-store-sales customers—so that we can capture all customers in profiles. With customer identification in place, we are able to understand purchasing behavior and patterns. By proposing optimal goods and services, we drive Expansion of usage . In this phase, category specialists are most deeply involved. Building on these diverse proposals, we then transition to Lifetime customerization, where out-of-store-sales comes to the fore. We currently have approximately 1,260 out-of-store-sales professionals nationwide.

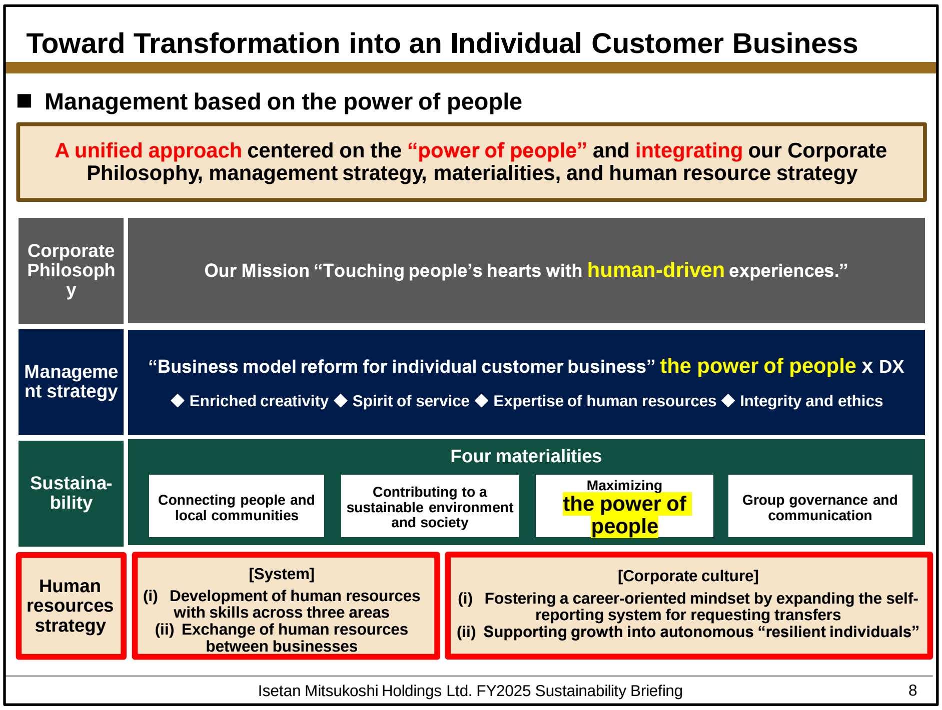
By continuously executing these four steps, we will further evolve the model. CHRO Kano will now explain the direction of this evolution and the details of our talent strategy.

2. Human Resources Strategy Aimed at Transformation into an Individual Customer Business

Akiko Kano, Operating Officer, CHRO

[**Executive Officer, CHRO and Executive Officer, Head of Human Resources, Isetan Mitsukoshi Ltd., Akiko Kano**]

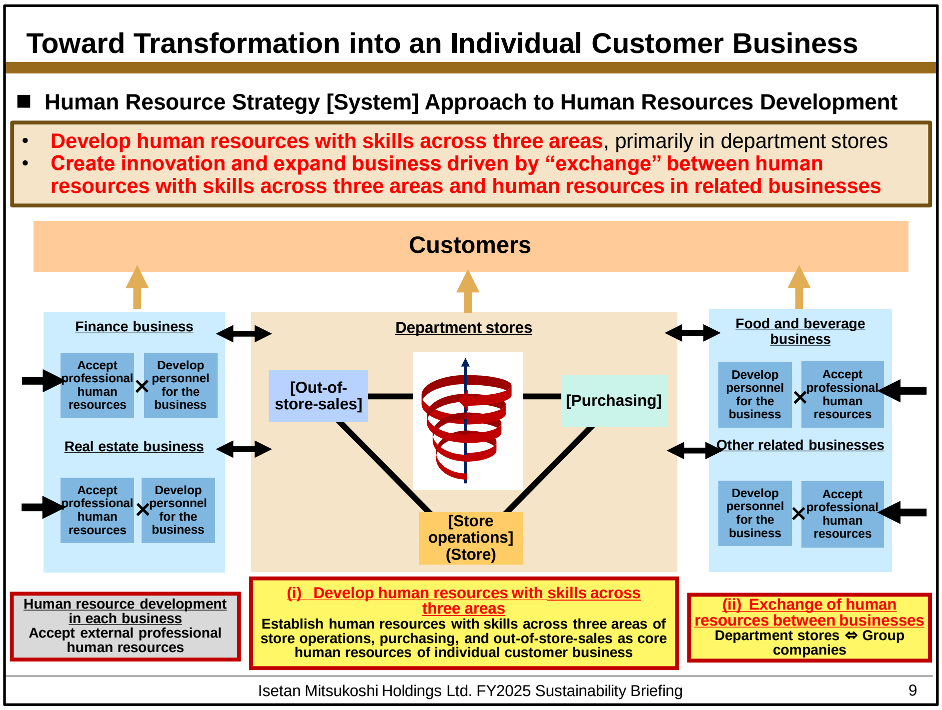
This is Kano. From here, I will explain the Isetan Mitsukoshi Group's talent strategy.



As a fundamental philosophy, we place the "power of people" at the core of management and have systematized our thinking as shown in our materials. We position the power of people as the through line, and in our corporate philosophy and Mission we declare, "Touching people's hearts with human-driven experiences."

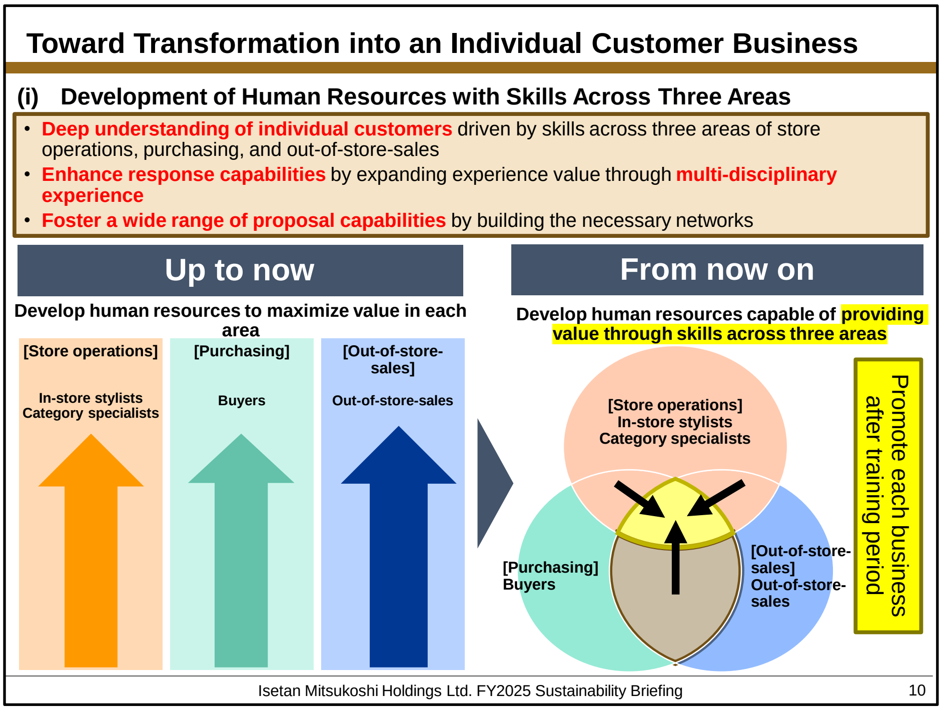
Our management strategy centers on transforming our business model toward the Individual customer business, and to realize this we will leverage both the power of people and digital transformation (DX). Across the four steps Hosoya outlined, the required human strengths are rich creativity, a spirit of hospitality, professional expertise, and integrity with strong ethics. In parallel with management strategy, our sustainability efforts also identify "Maximizing the power of people" as a material theme.

In response to our corporate philosophy, management strategy, and sustainability policy, our talent strategy is advanced along two axes—"systems" and "culture." I will now explain their content.



First, our approach to talent development. With department stores at the center, we define the core talent for the Individual customer business and refer to it as "three-in-one talent." This talent understands and can execute across three domains: out-of-store-sales, merchandising (buying), and stores (store operations). We consider such talent able to carry all four steps of the Individual customer business and will cultivate them primarily within our department store group.

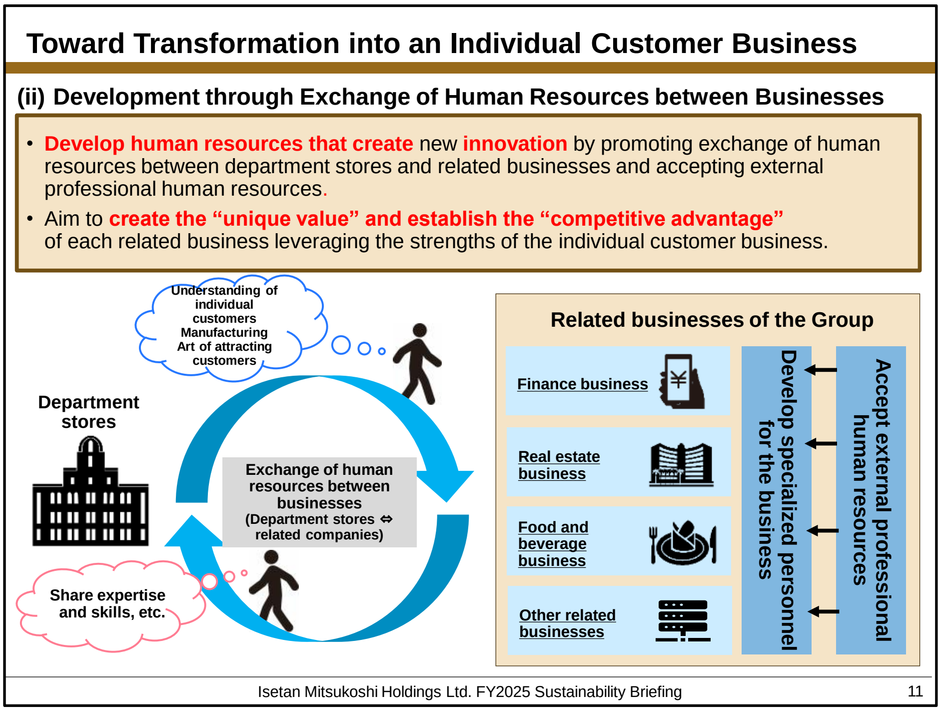
Next, for related businesses indispensable to the Individual customer business—finance, food and beverage, real estate, travel, and more—we will actively bring in external specialized talent while also cultivating business talent within each domain. We will then promote exchanges with the three-in-one talent developed in our department stores to activate learning and interaction across businesses.



We believe this cross-business exchange of talent fosters innovation and develops people capable of driving innovation, and we position this as the basic concept of talent development.

Let me describe how we will develop three-in-one talent, in words corresponding to our conceptual diagram. Grounded in deep customer understanding across the triad of stores, merchandising, and out-of-store-sales, we expand experience by rotating through multiple domains to strengthen adaptability. By building necessary external networks—including business partners and creators—we cultivate the capacity to make broad proposals. These are the points we emphasize.

Historically, especially for those hired through regular recruitment, new graduates often followed separate development routes—first stores, then merchandising (buyers), and later out-of-store-sales—leading to most being placed primarily in stores. Going forward, we will more explicitly set as our core those who understand the three domains and can autonomously oversee and execute the entire four-step process of the Individual customer business, and we will cultivate them in a planned manner to deliver value through an integrated three-in-one approach.



Next, I will explain development through cross-business talent exchange. We already conduct substantial exchanges between the department store business and related businesses, and we are progressing in accepting external talent. We are seeing clear signs that talent who can spark innovation is growing through this exchange. By leveraging the strengths of the Individual customer business, each related business can realize distinctive value—such as finance and food-and-beverage led by people who understand the Isetan Mitsukoshi Group's Individual customer business—thereby establishing competitive advantage.

Concretely, in our department stores we cultivate three-in-one talent attuned to customer insight, craftsmanship, and Attracting customers, while the Group accepts external specialists. Those with specialized knowledge and skills will, in turn, transfer or be seconded to the department store side—thus maintaining a cycle of cross-business talent exchange. We believe that innovators will emerge from this cycle.

Toward Transformation into an Individual Customer Business

Human Resource Case Studies

❶ Development of human resources with skills across three areas

- Comprehend the importance of building relationships with individual customers through experience in small-scale stores and out-of-store-sales
- Initiatives to create business value that are unique to the area of the buyer's current position

Deep understanding of individual customers | Ability to build relationships with individual customers | Sensitivity and proposal capabilities | Networks that can create products

❷ Development through Exchange of Human Resources between Businesses

- Generate creation of new value driven by exchange of human resources between the department store business and related businesses
- Establish advantages of related businesses in the individual customer business
- Function as a bridge to expand knowledge of financial products in the department store business

Intra-group coordination strategy | Exchange of Group human resources | Growth of each business

Today, we will present two cases—one on developing three-in-one talent and one on development through cross-business exchange. First, as a case of three-in-one talent development, we introduce Tanemura, who has experience in small-format stores and out-of-store-sales and is currently engaged on the merchandise side. In the current role, Tanemura is pursuing initiatives in the merchandise and buyer domains to create business value. The second case is Kawamoto, who has been seconded from MICARD Co.LTD. to the department store and is working diligently on how to develop products for the department store's finance business. We present Kawamoto as a case of development through inter-business talent exchange.

With that, Tanemura, please begin.

Case Studies of Human Resources
Driving the Individual Customer Business

[Case Study ❶]

Aiming to Create New Value Leveraging Experience in Deep Understanding of Individual Customers

Isetan Mitsukoshi Ltd.
Toshihiko Tanemura
Planning Leader, Merchandising, Shinjuku Store
Ladies' and Children's Wear Division,
Merchandising Group II

[MD Lead, Department Head, Shinjuku Women's & Children's Merchandise Department, 2nd MD Group, Isetan Mitsukoshi Ltd. — Toshihiko Tanemura]
I will explain how I am creating new business value by leveraging deep customer understanding, centering on the hands-on experience I have gained across stores, buying, and out-of-store-sales.

<Brief career history> Toshihiko Tanemura (Planning Leader, Isetan Shinjuku Store Ladies' and Children's Wear Division, Merchandising Group II)

Throughout my career, I have realized that the value I can provide to customers increases as my workstyle becomes more focused on individual customers

- **2006 Isetan Shinjuku main store (Women's)** In-store operations | Purchasing
  →Business model: "Attracting customers from a wide geographic area with products. customer understanding **[Low]**
- **2011 Isetan Tachikawa** In-store operations
  →Shift of scope to local customers. Degree of customer understanding **[Medium]**
- **2015 Isetan Salone** In-store operations
  →Optimization for customers in an even smaller commercial area. Also served customers in person. Degree of customer understanding **[High]**
- **2018 Out-of-Store-Sales Department, Isetan** Out-of-store-sales
  →"Customer-centric" sales style not restricted to place or area. Degree of customer understanding **[Highest]**
- **2025 Shinjuku Women's and Children's Merchandise Department** Purchasing
  →Training human resources to develop buyers for individual customer business based on own personal "customer experience."

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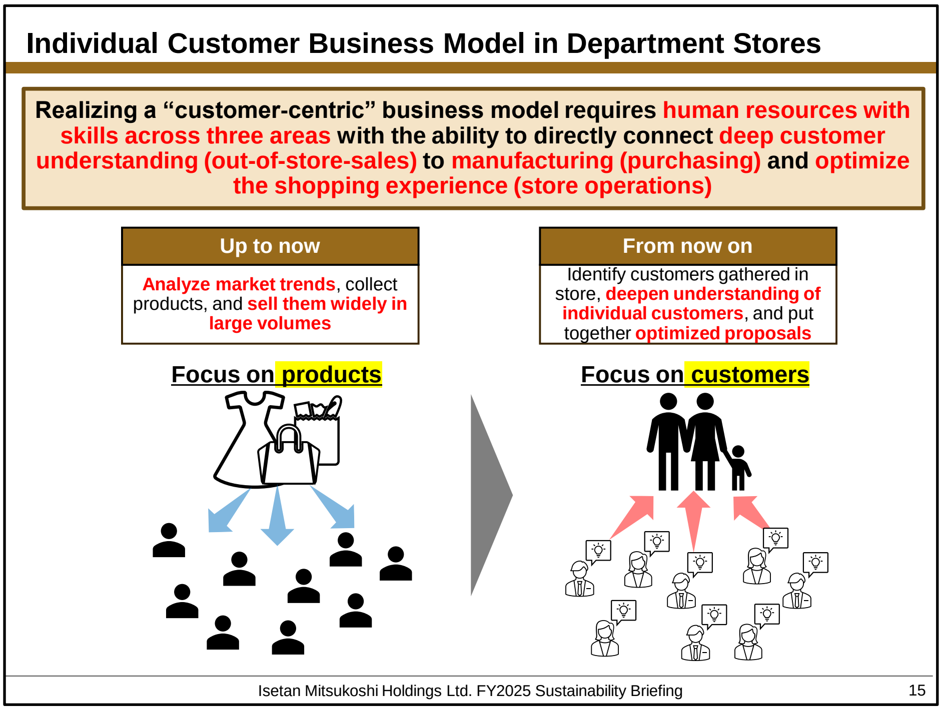
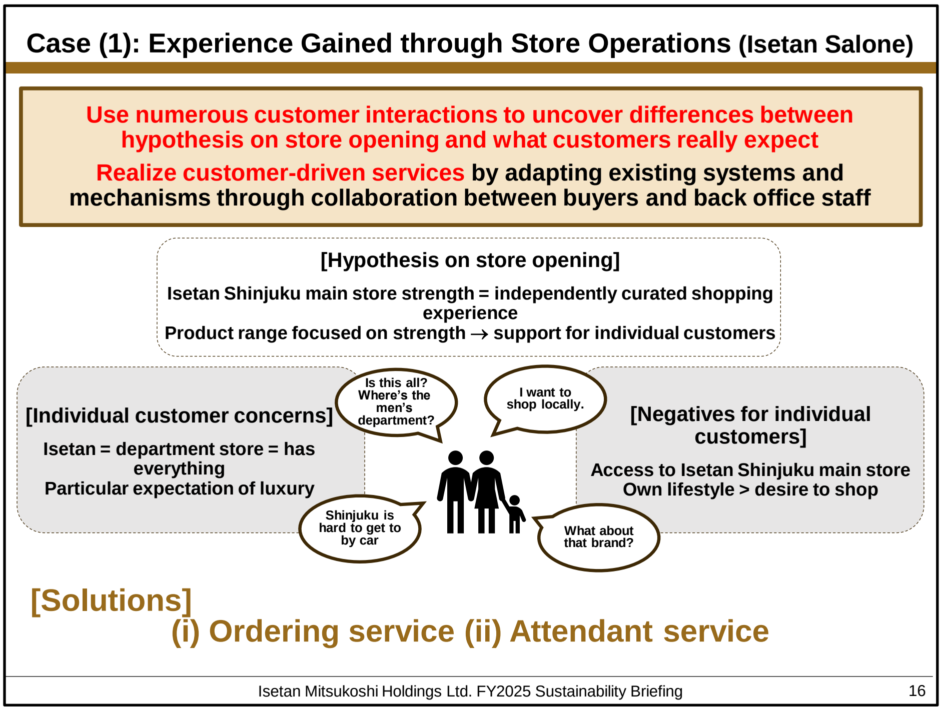
Through my career, I have felt firsthand that the more closely my way of working aligns with and focuses on our customers, the greater the value I can deliver. After joining the company, I was assigned to the women's division at the Isetan Shinjuku main store, where I experienced our wide-area, product-led Attracting customers model. I was then assigned to the Isetan Tachikawa Store, where I learned to narrow the scope to local customers and strongly realized how difficult it is to build a truly supported store with a vague and broad customer image.

In 2015, I assumed the role of store manager at "ISETAN SALONE," opened inside Tokyo Midtown as a store with a salon-like role connected to the Isetan Shinjuku main store. For a customer base with an even smaller trade area than Tachikawa, I took on a new way of working—optimizing various aspects of store operations while personally engaging customers and providing service. I then took my first assignment in the Isetan out-of-store-sales department. There, I experienced customer-centric sales unconstrained by venue or category, for an even more limited customer scope than ISETAN SALONE, and I personally felt a significant increase in customer granularity. Today, as Merchandise Lead in the women's and children's domains at the Isetan Shinjuku main store, I am responsible for talent development aimed at transforming buyers toward the Individual customer business, drawing on my accumulated customer experience.

In particular, across my time at ISETAN SALONE and the Isetan out-of-store-sales department—two posts where customer granularity sharpened—I saw my delivered value rise, and I will explain these as case studies here.



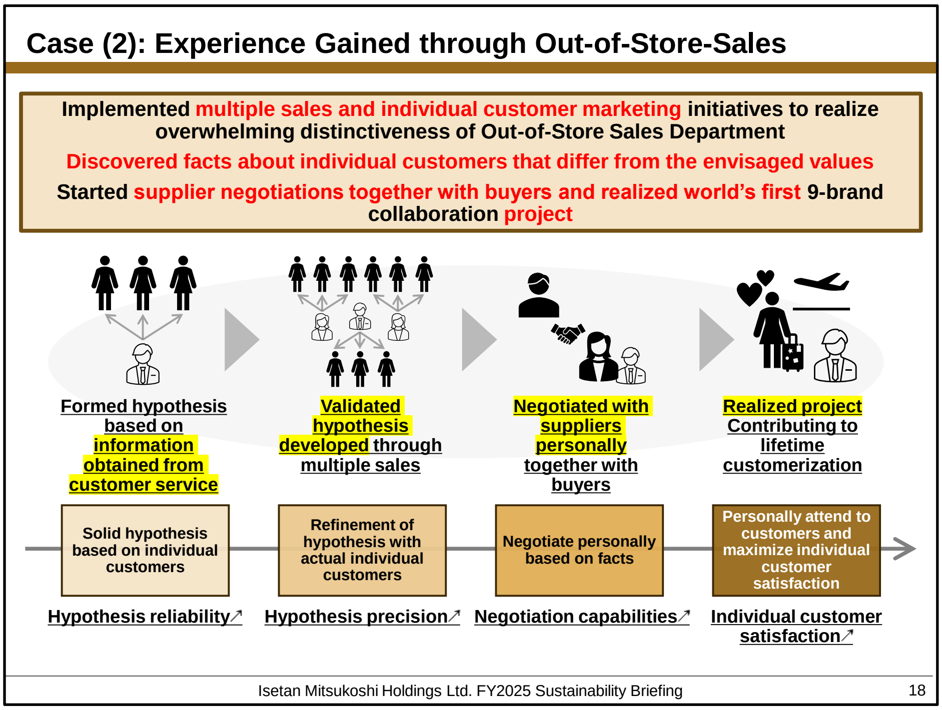
First, allow me to explain the business model for the Individual customer business in department stores. Until now, we implemented a product-centric model: analyzing the market and trends as a company, aggregating merchandise, and selling widely to many customers. In the Individual customer business, we will aim for a customer-centric model: identifying the customers we draw into the store, deepening our understanding of them, and making repeated proposals optimized for each. To realize this model, we believe we need three-in-one talent able to directly connect deep customer understanding with product creation and—when necessary—optimize sales-floor mechanisms.



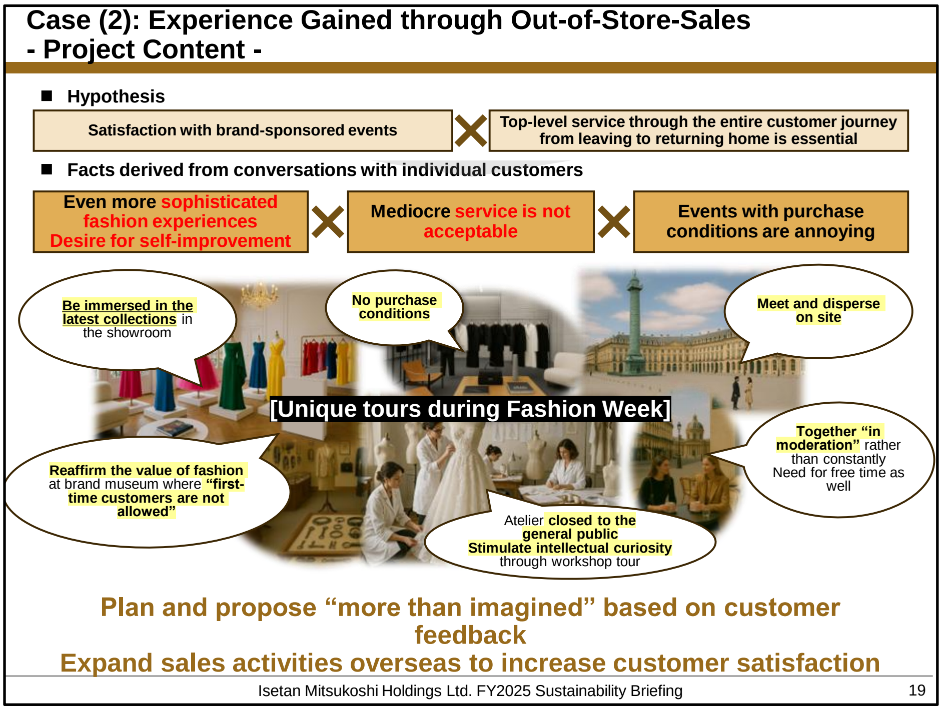
From here, I will introduce cases I have experienced. First, the experience gained in the store (ISETAN SALONE). At launch, as store manager repeatedly serving many customers, I recognized a gap between our initial hypotheses and what customers actually expected. We resolved this gap with services conceived from the customer's point of view.
My initial hypothesis at opening was that the strength of the Isetan Shinjuku main store—the "self-edited shop," where buyers, with discerning eyes, source up-and-coming brands, we edit in-house, and our employees sell—would secure fervent support from customers in the area through an assortment built around that strength. However, once we opened, we received many comments such as "Is this all?" and "Do you carry menswear?", alongside especially strong requests for luxury brands. Customers expected the breadth of assortment that comes with "Isetan = department store" and "department store = you have everything," and we learned that interest in luxury brands—underrepresented in the area at the time—was high.

We also heard concerns about access and congestion: "I prefer to shop near home," "The Isetan Shinjuku main store is crowded," and "It's hard to go by car." I came to understand that customers place great importance on their own lifestyles and have a strong desire to shop in a convincing environment that preserves their routine—more than simply "what they want." The fact that, despite the overwhelming assortment at the Isetan Shinjuku main store, customers did not choose it because of environmental factors was a major surprise to me.

In response, we established two new services: a special order service and an attendant service. In both, stylists who deepened relationships in the store draw on that customer understanding to deliver the service. The special order service curates proposals from the Isetan Shinjuku main store's assortment, tailored to each customer's preferences and requests. The attendant service has sales associates from ISETAN SALONE—who know the customer well—escort them beyond our own shop, guiding them across the entire Isetan Shinjuku main store. These two services continue to function today—ten years after opening—as core, foundational services for the store.



Next, the experience gained in out-of-store-sales. By thinking from a customer-first perspective, I expanded the scope of sales activities from inside the store to overseas, achieving high customer satisfaction. First, let me explain the thinking. At the time, the challenge for the out-of-store-sales department was, “How should the Isetan out-of-store-sales department uniquely express its distinctiveness?” As a salesperson, I searched for clues day-to-day while responding to customer requests. Ultimately, I conceived and realized initiatives using the following flow. From daily customer contact, I formed hypotheses based on information gathered through service—“This distinctive approach would delight customers.” I did not keep the idea to myself; I shared it with multiple sales colleagues, then proposed it concretely to customers—“How would you feel if this kind of opportunity were available?” “Do you have this kind of concern?”—and refined the hypothesis. Once refined and I was confident “This will surely win customer support,” I personally negotiated with buyers and business partners, communicated the intent—“Because we have these customers, we want to pursue this initiative”—and pushed through to realization. Finally, by personally escorting customers overseas, I further heightened customer satisfaction.

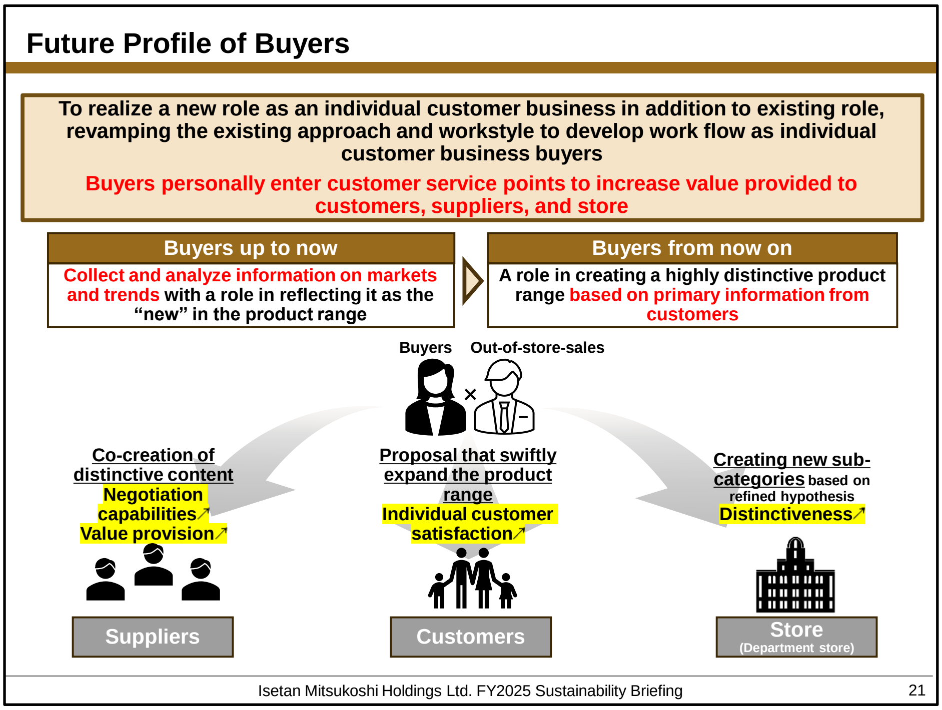


Below, I will explain what hypotheses we envisioned, what facts we discovered, and what actions we took. Our initial assumptions—close to anxieties—included the following: Customers may already be satisfied by numerous proposals from many salespeople and brand-hosted events. With so many proposals, customers might feel "saturated." When conducting unique initiatives, the highest level of hospitality might be required from departure at home to return, and our distinctive measures might always be expected to meet that level.

However, the facts that emerged through customer contact differed. First, many customers had not reached satisfaction and sought even more advanced fashion experiences—hoping to elevate themselves through those experiences. They did not want half measures in hospitality; if traveling overseas, they preferred staff with rich overseas experience and the ability to attend to other errands as well. Furthermore, while purchase-conditioned events were felt to be bothersome, we learned that most customers would spend generously if they recognized true experiential value.

Based on these insights, we realized Isetan-original tours during Fashion Week. In brand showrooms that only a select few customers in the world can visit, we offered opportunities to experience freshly released collections with all five senses. In brand-owned museums—closed to the public, no walk-ins, and often unknown—we created chances to rediscover the value of fashion. Through visits to private ateliers and workshops, we further stimulated intellectual curiosity. Confident these events would surely win support, we planned and executed them without imposing purchase conditions.

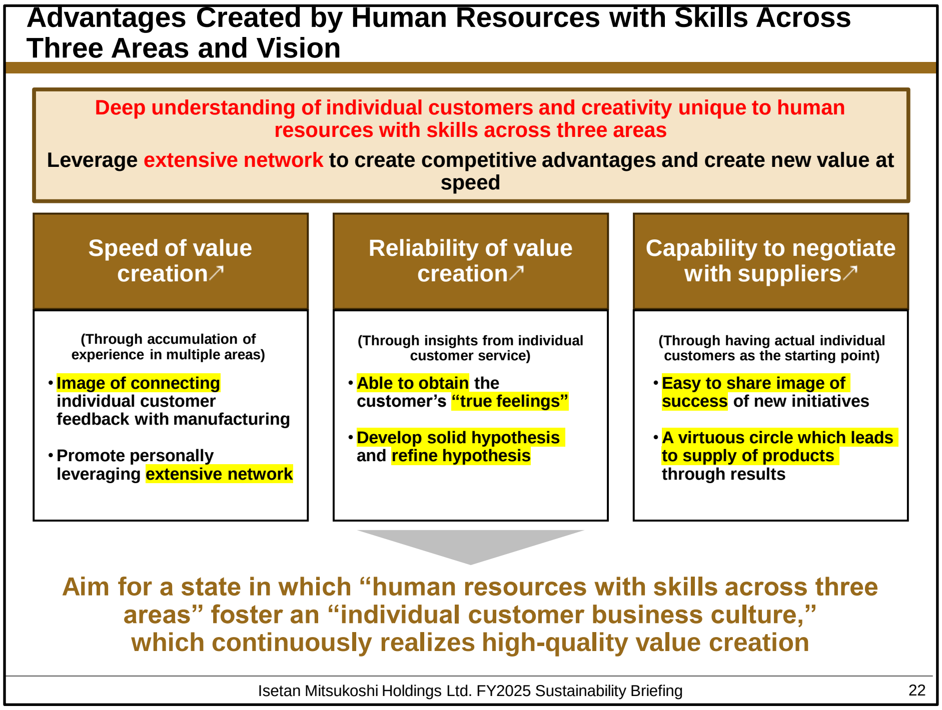
As a result, we received the highest praise from customers: “It was a wonderful experience,” “I have never experienced anything like this,” and “I want to remain an Isetan out-of-store-sales customer forever.” Above all, the fact that sales staff shared these moving moments with customers became an irreplaceable experience for future relationships.
In both the out-of-store-sales and ISETAN SALONE cases, the common thread is that we transcended conventional assumptions based on the customer’s voice and realized initiatives we had not initially envisioned. Conceiving from the customer, collaborating with those around us, and personally entering negotiations to make it happen—this end-to-end process was, in hindsight, a moment when our way of working approached the Individual customer business and increased the value we delivered.



Regarding the future way of working for buyers, let me share our merchandising division's view of the Individual customer business. Until now, buyers have played the role of reflecting "newness" in assortments through market and trend information gathering and analysis. Going forward, in addition to their existing role, buyers will realize highly distinctive assortments based on primary customer information.

For our customers, we will raise satisfaction through rapid proposals that venture into realms neither out-of-store-sales nor individual brands can realize alone. For our business partners, we will co-create highly distinctive content as we meet customer expectations, thereby enhancing partner value. For the store, we will reflect deepening customer understanding and newly formed hypotheses not only in individual proposals but in sales-floor design, heightening distinctiveness.

Improving delivered value in all directions is what we aim to achieve in the Individual customer business.



In closing, toward transformation to the Individual customer business, we intend to harness the deep customer understanding, rich creativity, and extensive networks unique to three-in-one talent to generate three competitive advantages. The first is speed of value creation. As knowledge accumulates across multiple domains, we can swiftly connect the customer's voice to product creation and, by leveraging broad networks, drive initiatives autonomously. The second is hit-rate of value creation. Insights from customer touchpoints enable us to form sound hypotheses and refine them through dialogue. As employees in diverse roles engage with customers, open communication emerges and a climate conducive to candid feedback is cultivated. The third is enhanced negotiating power with our business partners. Proposals grounded in actual customers make it easier to share and empathize with the vision of success, and once results are achieved, a virtuous cycle arises in which product supply further expands.

We aim for three-in-one talent to nurture the culture of the Individual customer business and to realize sustained, high-quality value creation. That concludes my remarks.

[Case Study ❷]

Learning and Innovation through Exchange of Human Resources between Businesses

Isetan Mitsukoshi Ltd.
Atsuko Kawamoto
Sales Operations Department,
Isetan Shinjuku main store
Planning Leader, MICARD App Promotion

[**Lead, MICARD and App Promotion, Sales Operations Department, Isetan Shinjuku main store, Isetan Mitsukoshi Ltd.** — **Atsuko Kawamoto**]

Thank you for joining us today. I am Atsuko Kawamoto, responsible for MICARD and app promotion in the Sales Operations Department at the Isetan Shinjuku main store. As the second case study, I will describe how we share insights across finance and department stores through inter-business exchange, and how we feed the lessons learned back into practice.

<Brief career history> Atsuko Kawamoto **(Planning Leader, MICARD App Promotion, Sales Operations Division, Isetan Shinjuku store)**

- **1996 Joined MICARD Co., Ltd.**
  - Experience in card membership services, insurance and loan agreement services at Isetan Shinjuku main store and Kichijoji store
- **2000 Store Planning, General Affairs and Personnel Department**
  - Experience in employee education and recruitment
- **2011 General Manager, Insurance Sales Department, Department Store Sales Division**
  - Promotion of card membership at department stores nationwide
  - Operation of life insurance and non-life insurance sales agency business
- **2024 Seconded to Isetan Mitsukoshi Ltd.**
  - Engaged in identification and expansion of usage of financial services at Isetan Shinjuku main store
  - Concurrently serving in Sales Planning Division of Mitsukoshi Nihombashi main store from the current fiscal year

Acting as a bridge between the two cultures of finance and department stores

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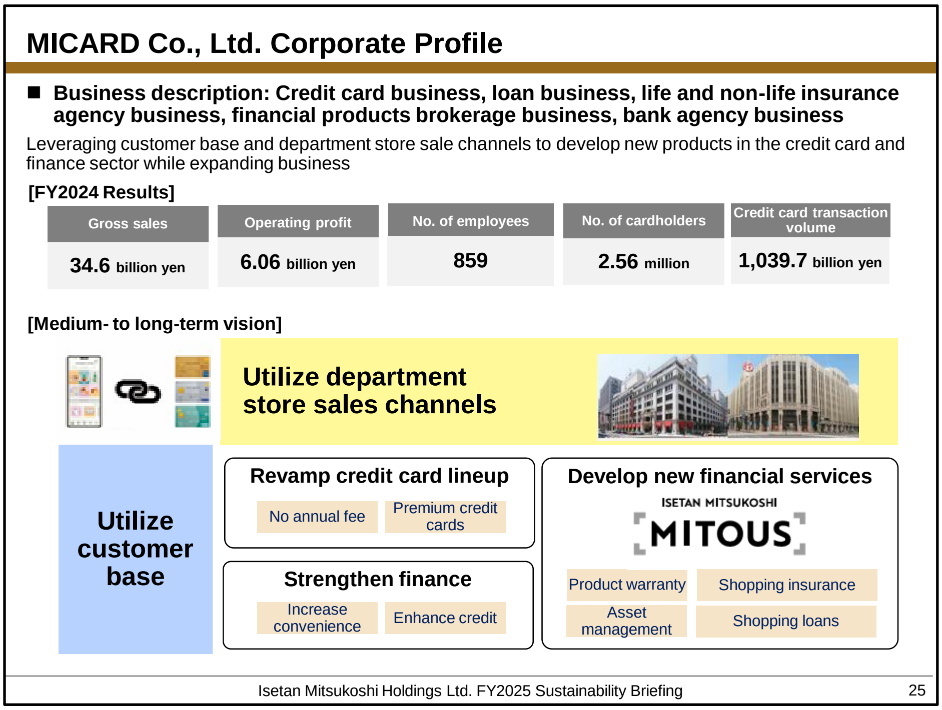
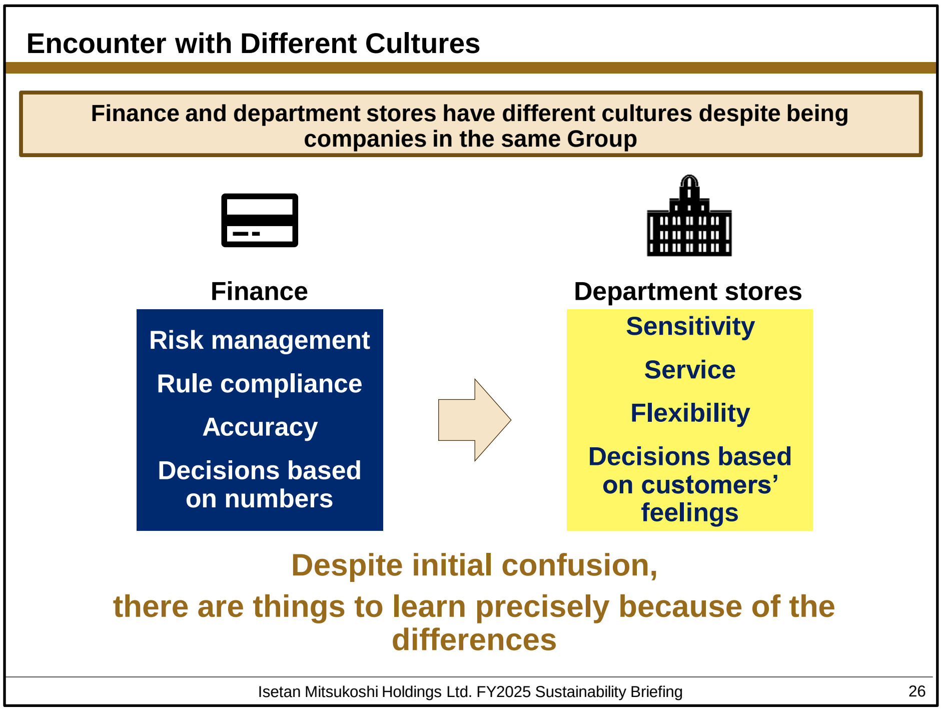
I joined MICARD Co.LTD. in 1996 and, on the front lines of finance, engaged customers in MICARD enrollment as well as insurance and loan services. In 2024, I was seconded to Isetan Mitsukoshi Ltd., and I currently hold concurrent assignments at the Isetan Shinjuku main store and the Mitsukoshi Nihombashi main store, where I promote financial services on each sales floor.

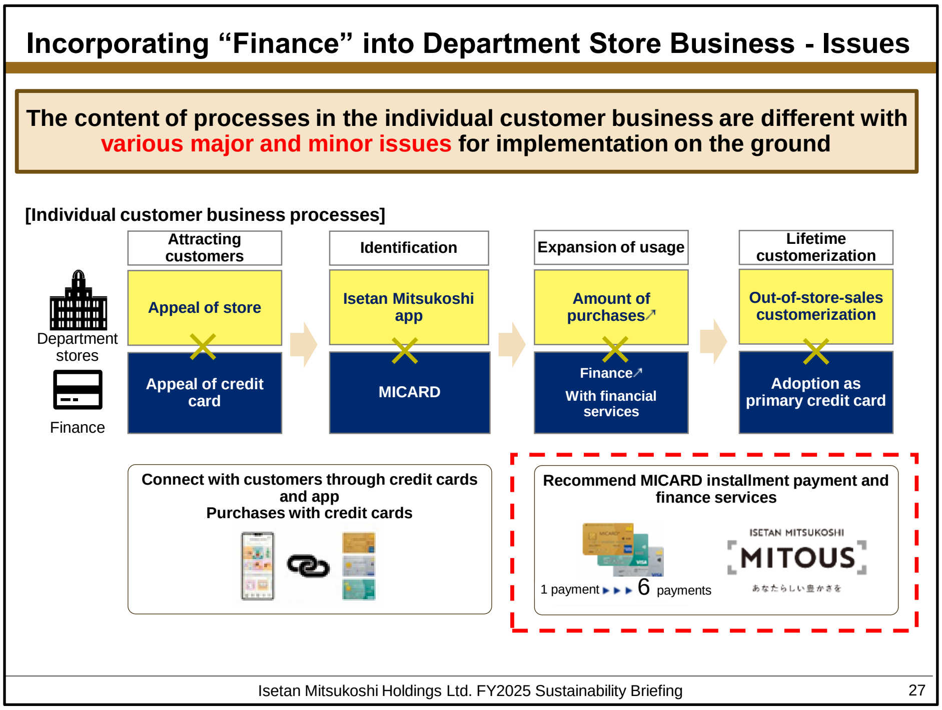


Allow me to briefly introduce MICARD Co.LTD. Our core business is credit cards, supplemented by insurance agency services and financial product intermediation. Leveraging a high-quality customer base and department store sales channels, we are revitalizing our card lineup and developing new financial services such as “MITOUS,” both enhancing our products and services and expanding our business.

As department stores transform toward the Individual customer business, MICARD aims to deliver Mitsukoshi Isetan’s distinctive, sophisticated and high-quality value through financial services. At present, including myself, 14 MICARD employees are concurrently assigned or seconded to department stores.

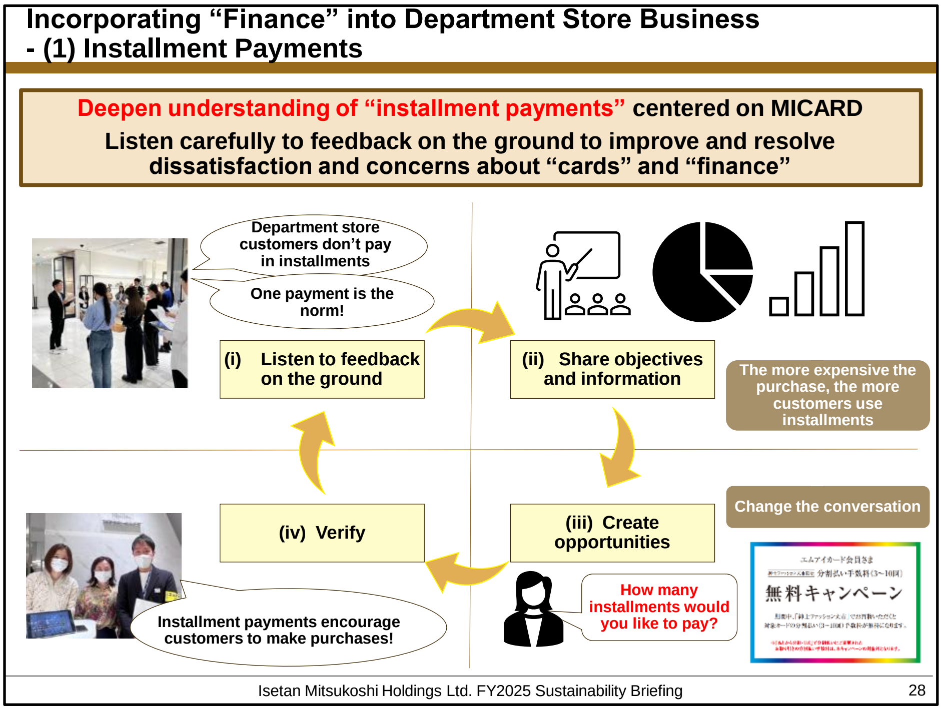


Although MICARD grew out of Isetan's card division, as a financial institution our culture differs markedly from that of a department store. Finance prioritizes risk management, rule adherence, accuracy, and data-driven judgment. By contrast, department stores value sensibility, hospitality, and flexibility, with the customer's heart as the decision axis. While I initially found these contrasts disorienting, they have since become a profound source of learning. By drawing on each side's strengths, we are generating the new insights and ideas essential to the Individual customer business, and I would like to share concrete examples today.



My mission is to embed finance into the department store business—an objective that, at first glance, might seem contradictory. When I arrived on the sales floor, it felt almost like being asked to "go sell cancer insurance at Disneyland"—a mismatch of context. In a space designed for extraordinary experiences, I was unsure how to present financial services, and my early steps were tentative.

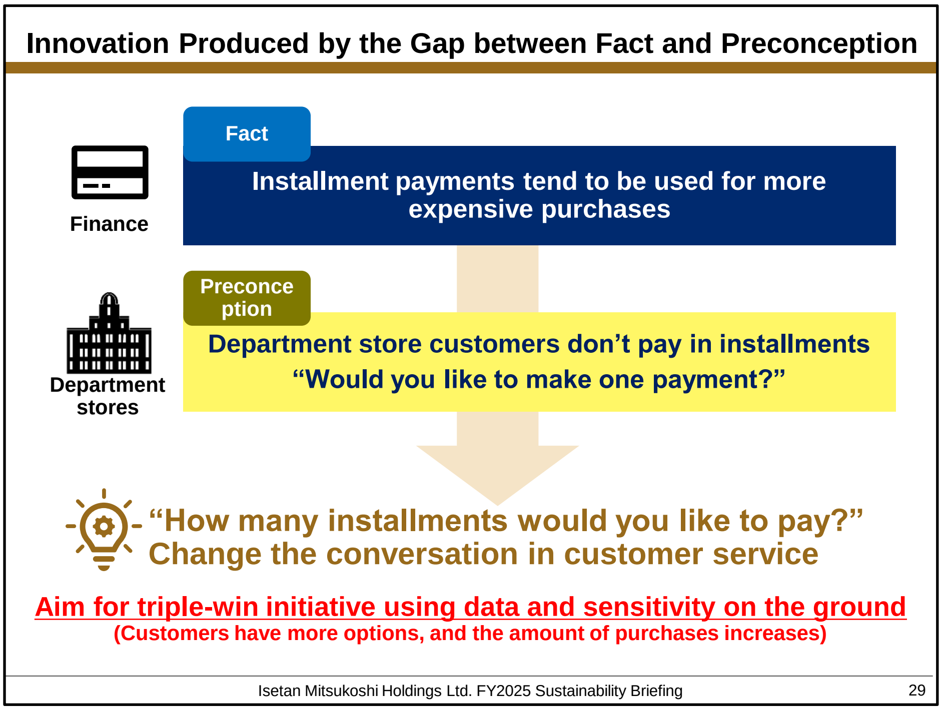
In practice, efforts to increase MICARD members were welcomed, but as discussions turned to financial services, resistance grew stronger the closer I got to the front line.



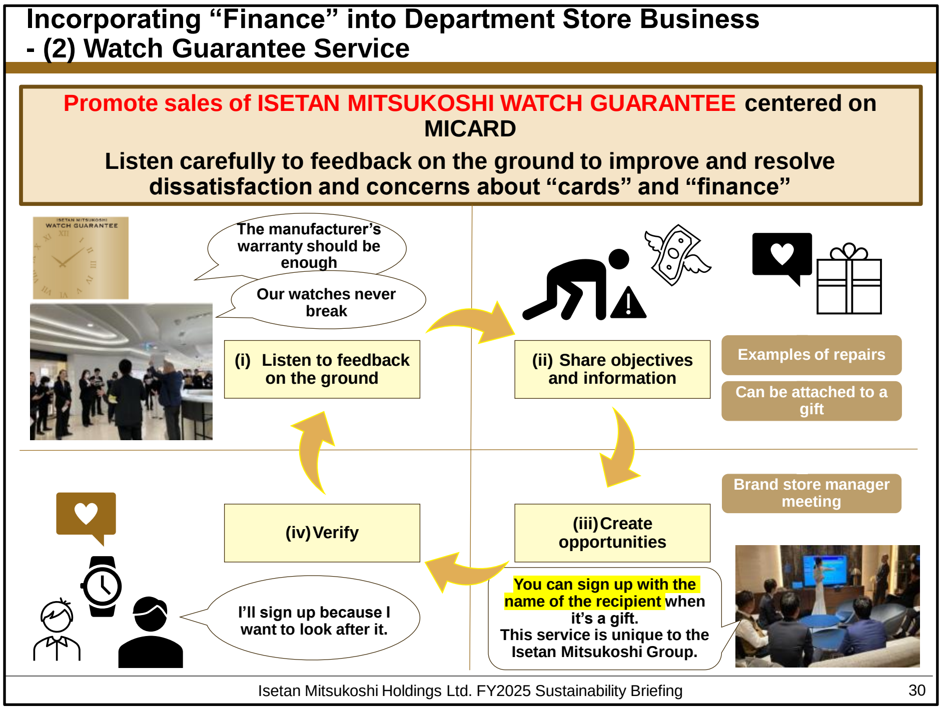
Consider our initiative on installment payments. MICARD’s data showed that higher-ticket customers use installment payments more frequently, leading us to believe there was room to expand installments at department stores. Yet on the floor, the prevailing belief was, “Department store customers don’t use installments,” and “One-time payment is the norm.” Associates commonly asked, “Will that be one payment?”—and some even considered that phrasing part of omotenashi. I recognized immediately how challenging the shift would be.

We therefore presented the data we had and repeatedly communicated our view that “offering installment payments can be a positive proposal that enhances the shopping experience,” working to address frontline concerns and reservations. Even so, skepticism persisted, and we realized recommending installments outright in conversation would feel like a high hurdle. So we began by changing the checkout script from “Will that be one payment?” to “How many installments would you prefer?” In parallel, we ran installment-fee-free campaigns to create an environment where customers could more easily say, “I’ll pay in installments.”

By repeating this cycle and enabling stylists to accumulate experiences in which installment proposals “helped customers complete their purchases,” mindsets on the floor began to change.

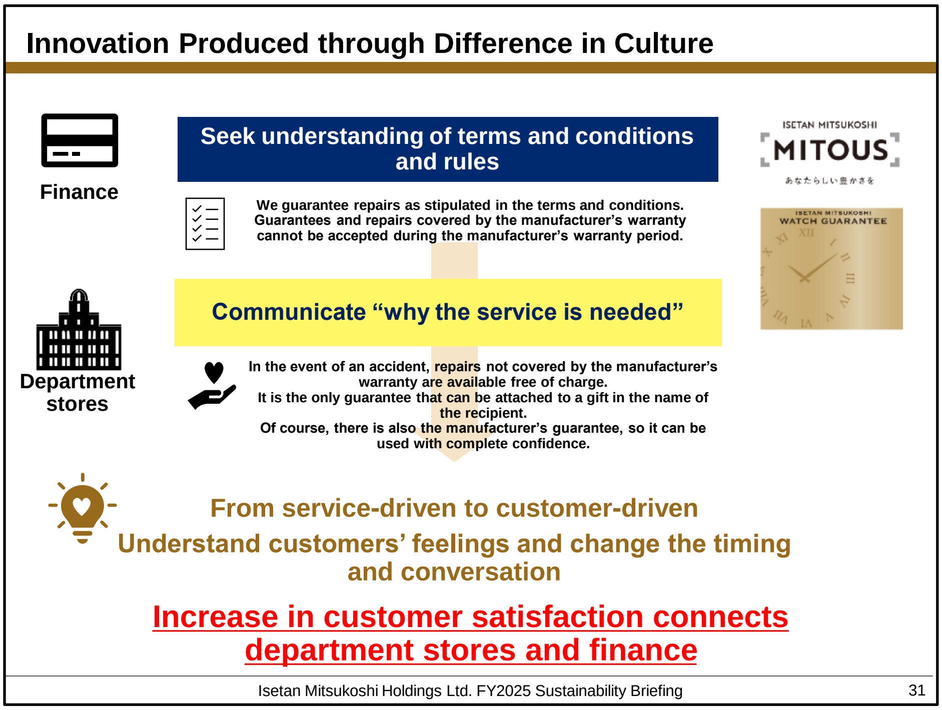


I view this as our first innovation: reconciling finance-side facts with department store practice and simply asking, "How many installments would you prefer?" From there, the hurdle to mentioning installments in service interactions gradually fell. The results have been a win-win-win: customers enjoy broader payment options, while department stores see net sales increase. It is a change brought about by connecting data with on-the-ground sensibilities.

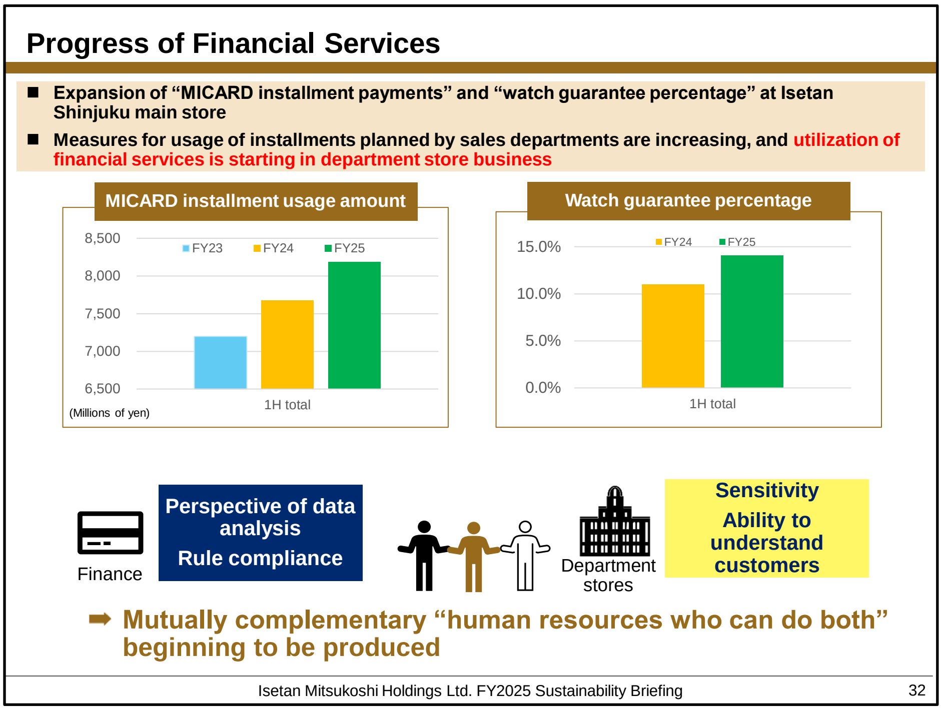


A second example is our watch warranty service, launched in 2024. Unlike installments, this service is proposed at the time of sale by sales staff from the watch brands rather than department store employees, which made it even more challenging. We frequently heard, "Will customers really pay for a warranty?", "The manufacturer's warranty should suffice," or "Our watches don't break." I carefully considered how to advance the initiative. In fact, this service was conceived by a watch buyer in response to "customer pain points," making it a highly unique offering. Confident that some customers would unquestionably need it, we engaged brand staff in ongoing dialogue.

We repeatedly refined what to say, when to say it, and how to explain it so customers could immediately grasp the value, building contracts one by one.



Innovation here emerged from the cultural differences. In finance, the instinct is to lead with terms and rules. On the department store floor, we first align with the customer's heart and explain why the service matters. In other words, we shift from "service-first" to "customer-first"—and that is what allows a financial service to enter naturally into the sales process. I experienced firsthand that genuine customer understanding can bridge department stores and finance.



Through these combined efforts that blend the strengths of finance and department stores, both installment utilization and the attachment rate for watch warranties at the Isetan Shinjuku main store have grown year on year. These initiatives are now expanding beyond the Isetan Shinjuku main store to department stores nationwide.

In the workplace, we are beginning to see "ambidextrous talent"—people who understand both department stores and finance and can design initiatives accordingly. For example, Sales Departments in the department store are proactively planning and executing measures to promote installment payments. Inside MICARD Co.LTD., when designing customer initiatives, we are increasingly moving beyond mass campaigns to create closed, targeted initiatives that start from the question, "How do we deliver this specific measure to this specific customer?" Financial services are being applied within department store commerce, and, within finance, the Individual customer business is becoming a conscious mindset. We are sensing the beginnings of this shift.

Sense of Growth and the Future

■Personal growth

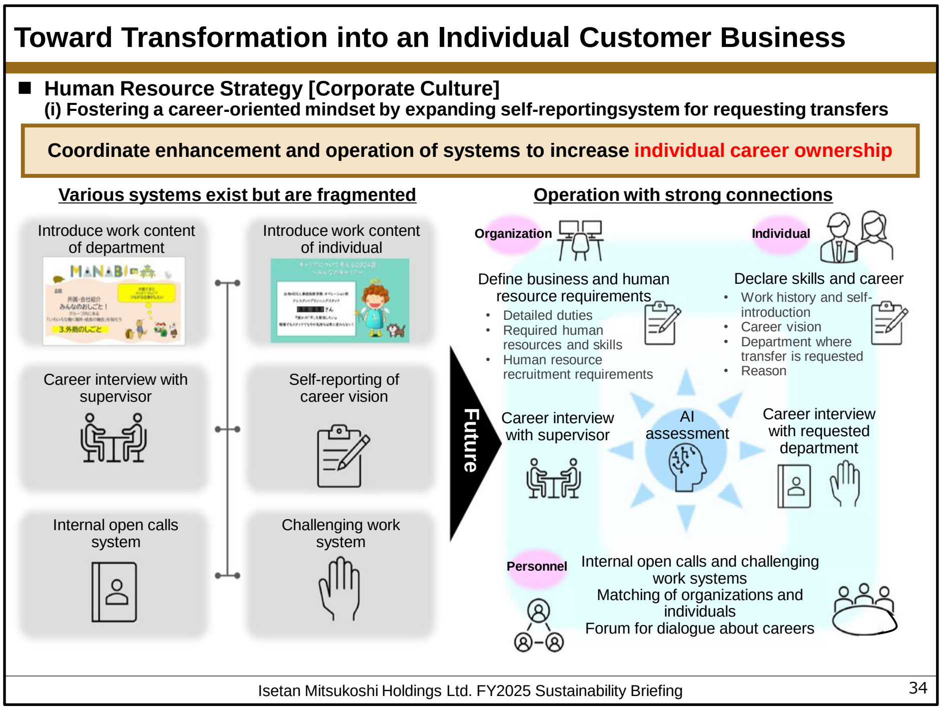
- Interest in and understand of the “**human story**” behind the numbers
- A shift in approach from “selling” to “**understanding the customer**”
- **Deepen frontline understanding and management** through interaction that transcends standpoint

■Growth as an organization

- Foster a culture of looking at customers **from multiple angles** rather than from a single point of view
- **Implement** cycles of **challenge and learning rapidly**
- **Two-way flow of knowledge and experience** through collaboration acros and roles

“Finance” that builds trust
“Department stores” that connect with feelings
Create “unique value” through this combination

In closing, these experiences have nurtured in me a commitment to understand “the human story behind the numbers,” shifting my mindset from “selling” to “standing with the customer.” Through cross-functional exchange, I also feel a deeper mutual understanding on the front lines and in management. At the organizational level, inter-business talent exchange is cultivating a culture that views customers from multiple angles and accelerates the cycle of challenge and learning. I am also beginning to see knowledge and experience flow bidirectionally across positions and roles. Finance builds trust; department stores connect hearts. By combining the two, we will continue to stand beside each individual customer, bridge different cultures, and pursue value creation unique to Isetan Mitsukoshi.
That concludes my remarks.

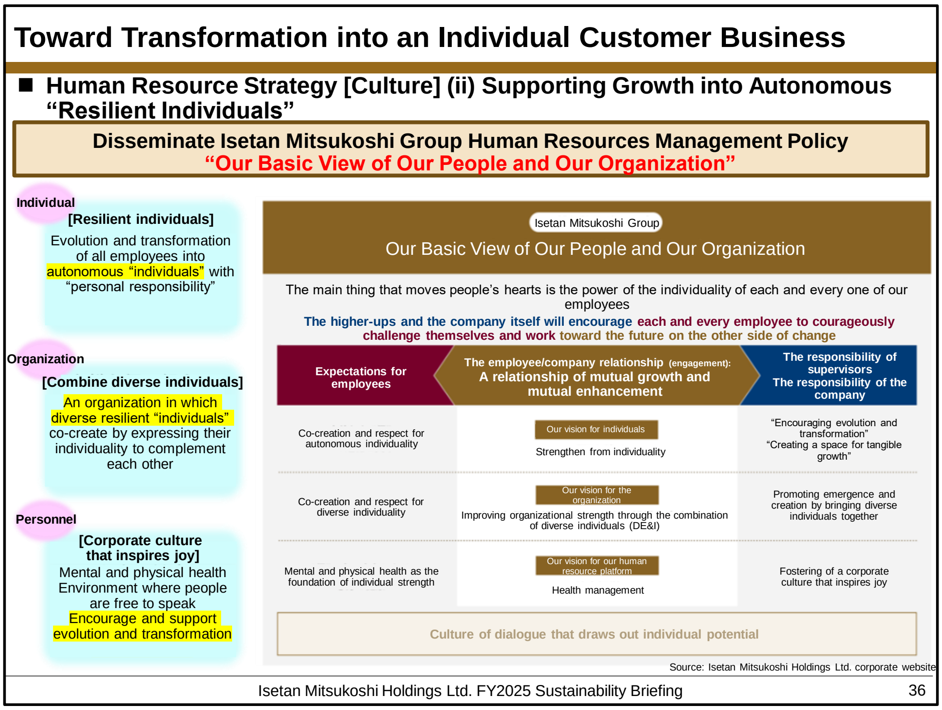


[Executive Officer, CHRO and Executive Officer, Head of Human Resources, Isetan Mitsukoshi Ltd. — Akiko Kano]

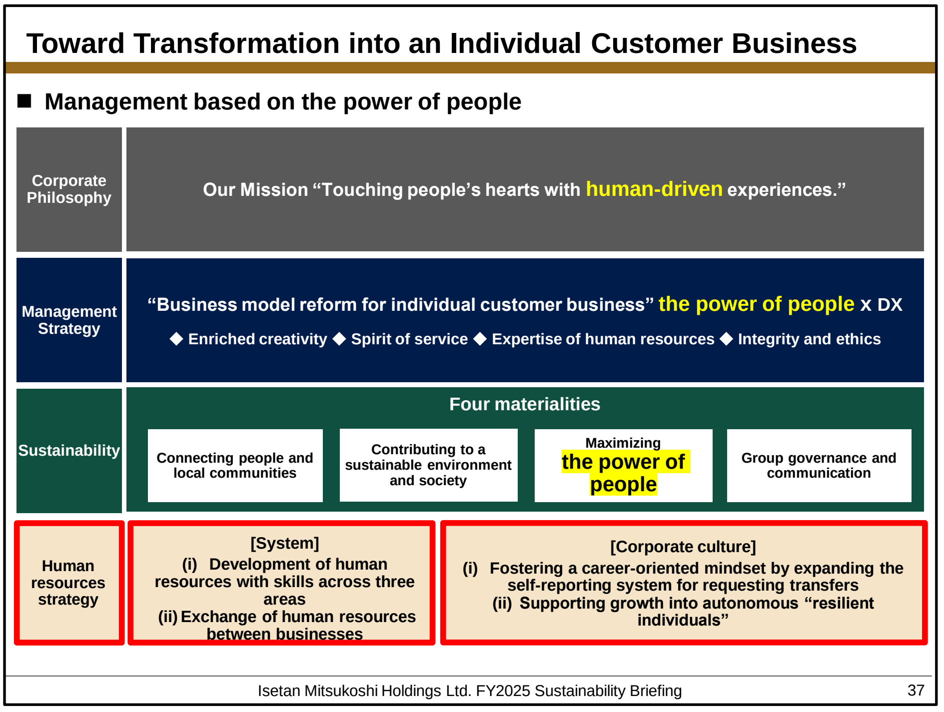
At this point, I, Kano, will offer a brief explanation of the cultivation of organizational culture—the other pillar of our talent strategy. First, I will describe our efforts to foster career consciousness through the expansion of self-declared transfers. We believe corporate culture is indispensable as the foundation for talent development. Among its elements, it is especially important to heighten each employee's career awareness and to expand and operate interlinked systems that enable everyone to autonomously advance their own career. Today, our Group has multiple mechanisms for thinking about one's career and potential transfers. We have a "departmental work-content introduction" mechanism. In addition, we have an "individual work-content introduction," which, while not for all employees, uses an interview format to showcase "This is the work I do." Starting this year, we are conducting career interviews between employees and their supervisors at a 100% rate—at least once annually. We also operate a "self-declaration system" through which employees can declare their career image and preferred departments.

With respect to transfers, we have two systems: “internal recruitment” and “Challenge Declaration.” At present, these tend to operate somewhat separately, and we are considering how to connect and operate them in an integrated manner going forward. Beginning next fiscal year, we will move ahead with trials while first documenting, at the organizational level, definitions of work and talent requirements, and each organization will clarify recruitment requirements, the desired talent profile, and the necessary skills. For individual employees, we will expand and operate a “skills and career declaration sheet” through which they can declare not only their career image but also their work history, self-promotion, and transfer preferences.

On that basis, we will evolve supervisor career interviews from one-on-one discussions conducted with limited materials into deeper conversations grounded in the employee’s own declaration sheet. If an employee raises their hand for a desired department, we will conduct a career interview with that department, and—when a match is established—proceed with the transfer. We will rigorously expand and operate this cyclical mechanism.



Next, regarding the culture that truly forms the bedrock. In 2024, we announced our "Basic Concept of People and Organization." This is our people-management policy, and it clearly defines the roles of individuals, organizations, and HR. For individuals: every employee must, as a personal responsibility, evolve and transform into an "autonomous individual." For organizations (including supervisors): combine diverse individuals to build organizations that bring out the greatest strength. For HR: support and promote a "corporate culture that makes hearts leap," together with mental and physical health and an environment of psychological safety where people can say anything. We have defined these roles and required actions as our official declaration.



As I explained at the outset, within the Isetan Mitsukoshi Group, our corporate philosophy—"Touching people's hearts with human-driven experiences."—connects to our management strategy of transforming the business model toward the Individual customer business through "the power of people and digital transformation (DX)," and further to our sustainability materiality of "Maximizing the power of people." Aiming at these, today I presented our talent strategy through a case of three-in-one talent development, a case of inter-business talent exchange, and the cultural support underpinning them. Thank you very much.

3. Evaluation and Expectations of Isetan Mitsukoshi Group's Human Resource Strategy

Chieko Matsuda, External Director

[**External Director — Chieko Matsuda**]

I am in my second year as an External Director and still very much a newcomer in this company, but I feel fortunate to be involved at a very good time. Right now our medium-term management plan has begun and is up and running, and I strongly sense—watching closely—that our vectors are becoming aligned. What I mean is that there is an emerging and very strong focus on "people" as the core. Today's session is on sustainability, and I believe the environment around sustainability has been changing markedly. In some sense, there are "anti-sustainability" currents, and the number of "must-do" items—such as statutory disclosures—has grown substantially, to the point that we even hear the phrase "disclosure fatigue."

Against this headwind, I observe that the differences between "companies that truly mean it" and "companies that are proceeding formally" are becoming quite visible. A hallmark of companies that truly mean it is that elements of sustainability are properly integrated into their management, business, and finance. This aligns with the aims of the Sustainability Standards Board of Japan (SSBJ) and is, in my view, a very important point. In the case of the Isetan Mitsukoshi Group, I believe the element we should integrate as the top priority is, indeed, "people."

Our Group's corporate philosophy—"Touching people's hearts with human-driven experiences."—is, I feel, exceptionally good. I quietly believe it expresses this company very well. What surprised me upon joining as an External Director is how many people here truly can "move hearts." Communication skills are high, many have very keen sensibilities—in addition to good taste, their antennae for dialogue partners are finely tuned, and their ability to catch what is happening is very strong. I see many such people across the company. I also sense that many have integrity. If such colleagues acquire the scientific strength of logic and hypothesis testing—as in the examples from Mr. Tanemura and Ms. Kawamoto—and become "ambidextrous," the combination is, frankly, formidable.

It is true that management is focusing on how to leverage these major strengths. I believe all of you also sense that the CHRO has become quite visible of late. The CHRO is truly active and is advancing a series of initiatives with speed, as explained today. Board-level discussions about "people" are very vigorous. We External Directors also visit stores, engage in diverse discussions with young talent and frontline colleagues, and listen to many voices—including concerns and anxieties. I believe those voices are being reflected in Board deliberations.

If I only offer praise, I would not be fulfilling my role, so let me share, with my strong expectation that the Isetan Mitsukoshi Group will become "the company synonymous with talent," three areas where we can still go further. First, the development of management talent. This is a challenge not limited to the Isetan Mitsukoshi Group; it exists everywhere. I have no concern about the quality of our talent. The emergence of "ambidextrous" colleagues means we can entrust them with larger management responsibilities. The very fact—especially exemplified by today's two presenters—that people have diverse careers and routinely form hypotheses and run experiments is itself excellent management training. Still, I believe we have room to do more. Particularly as a challenge common across Japanese companies, the working style of those called "managers" stands out: managers are so busy that they cannot devote themselves to management in its true sense and are overwhelmed by minute administrative tasks. Including the sorting out of such duties, cultivating talent who understand and can practice management is a major avenue for growth ahead.

Second, diversity. Diversity in decision-making layers is, in my view, extremely important. Of course, gender perspectives matter. I previously worked in finance, and finance and retail have a common point in talent composition: although there are many women in these industries, I frankly think that in the Showa era they were male-dominated. The situation is improving today, but I am sure there is still room to go further on gender. Moreover, when we talk about diversity, the conversation quickly turns to women's advancement, but diversity in career, skills, and experience is also extremely important. As we heard today, advancing initiatives from those perspectives is necessary for the Isetan Mitsukoshi Group to stand one or two heads above the rest.

Third, leveraging DX and AI to support people—trusting in the quality of our talent. I recognize this is a theme that challenges every company. Some may feel fear or anxiety that AI will take people's jobs. Yet I think retail has the advantage that such fears are relatively smaller. As we discussed, the Individual customer business relies on the human-touch component; only people can do that. That will not disappear. DX and AI can be used to support people's work, and there is still ample room to leverage them. I believe we can, alongside AI's evolution, devise ways to use these tools as the "weapons" of talent.

I have expressed three expectations for the future, and let me close by touching briefly on what underlies them. Whose is human capital? Naturally, you will say it belongs to individuals—and that is precisely correct. However, within companies, I sometimes sense a misunderstanding: upon hearing "human capital management," some seem to think human capital is the company's property—analogous to those who once misunderstood shareholder capital as "free to the company." The Isetan Mitsukoshi Group is not such a company; human capital belongs to the individual. Precisely because it is the individual's, it is essential that people have career ownership and, as strong "individuals," build their own careers. On the company and management side, the most important thing is to appeal to such ownership-holding people (not limited to current employees, but including those who will engage with the company and a range of stakeholders) as an attractive company—and not merely to appeal, but to substantiate that appeal with real capability.

We must advance these initiatives across the Group, and, as an External Director, I will carefully watch whether they continue to evolve and fulfill my responsibilities in that sense. Thank you very much.