Management Strategy ►IT Strategy

# "Offensive" and "Defensive" DX

### **Creation of Digital Strategy Committee**

While striving to achieve "full recovery through early revenue recovery" by fiscal 2023, which is the final year of the Group's current Medium-term Business Plan, we will create a Digital Strategy Committee that creates an environment for and promotes "offensive digital" field across the Group looking at "regrowth" in fiscal 2024 and beyond to accelerate "offensive DX."

In its activities, we will implement the following three measures including redefining value to be provided in our commercial model, finding and developing content, and promoting advanced use of customer data to further promote the DX strategies of the Department Store and Parco in the Group.

## (1) Development of the "next generation DX business model"

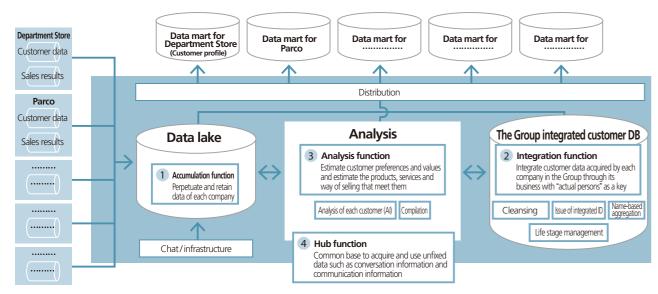
We will develop the next generation business model, which keeps a distance from the previous business models

of the Department Store and Parco, using the latest digital technologies. We will find and develop new content, which the Department Store did not provide until now. By doing so, the Group will provide new customer value (customer experience) and diversify revenue streams to build the basis for "regrowth" in 2024 and beyond.

# (2) Provision of customer experience across the Group using the Lifetime Service HUB

The Group integrated customer database Lifetime Service HUB (LTS-HUB) is intended to manage and use all customer data of each company in the Group. Parco, following the Department Store, finished importing its data into the HUB. Going forward, we will provide the Group's united buying experiences and services to customers in the areas where the Department Store and Parco are located next to each other, including Shinsaibashi and Nagoya. We will provide high quality customer experiences that cater to individual customers to achieve full recovery through early revenue recovery.

### Conceptual diagram of Lifetime Service HUB



## (3) Strengthening of organization functions to promote DX

The DX promotion departments of the Department Store and others lack human resources who can plan, carry out, and operate DX and it is urgent to strengthen the systems. Therefore, we will strongly work on individual DX themes by strengthening the systems actively using external human resources through an alliance with external partners and other measures.

We need to develop the capabilities of individual employees in order that the Group will work as one to promote DX in the future. To this end, we will introduce a development program and carry it out in all companies to improve the skills and knowledge on DX of all employees of the Group. We will define the type of desirable DX talent and launch initiatives to have all employees and DX specialized talents acquire necessary skills.

### "Offensive" DX of operating companies

Daimaru Matsuzakaya Department Stores redefined the company it aims to be as a "media commerce' company that promotes sustainability and communicates content both online and offline" in the Medium-term Business Plan. Based on this policy, we will start to expand the business that uses the internet to overcome the time and place constraints. Specifically, we will launch a beauty (cosmetics) OMO shopping business, create an art-focused website (digital gallery) that attracts customers, and rebuild food EC. In addition, we will open and operate D2C malls.

Parco will promote the four pillars of its DX strategy with "foundation building centered on two core businesses including the SC Business and the Developer Business + content business" as the basic policy of the Medium-term

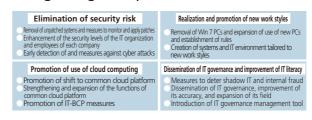
Business Plan. Specifically, we will increase the number of our ID customers and centralize customer IDs (integration of Parco's online store members' IDs), and actively promote customer exchange in entire Parco and the Group to create synergy. Going forward, we will also build multi EC (Parco's online store and tenants' EC sites) platform and create the appeal of real × digital Parco using xR technology for further digital shift.

### "Defensive" DX

Increasing information security risk due to increasingly complex and sophisticated cyber attacks is a severe threat in conducting business activities. Therefore, we formulated the Group's common Security Policy in July 2018 and continuously take security measures using the policy as guidelines at each company in the Group to minimize such risk. In addition, in April 2020, we formulated the IT Governance Policy and Rules as guidelines for controlling a series of activities from formulating IT strategies to implementing them.

With regard to visualizing and improving the status of security measures, we interviewed each company using a checklist and assessed vulnerability to confirm the safety of their websites that had a high risk of data breaches and their systems that hold personal information, and made improvements to promptly ensure the safety of the websites and systems where problems were found. In addition to continuing these efforts, we will also take measures to strengthen security, including investigating the robustness of servers, strengthening monitoring, and reviewing internal rules for more appropriate information management.

#### Strengthening and improvement of "defensive IT"



In order to strengthen the security management system, we established CSIRT\* in the Company and joined the Nippon CSIRT Association in July 2019. The Company works with people responsible for information security management of the Group companies to develop manuals in preparation for incidents while continuously providing incident response training. By doing so, we go on strengthening the security management system of the entire Group.

Employee education is an important element to ensure information security. We started to provide e-learning-based education and targeted attack email training for all employees in fiscal 2018 and continue activities to raise the level of information security of employees through education and training.

\*CSIRT stands for Computer Security Incident Response Team.

In terms of infrastructure, we introduced cloud-enabled computers and improved a communication environment promptly to enable back-office staff to work from

home. In anticipation of telework continuing due to the declaration of the state of emergency and the priority preventative measures, we will take measures such as making our operation systems cloud-based, building the Group's common integrated base for authorization, and introducing EDR\* to enable more flexible work styles. Thereby we will achieve the same security level both inside and outside the company and employees will be able to work safely and securely anywhere.

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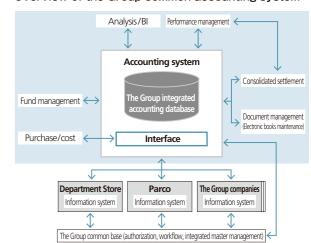
\*EDR stands for Endpoint Detection and Response

In terms of operation systems, we plan to rebuild the core systems aiming for data-driven management. We will start to alter our course to data-based management. To begin with, we started to build the Group common accounting system (system renewal, etc.) in March 2021. This system building is intended to "centralize financial information," "standardize and streamline operations" and "strengthen financial functions using digital technologies" with the aim of supporting decision-making in future-oriented management and financial management and realizing operation reform in finance and accounting departments.

The Group common accounting system will be introduced to Daimaru Matsuzakaya Department Stores in fiscal 2024, and then, expanded into all companies in the Group. After introducing the system, we will predict and analyze using various financial and non-financial data to realize sophisticated and prompt decision-making. We will also rebuild other core systems to standardize and streamline operations at the Group level.

In addition, in order to build a base that supports the implementation of DX, the standardization of cloud environment, the introduction of security guidelines and the development of rules for security check (system vulnerability assessment) before introducing systems were completed. In fiscal 2021, we will continue to promote the shift to a cloud environment that enables us to digitalize and realize our business strategies promptly and flexibly. We have already built the Group's cloud foundation that has data connection function and job execution and monitoring function and all systems that will be introduced in the future will be cloud based. By doing so, we will promote the shift to cloud in terms of both hardware and software. We will actively use cloud to build infrastructure in a short time and quickly start to provide services and enter markets.

#### Overview of the Group common accounting system



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