

## VALUE CREATION

JFR's Intangibles

Investment in Human Capital

# Driving Force for Value Creation Leading to the Future

The source of business competitiveness is shifting from hardware to software, so-called "intangible assets." Important management assets that are invisible but fundamental and affect medium- to long-term corporate value other than financial performance are "human capital."

The COVID-19 pandemic accelerated changes and what is happening now is a "game change." It can also be said it is natural that investment targets will shift from tangible assets to intangible assets. And it is important to be aware that intangible assets have a long-term effect. Investment in human capital is the important process to maximize the value of human resources as "capital."



The Group, which implements sustainability management, considers the ability to perform duties, which directly leads to results and contributions, and the ability to create new value as "human resource value" and adopts a personnel system "based on human resource capabilities" with human resource value at its core from 2020. We believe it will lead to sustainable corporate growth and medium- to long-term value creation.

"Human resource capabilities" are the total power of actions that lead to the realization of results, highly specialized knowledge and skills, underlying ability to perform duties, energy and learning to promote changes, and underlying character and spirit.

Needless to say, it is only "people" that will open the way to the future by achieving discontinuous growth instead of remaining on the current path in the highly uncertain environment. Therefore, we will focus on investment in human capital with an eye to the medium to long term.

### "Desirable shape" created by young employees

One of its specific examples is the Group's Desirable Shape for 2030 Project, which was launched in November last year. One of triggers to organize this project is dialogue conducted between the Company's management and an investor when the FY2021-FY2023 Medium-term Business Plan was released in April last year.

*"The Medium-term Business Plan you released this time shows your long-term direction until 2030. However, how much the opinions of young and middle level employees who will be responsible for the management of each company in the Group are reflected? I am so concerned if only the opinions of the top management and Outside Directors are reflected. I think it is important to reflect the voices of employees who will actually lead the next generation."*

In the current Medium-term Business Plan, we set a corporate vision that aims to become "a corporate group producing fulfilling lifestyles and creating unique communities to coexist with local communities." It clearly describes our strategic policy to change portfolio while expanding existing strengths. On the other hand, we cannot deny it lacked the perspectives of future consumers and young employees who will be responsible for the Company in 2030 and the perspective of internal dissemination.

Therefore, the management team took actions to create dynamism using more of young employees. They organized a cross-Group project directly under the President, which is mainly composed of young employees, to formulate a message and an action plan to encourage employees to change their mindset and behavior with future consumers and changes in society as a starting point. It consists of ten diverse members including four men and six women and two Generation Zers.

The second half of fiscal 2021, which is a planning phase, was allotted for research to extract the desirable shape and the project members conducted depth interviews

with a total of more than 50 people including real consumers mainly in their 20s and experts inside and outside the Group to collect insights on changes in values and society in the future. Workshops were also held 25 times in total (two hours each).

Based on the hypotheses obtained from this process, the project will develop some concrete plans that allow all the Group's employees to participate and help change their mindset and behavior.

### Direct communication between the President and employees

The President provides as many opportunities as possible to have direct communication with not only the management team but also more extensively the Group's employees. As part of this, meetings with the President titled "Catch Ball Meeting!" were held online from late April to early May this year. Motivated employees voluntarily attended the meetings. In the first half of the meeting, the President told in his own words what he expects of employees concerning the Group strategy for fiscal 2022, and in the second half, they had a question and answer session. The President and the Group's employees bounced thoughts off each other as referred to in the title. A total of 1,062 employees attended the meetings and they had unprecedentedly hot communication. It is largely because of work style reform through the promotion of digitization that it could be realized on a larger scale than imagined. We believe such flat and interactive communication regardless of rank will help nurture the will of employees and improve employee engagement.

The Group's Desirable Shape for 2030 Project triggered by dialogue between an investor and the management. Mainly composed of young employees and aims to develop plans that help employees change their mindset and behavior.



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### Development of leaders

In order to realize the desirable shape for 2030, human resources who will lead this initiative are expected to keep a firm axis even in the unpredictable and greatly changing business environment. The axis is formed by “spontaneous motivation” and “life purpose” based on it. The Company launched a new selective training program “T3\* program,” in April 2022 to develop human resources who work vigorously to achieve their “life purposes” and lead the transformation of organizations, and then, companies and the entire Group through their jobs as a place for practice.

Seventeen men and women in their mid-30s to early 40s were selected from each company in the Group as the first trainees. In the first half of the program, they intensively studied liberal arts including history, philosophy, religion, natural science, and politics and economics. And in the second half during which they will mainly work in groups, they will be exposed to different perspectives and values of participants from outside the Group and look deep inwardly. Concerning the questions that have no correct answers, how do they perceive, what do they feel, and how do they change behavior? We will continue to develop human resources who can think through themselves and accomplish their tasks with resolution based on their spontaneous motivation. We will increase the number of employees with the same views to ensure the growth of the entire Group.

\*T3: Transition To Transformation (Individual mindset changes lead to organizational changes.)

### Accelerate the development of “human resource capabilities”

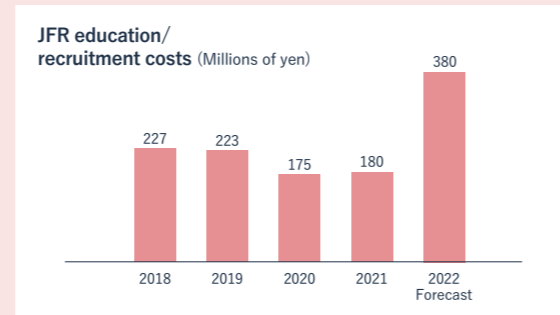
Premised on the idea that people grow through jobs, we will link four actions including recruitment, allocation, evaluation, and development and increase the energy that will become a growth engine to develop human resources. This fiscal year, by

doubling the budget for education and recruitment, which was stagnated due to the COVID-19 pandemic, from the previous fiscal year, we will accelerate investment in human resources to build a diverse and autonomous human resource base.

With regard to training programs, while uniform training by rank is provided using video conference systems, etc. to increase attendance and operate efficiently, for selective training such as the JFR Schools that aim to develop the next managerial talents, we introduced recommendations from each division and voluntary participation by trainees as well as traditional selection by human resources division to find new human resources. Particularly, we strive to speed up the appointment of young employees through tough assignments and human resources exchanges.

We will consider and implement the measures for recurrent education and reskilling so that existing employees can respond to expected changes in business models and business portfolio.

Furthermore, from the perspective of providing opportunities to meet the intention and willingness to learn independently and achieve results and raising the level of human resource capabilities, we will establish the JFR College that focuses on digital thinking and literacy education to make its attendants acquire versatile and highly applicable skills and knowledge regardless of business area.



### Active recruitment of professional talent

We will establish a closer linkage between the business strategy and the human resources strategy and secure necessary human resources to optimize human resource allocation in order to respond to changes in our business structure.

Specifically, we will actively recruit mid-career professional talents who have professional skills, experiences, and knowledge necessary for new growth areas such as digitization and developer and can be immediately useful. In fiscal 2021, we recruited a total of 103 mid-career workers (49 people in the previous year) throughout the Group, including the holding company, the digital division of the Department Store, and the Payment and Finance Business.

We also continue the Mother Recruitment program for women who left their jobs for child care but aim to advance their career by exercising their ability to the fullest and hired six women in fiscal 2021, including four who joined the Group in fiscal 2022, under this program.

Particularly, the holding company is expected to increase the share of employees recruited from outside to 50%.

### Respect for diverse values

We will create innovation and increase productivity by realizing diversity & inclusion and work-life integration. By doing so, we will create value and create new business opportunities.

The Group utilizes human resources on the basis of individual ability, aptitude, willingness, etc. regardless of gender. We are aware that the diversity of human resources is the source of corporate competitiveness and that it is important to create new value by combining different elements through constructive discussions between diverse human resources who respect each other.

In particular, we promote system development and education to create an environment in which women are able to exercise their ability. We have systems in place to support women who are raising children, providing an environment in which they can work continuously, unaffected by changes in their life stages. As for education, we provide training, including training for managers and the JFR Women's School primarily for short-time workers who keep working while raising children. We have a total of three female Directors including one Inside Director and two Outside Directors, making the ratio of female Directors 30%.

The Group is strengthening its support for LGBT people in order to create a work environment in which diverse employees are empowered. As for systems, we newly established the Same-Sex Partnership Rules and a gender change support leave system. We also set up an LGBT Consultation Desk in each operating company, putting in place a system where LGBT employees are able to have consultations anonymously. In addition, we are also actively making efforts to promote understanding of all employees and create a new corporate culture, for example, by providing

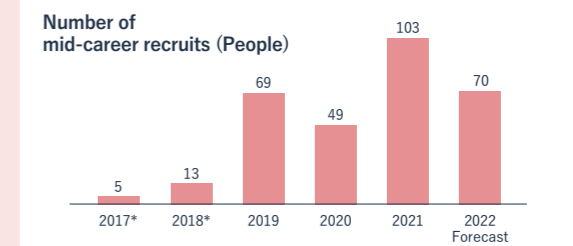
training for employees in management positions and e-learning courses for all employees and raising awareness through the LGBT site on the company intranet.

### Women's Empowerment Promotion Project

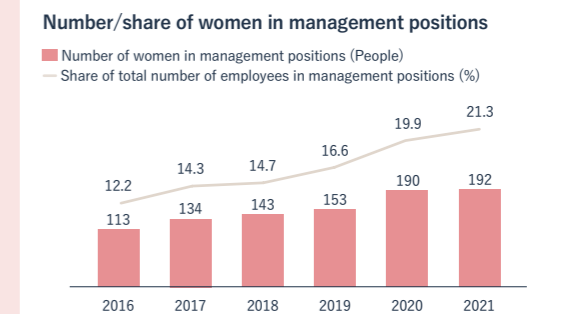
In April 2022, we set up the Women's Empowerment Promotion Project directly under the President and Representative Executive Officer. The members selected from each operating company (men and women mainly in their 20s to 40s) extract the Group's common challenges in promoting women's empowerment and discuss the creation of the environment in which women can exercise their individuality and abilities to the fullest. The project will make recommendations to the President and Representative Executive Officer to lead them to the top commitment.

The Group would like to foster corporate and organizational cultures in which diverse employees are empowered through this project.

Human resources are the capital whose value will be increased through investment. With this awareness in mind, we will accelerate the review of human resource allocation, which will enable business portfolio transformation.



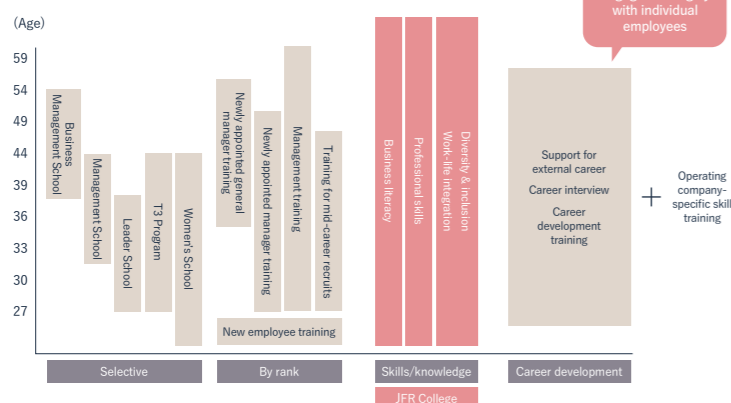
\*Numbers for FY2017 and FY2018 are the results of Daimaru Matsuzakaya Department Stores.



### LGBT initiatives

Same-Sex Partnership Rules	Rules applicable to a “spouse” apply to a same-sex partner
Gender change support leave	Newly established a leave system for hormone treatment, gender reassignment surgery, etc.
LGBT Consultation Desk	Established an LGBT-dedicated consultation desk in each operating company
Training for employees in management positions	Provide LGBT-related training
Training for all employees	Provide LGBT-related e-learning courses
Post on the intranet	Created a website that allows all employees to learn about LGBT at any time

### Human resource development system



### Improvement of human resources capabilities through the JFR College

- Business literacy**
  - Conceptual skills
  - Human skills
  - Technical skills
- Professional skills**
  - Digital (thought, literacy)
  - Languages
  - Professional abilities (legal affairs, financial affairs, personnel affairs, etc.)
  - Send to external training/seminars
  - Send to external organizations
  - Qualification acquisition support (IT Passport, a registered real-estate broker, etc.)
- Diversity & inclusion**
  - Women's empowerment promotion program
  - LGBT training, ally promotion program
  - Harassment prevention
- Work-life integration**
  - Liberal arts
  - Career design
  - Life plan

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