Special Report
J. Front in Motion

Bring Diverse “Knowledge” to Innovation

What was considered correct until yesterday may not always be correct tomorrow. Now that it is no longer easy to predict even a few years into the future, we cannot envision a bright future as an extension of the past. It is true that those feelings have become stronger after experiencing the COVID-19 pandemic for three years. Innovation is essential to open up an era shrouded in uncertainty and create the future. This process requires diverse “knowledge” – the combination of knowledge and wisdom.

The Group emphasizes diversity because we are serious about realizing true innovation. It is inevitable that the conclusion will be commoditized by collecting “knowledge” through the conventional process based on past successful experiences. On the other hand, it is clear that even if diverse “knowledge” gathers, it will not become a big force or swell unless the vectors are aligned. In other words, in order to bring about innovation, it is extremely important to create a culture and system that actively accepts changes and differences.

One of the ideas in the Group’s action guidelines, JFR WAY, is to try without fear of failure. Because there are trials and errors, or challenges, there are also failures. If no action is taken, of course there is no failure. We are willing to take on the challenge of innovation again and again, without fear of failure, in order to create the future.

Creating the future. That means opening up new markets. Rather than following conventional success patterns, we will try new approaches through the combination of “knowledge” and work on “creating customers for a new era.”

“R&D” functions that lead to innovation

In October 2022, we established the CVC fund named JFR MIRAI CREATORS Fund jointly with Ignition Point Venture Partners Inc. (IGP), which has extensive knowledge in the venture capital business. Our CVC is positioned as an R&D function to become a group of companies that continue to innovate through collaboration by investing in startups with innovative technologies and business models.

After the formation of the CVC fund, an overwhelming amount of information on startups has been gathered. We have already accumulated information on as many as 157 companies, and it is becoming one of the bases of the Group’s “knowledge.” While we carefully assess business synergies, IGP makes investment decisions based on a detailed analysis of the business plans drawn up by startups, from funding to growth potential and probability. We believe that by clarifying the division of roles, we have been able to build a more robust and speedy decision-making system.

Under the fund vision of “making the future better and more interesting,” we aim to create new value by updating people’s lifestyles, the quality of their individual lives and work styles, and the way they spend their time, as well as their relationships, connections, and communication with others. This CVC function will be used to combine business seeds outside the Group and ideas and measures within the Group, leading to innovation of existing businesses and the creation of new businesses, as well as to the development of management human resources and corporate culture reform.

We have identified five areas for investment: entertainment, healthcare, real estate tech, retail tech, and deep tech, based on the premise that they match the three strategies of the Group: Real × Digital Strategy, Prime Life Strategy, and Developer Strategy. Since the establishment of the fund, five projects (as of the end of June 2023), including art, travel, metaverse, and community-related projects, have already taken shape, and we believe that the ground for innovation is steadily growing.

We communicate our CVC activities internally through all channels. We visited key persons in each business and interviewed them in collaboration with IGP to deepen mutual understanding, which leads to sourcing of startups that have a high affinity with us. Information obtained from CVC activities is also shared widely with employees via the intranet and email newsletters.

As a result of these steady efforts, we actually began to hear from many of our employees that they would like to have contact with advanced startups. We are seeing a steady increase in the momentum for innovation, moving away from an excessive “do-it-yourself” approach and proactively utilizing outside knowledge.

We expect that 4.8% of the Group’s human resources, or one out of every two employees, will be involved in some way in CVC activities by 2030. The important thing for innovation is to keep a close eye on the “outside world.” By proactively making contacts with startups, we will stimulate the intrinsic motivation of the Group’s human resources and encourage them to tackle new challenges.

Promotion of human capital management via CVC

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Entry into esports

As social changes accelerate, we believe that it is an important mission for us to discover the buds of the next era and provide new experiences and excitement, and in recent years, we have regarded esports, which is showing excitement mainly among the younger generation, as one of the categories of attention.

Therefore, we acquired a 50.8% stake in XENOZ Co., Ltd., which owns the esports team SCARZ, and made it a subsidiary. In addition to making a full-scale entry into the esports business, which is expected to grow in the future, we will work to create new value by creating synergies with existing businesses such as Parco and the Department Store.

It is estimated that approximately 17.5 million people in Japan are interested in esports, with young people in their teens to 30s accounting for about half of the total. The Ministry of Economy, Trade and Industry held a Study Group on Measures for Vitalizing Esports in 2020 and declared that it would support the growth of the domestic esports market. It is estimated that the domestic esports market will grow at a rate of nearly 30% by 2025, driven by an increase in the number of esports fans and an increase in sponsorship revenue due to the efforts of the government and domestic companies.

In addition, it was selected as a demonstration event at the Asian Games in Indonesia 2018 and as an official event at the Hangzhou Games scheduled for 2023. Furthermore, the first Olympic Esports Week organized by the International Olympic Committee (IOC) was held in Singapore in June this year. As an event with an eye on future adoption for the Olympics, 131 athletes from 64 countries and regions, including Japan, participated. It is expected to develop more and more globally in the future.

XENOZ has been leading the industry since the early days of esports, not only with the long-established professional team SCARZ that has achieved many good results in major esports competitions, but also by planning and managing its own competitions and events. Esports is a market that is expected to continue to grow at a high rate in the future, and by entering the market from its early stages, we will solidify recognition as a pioneer and develop it as a future pillar of our entertainment business.

In addition, for the Group’s Daimaru, Matsuzaikaya, and PARCO, acquiring next-generation customers is one of the major challenges. Since esports is of great interest to the younger generation, especially Generation Z and those in their teens to 30s, we believe that this will enable us to reach out to these next-generation customers, which will lead to increased awareness and brand value.

Furthermore, esports has a high affinity with businesses that utilize digital technologies such as metaverse and NFT, and having an esports team as content is expected to expand into a variety of businesses. We will accelerate the implementation of our Real × Digital Strategy by expanding our business into the digital domain while ensuring the effectiveness in the real domain of attracting customers by holding events at the Group’s facilities.

“Develop 1,000” digital human resources

We have developed the JFR Digital Human Resources Development Program, and in December 2022, we started developing data analysts and digital designers who will become our core human resources. Toward 2030, we will create new services and businesses while improving the efficiency and productivity of existing businesses, which is necessary to transform the Group’s business portfolio. Specifically, we aim to develop 100 digital core human resources by fiscal 2024 and 1,000 by fiscal 2030. We envision that at least one core human resource will be assigned to each division of each Group company. When the relevant division notices a problem, it will create an environment in which the problem can be solved quickly.

This program also incorporates a workshop style to improve practical skills. For example, we would combine our strengths, assets, and technology, and then come up with ideas while setting target customers, which would then be discussed and voted on by the team as to what they think is best. It can be said that experiencing the process of seeing a single light by accumulating the diverse wisdom of different people gathered from various divisions leads to a pseudo-experience of realizing change.

What is important is not only to acquire the mindset and knowledge through human resource education, but also to integrate and link them with the functions of the organization. We will bring new value and change to day-to-day operations, and create operational reform and synergy through collaboration among core human resources across divisions and operating companies.