

What Can We Do Now for the Next Generation? We Will Build People and Organizations That Lead to Sustainable Growth.

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Unlocking the potential of people, organizations, and culture

We boast an unparalleled history and tradition spanning more than 400 years, dating back to 1611, when Matsuzakaya was founded, during which we have sincerely engaged with our customers and helped bring their aspirations to life. I take pride in the fact that, even today, we have many employees who put into practice on the front lines the philosophy inherited from our predecessors, as exemplified by the corporate credos of Daimaru and Matsuzakaya: “Service before Profit” and “Abjure All Evil and Practice All Good,” and I consider this to be the strongest foundation of our human capital. Furthermore, the full integration with Parco, which has continued to inspire Japanese contemporary culture in recent years, has served as a catalyst for an increase in the number of employees brimming with originality and creativity, which is another major strength.

At the same time, the environment surrounding us continues to undergo dramatic changes, driven by factors such as the declining birthrate and aging population, the diversification of people’s values, and the rapid evolution of AI. To prevail amidst fierce competition and continue to earn the support of our customers and diverse stakeholders in the future, I believe it is essential not to rest on our laurels, but to maximize the inherent potential of our people and organizations, actively acquire new talent and insights, and continuously hone the strengths of our people, organizations, and culture that continue to take on new challenges.

Making talent management a top priority

As things stand, the average age of the Group’s employees is approaching 50. While having experienced employees in key positions is a source of our current strength, securing the next generation of talent and continuing to make strategic efforts and proactive investments for future growth are essential for our sustainable growth.

With regard to hiring, we continue to recruit a set number of new graduates each year. At the same time, we are strengthening our efforts to attract outstanding talent from outside, particularly in areas such as stores, gaisho, content,

and digital, to adapt to changes in our business. Last fiscal year, the Group as a whole welcomed 276 mid-career hires. We are also promoting strategic cross-group personnel assignments, such as having Parco employees serve as department store managers and department store employees serve as Parco store managers. While recruiting and assigning such talent is meaningful in itself, I recognize that it also has the significant effect of updating the knowledge and expertise of existing personnel and the organization, thereby accelerating transformation across the entire organization. We are also compiling a list of in-house talent and investing in development programs to strengthen our talent pipeline, ensuring a continuous supply of professionals to fill key roles. We have established a system in which top management takes the lead in making decisions and taking action regarding the recruitment and strategic placement and development of such talent, treating these as top priorities in our management strategy.

Enhancing diversity and engagement

To achieve sustainable growth, it is essential to transform diverse values and individualities into organizational strength.

We remain committed to promoting diversity, including women’s empowerment, an area where we have a competitive advantage, while continuing to foster an environment where every employee can fully utilize their abilities in a way that is true to themselves. We aim to go beyond simply achieving numerical targets and create an environment where a diverse workforce can thrive.

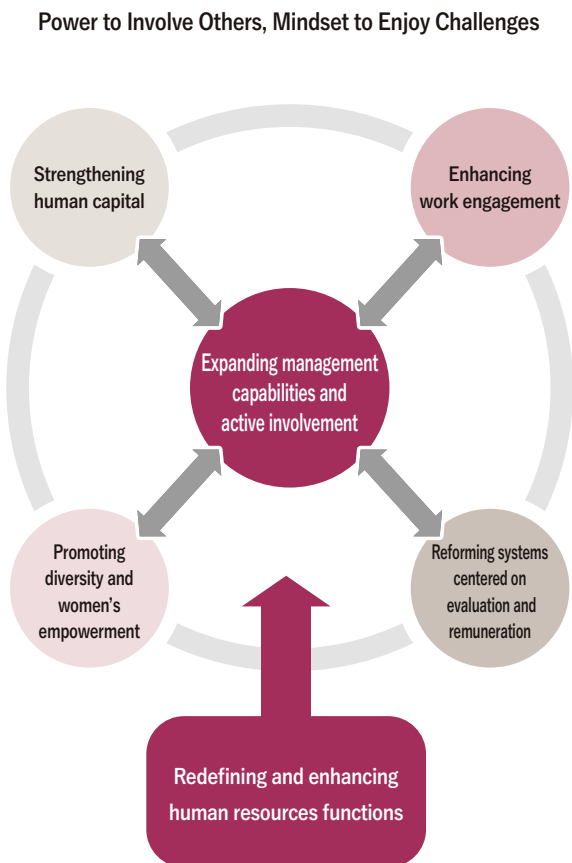
Furthermore, to ensure that employees take a proactive approach to their work and continue to take on new challenges, it is important to improve work engagement, which reflects employees’ active involvement and passion for the organization and their work. I believe that creating an environment where employees can fully unleash their inherent potential, enjoy taking on challenges with a healthy sense of commitment, and feel a sense of growth, through a multifaceted approach encompassing organizational operations, management, and institutional frameworks, is essential to becoming a Value Co-creation Retailer.

Management is the key player in transformation

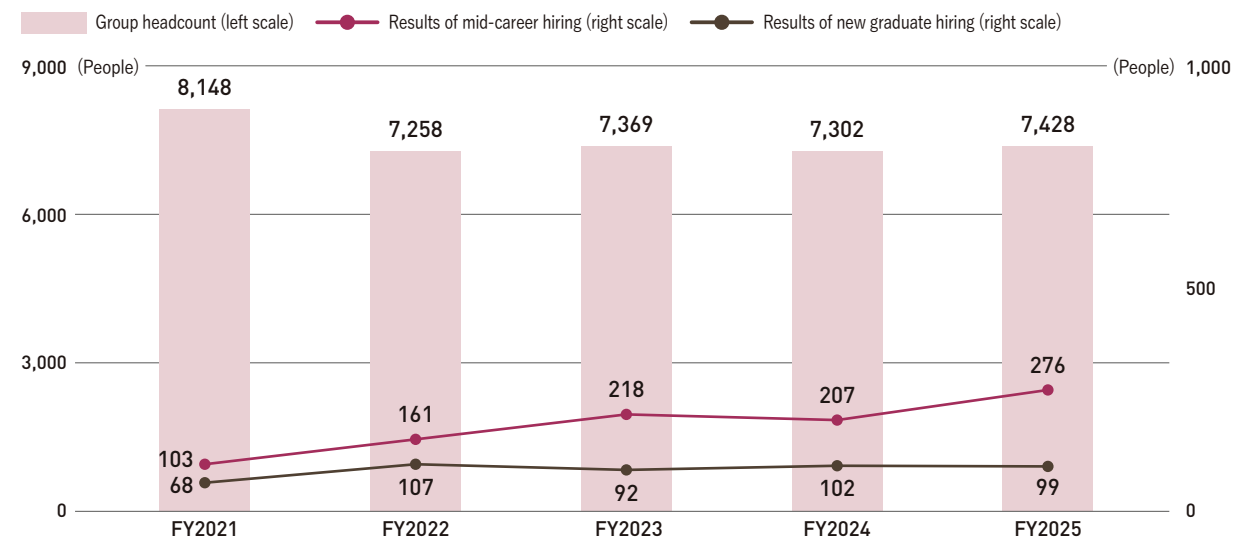
It goes without saying that business innovation is the sum of the transformations taking place on the ground. The role of management—communicating the direction of change within each workplace, fostering talent while boosting motivation, and achieving goals through creativity and ingenuity—has become more important than ever before. From this perspective, starting with Daimaru Matsuzakaya Department Stores, we launched the “workshop for officers and division heads,” a series of sessions where officers and division heads from each organization engage in direct dialogue with the presidents of their respective companies to discuss initiatives aimed at organizational innovation. At the workshops, everyone is passionately discussing the importance of “engaging with each employee individually, making courageous decisions, and articulating their visions.” Although this is a steady, step-by-step effort, we plan to continue holding these sessions on an ongoing basis and expand the scope to include more companies.

Human resources as a business driver

Until now, the human resources division has placed a strong emphasis on honoring tradition, following rules, and maintaining fairness. These principles will remain important going forward. However, to bring about a major transformation in the business, it is sometimes necessary to look beyond precedent and devise the optimal solution based on the ultimate objective. This requires evolving into a strategic division that drives not only the business itself but also its people, organization, and ultimately, its corporate culture. To drive this transformation as a unified group, starting in fiscal year 2026, we have adopted a structure in which an officer responsible for human resources, as well as finance and IT officers, holds concurrent roles at the holding company and major operating companies. I am seeing tangible results, with information becoming more up-to-date and enabling faster, integrated decision-making. The human resources division will also assume the role of a driving force that supports the challenges undertaken by the business and its people, contributing to the realization of value co-creation across the Group.



Trends in Group headcount and results of new graduate and mid-career hiring



*The Group headcount reflects the figures as of the end of each fiscal year.

Key Priorities in Human Resources Strategy

We have identified four key priorities: “strengthening human capital,” “promoting diversity and women’s empowerment,” “enhancing work engagement,” and “reforming systems centered on evaluation and remuneration.” Furthermore, recognizing that management plays a central role in enhancing the effectiveness of these initiatives, we are also focusing on “strengthening management capabilities and promoting their active involvement.”

Strengthening Human Capital

In addition to recruiting new graduates and young talent, we are actively hiring highly specialized personnel, particularly in areas such as store operations, gaisho, content, and digital, to adapt to changes in the business environment. In addition, we support employee retention by improving the workplace environment and strengthening our onboarding process, and we are also working to enhance our training and development programs so that each employee can fully realize their potential.

■ JFR Selective School

Since 2017, we have run the “JFR Selective School,” a focused program designed to develop candidates for future executive leadership roles.

This program consists of three tiers: the “JFR Business Management School” (for future executive candidates), the “JFR Management School” (for future division head candidates), and the “JFR Leader School” (for future manager candidates). It fosters a management perspective, shares the top management’s perspective on key issues, and provides strategy development training. Through systematic and strategic personnel assignments, the program promotes the early development of the next generation of core talent.

Number of training participants (FY2025)

New employee training	98
JFR three-year training school for new employees with college degrees	724
Career development training	2,294
Management training	220
New manager training	428
JFR Group open recruitment training	107
JFR College	1,142

*The number of participants represents the total count (including repeat participants).

Training record (FY2025)

Average training hours per employee	8.26 hours
Average training cost per employee	58,813 yen

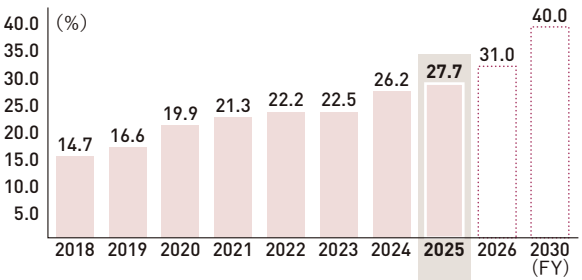
Promoting Diversity and Women’s Empowerment

We believe that to achieve sustainable growth into the future, it is essential to harness the diversity of our employees’ individualities and transform them into organizational strength. To that end, we will create an environment where every individual can thrive in their own way, from promoting young talent to revitalizing middle-aged and older employees.

Particularly, women, who make up over half of the entire Group’s employees, must play an indispensable role. To date, we have implemented initiatives such as improving the

workplace environment and reforming work styles with a focus on ease of work and job satisfaction, the “Career Forum for Women” where participants learn about career assessment and management, and unconscious bias training for managers. As a result, the female management ratio across the entire Group stood at 27.7% as of the end of fiscal year 2025. In May 2026, we introduced an internal mentorship program in which female officers and division heads from diverse backgrounds and with varied experiences serve as mentors to support the medium- to long-term career development of junior employees.

Trends in female management ratio (consolidated)



Female ratio by position level in 2025 (consolidated)

	Total	of which Female	Female ratio
Division head	263 people	33 people	12.5%
Section chief	548 people	192 people	35.0%
Total	811 people	225 people	27.7%

*As of the end of February 2026

■ Unconscious bias training

In fiscal year 2025, we conducted a training program for all officers and managers across the Group to deepen their understanding of how unconscious biases and stereotypes influence decision-making, management, and day-to-day communication (approximately 1,000 participants). In particular, for the training session aimed at section chiefs, we incorporated AI-based exercises and designed the program to be more practical by simulating scenarios that could occur in real-world workplaces.

■ Internal networking group “PERCH LABO”

In 2025, we launched an internal networking group composed of graduates of the Career Forum for Women. We liken the networking group, where female employees across the Group can connect beyond the boundaries of divisions and operating companies, to a “perch” where birds rest their wings.

In addition to facilitating the exchange of information, it provides opportunities to acquire skills applicable to their work, support proactive career development, and promote the development of the next generation of leaders. (A total of 140 participants in fiscal year 2025)



PERCH LABO meeting

Enhancing Work Engagement

We define work engagement as the degree to which employees are actively involved in and passionate about their organization and their work. We believe that employees cannot begin to take on new challenges without increased work engagement, and we will therefore work to review and improve every aspect of the employee experience, including work tasks, roles, management involvement, and internal systems, from the perspective of work engagement.

■ Employee engagement survey

In the fiscal year 2025 survey, we revised the questionnaire items in an effort to gain a more accurate understanding of the current situation. Across the entire Group, in addition to the KPIs of “employee satisfaction” (68.3%) and “likelihood to recommend as a place to work” (62.0%), high scores were also recorded for “intention to continue employment,” “cooperation in the workplace,” “trust in supervisors,” and “pride in contributing to society.” On the other hand, the results indicate that there is room for improvement in creating “job satisfaction” and “work experiences that exceed expectations,” and we recognize the need for initiatives to boost work engagement. We will use the insights gained through this survey to inform initiatives across the entire Group, foster dialogue within each company and division, and drive the organization’s growth.

Reforming Systems Centered on Evaluation and Remuneration

Compensation based on fair evaluations is one of the key factors in motivating employees to take on new challenges. To ensure that we can accurately evaluate each employee’s role, performance, and individual differences and provide appropriate feedback, we are proceeding with a review of our existing evaluation system and training to enhance operational capabilities, starting with senior management. At the same time, we aim to establish remuneration levels that better reflect our commitment to strengthening our competitive edge in recruitment and improving employee retention.

In April 2026, we introduced a share granting plan for executive-level employees within the Group, with the aim of further strengthening the sense of unity across the Group, encouraging a commitment to sound business practices, and improving work engagement.

INTERVIEW

We are currently undergoing a phase of change aimed at achieving sustainable growth in the future. In this environment, I believe that the role of management in leading the organization has a significant impact on the organization’s overall strength and value creation.

Since it is difficult to forge a new future simply by following past practices and successful experiences as they are, our management team, including officers, has engaged in extensive deliberations on what actions we should take now. Following discussions at the workshops for officers, they have established the following three actions.

- Engaging (providing appropriate feedback through dialogue to support growth)
- Making decisions (thinking independently and make decisions without being bound by precedent)
- Articulating a vision (envisioning the organization’s future and sharing its direction with subordinates)

Currently, each division head, including officers, is articulating these concepts in their own words and refining them through practice while engaging in ongoing dialogue with their subordinates. The human resources division conducts workshops for division heads at Daimaru Matsuzakaya Department Stores to support their practical efforts.

I joined the Company in 2025 as an organizational development specialist, and I believe there are many high-potential employees here. By bringing out the best in each of them and enhancing the value of our human capital, I hope to contribute to improving our organization’s competitiveness.

Expanding Management Capabilities and Active Involvement

The management team plays a central role in each initiative outlined in our human resources strategy and serves as the link between senior management and the front lines. We are focusing our efforts on improving the environment and transforming mindsets to enable our management team, centered on division heads, to perform to the best of their abilities. Specifically, we are reviewing the number of subordinates each manager oversees, developing support measures to revitalize the organization, and revising the performance evaluation system to encourage taking on new challenges. At the same time, we are continuously conducting workshops for officers and division heads to promote behavioral change among management.



Workshop for officers and division heads

Redefining and Enhancing Human Resources Functions

To ensure the steady implementation of each initiative, the role of the human resources division will become more important than ever. To respond swiftly and appropriately to on-the-ground challenges such as recruitment, placement, training, and performance evaluation, we are working to enhance the expertise of the human resources division while also reforming our operational processes so that employees can feel a sense of growth through their work. We will also work to establish a structure that allows them to contribute as business partners to senior management and business unit leaders.



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