

Next-Generation IT Organizations Lead the Group's Transformation

OZAWA Toshihiro

Managing Executive Officer and Senior Executive General Manager, IT Digital Unit
J. Front Retailing Co., Ltd.

Managing Executive Officer and Senior Executive General Manager, IT Digital Headquarters
Daimaru Matsuzakaya Department Stores Co. Ltd.

Managing Executive Officer for Corporate Headquarters, Head of IT Department
Parco Co., Ltd.



Introduction

—The Group's IT and digital challenges

As a CIO, I have been responsible for transforming the IT organizations of various companies, and in March of this year, I assumed the position of Senior Executive General Manager of IT Digital Unit at J. Front Retailing. While the Group owns the long-established department stores Daimaru and Matsuzakaya, it also possesses significant appeal and strengths not found among our competitors, such as Parco's ability to attract younger customers and the unique presence of GINZA SIX.

However, based on my many years of experience, when I look at the Group's IT environment, I see a variety of challenges. For example, there are multiple similar service infrastructures within the Group, and many systems, including core systems, are becoming outdated. As a result, instead of increasing IT investments for new challenges like strategic investments, we are forced to allocate resources to maintaining and continuing existing business operations.

Our vision

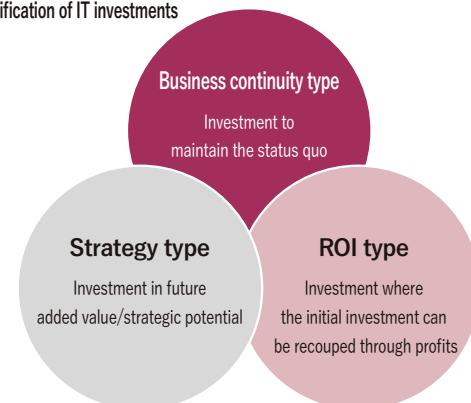
—Transformation into a next-generation operating company IT model

We plan to incorporate our response to these challenges and our vision for the Group's IT functions into the next medium-term IT plan, which will begin in fiscal year 2027. In my view, the ideal IT organization within an operating company is by no means merely a systems maintenance and operations team; rather, it is an entity that works side by side with the business side to drive the business itself forward. To achieve this "transformation into a next-generation operating company IT model," we intend to drive our strategy under the following pillars in the upcoming medium-term plan.

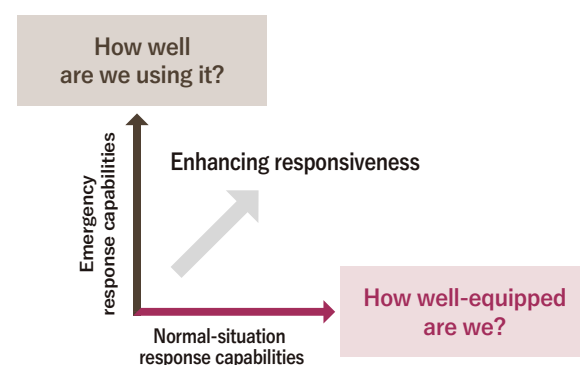
(1) Strengthening the Group's IT governance

To ensure optimal IT investment across the entire Group, it is important to review the Group's IT investment projects from the perspective of their alignment with management policies and strategies, manage these projects as a portfolio, and allocate IT resources optimally. For this reason, we have introduced a Group IT review system and established Group regulations that define the

Classification of IT investments



Policy for assessing the cybersecurity situation



basic principles and criteria for IT investment, and we will make investment decisions based on uniform criteria within the IT review committee.

Furthermore, strengthening cybersecurity is also a key aspect of IT governance. Recently, the threat of cyberattacks, including those utilizing AI, has been increasing, making it crucial to strengthen response capabilities not only during normal times but also during emergencies. The Group intends to further enhance its cybersecurity capabilities by using benchmarks such as the "CIS Controls," a set of cybersecurity best practices published by the U.S. non-profit organization, Center for Internet Security (CIS), and the "NIST Cybersecurity Framework (NIST CSF)" published by the U.S. National Institute of Standards and Technology (NIST).

(2) Development of Business IT Architect (BITA) and new insourcing initiative

The "BITA" is the key role in "working side by side with the business side to drive the business forward." BITA combines technology in one hand and business in the other, taking on the role of comprehensively overseeing internal operations from start to finish to build optimal processes and systems. While these tasks are precisely the kind of work that should be handled by the talent in a next-generation operating company IT organization, the current IT division has been overwhelmed by its traditional responsibilities, such as system development, maintenance, and operations, and taking on BITA-related tasks in addition to these would place an excessive burden on the team.

Therefore, as part of our efforts to reduce maintenance and operational workloads, which is our top priority, we will promote a "new insourcing" initiative. This approach involves not maintaining IT assets such as servers in-house but fully leveraging cloud services, and shifting from traditional system integration, which centered on developing proprietary in-house systems, to service integration that combines multiple SaaS (Software as a Service) solutions. The basic policy is to "avoid development" as much as possible. Even when development is necessary, it is based on no-code development or AI-driven development. By implementing these approaches in-house as much as possible, without relying on partners, we can significantly reduce maintenance and operational workloads as well as

outsourcing costs, thereby maximizing the speed of business delivery. These are the objectives of the new insourcing initiative, and they represent the responsibilities that BITA, as an IT talent within an operating company, should undertake.

(3) Development of Digital Shared Knowledge (DSK)

"DSK" refers to digitized organizational knowledge. This involves transforming the know-how stored in individuals' minds into a systematic framework. DSK's value lies in digitizing individual expertise so that it can be easily reused throughout the organization as explicit knowledge.

For example, if we can digitize decision-making criteria, such as moving on to the next action when a set of numerical values exceeds a certain threshold, we can eliminate human inconsistencies and dramatically improve business reproducibility and quality. By gaining experience within this framework, a foundation is established that allows anyone to easily achieve a score of 80. Building upon this, individual efforts to further hone skills lead to an increase in employees capable of achieving a score of 120. Promoting the development of DSK makes this kind of organizational management possible.

Furthermore, in the future, it will become possible to use AI to replace decision-making processes that require advanced judgment. This will ensure business continuity while also improving efficiency and advancing operations, particularly in the Department Store Business, where a significant number of experienced senior employees are expected to retire.

To advance the development of DSK, it is essential to improve employees' digital literacy. We will further strengthen our education and training programs to significantly enhance the Group's overall digital capabilities.

Leading the Group's Transformation

The transformation of the JFR Group has only just begun. My mission is clear: to transform the IT organization into a BITA organization capable of serving as the next-generation operating company IT function. I hope to transform the future of this long-established company by having BITA talent play a dynamic role as one of the pillars of our business.

What is BITA?

