

Key Strategies: Business Reforms through a Scientific Perspective

Business Reforms through a Scientific Perspective

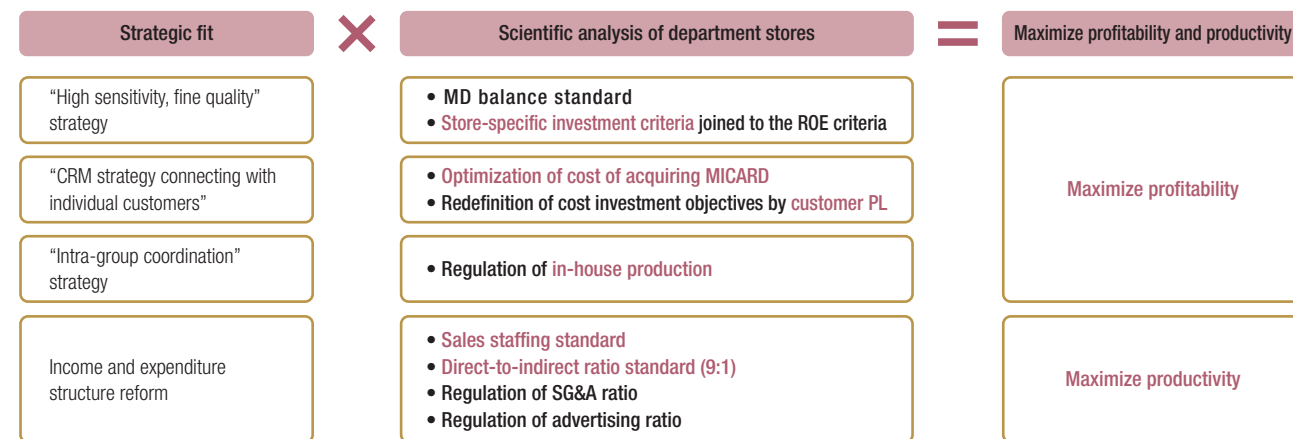
Under the slogan “Scientific analysis of department stores,” we will redesign the business structure of department stores by analyzing not only sales but also profitability and productivity in all units within the Group and its businesses. This will allow us to gain a grasp of the overall situation and adopt a system that enables more efficient use of expenses.

Scientific analysis of department stores

Direction > ● Evolve the “Scientific analysis of department stores” to accelerate revitalization of department stores

Purposes and roles of the “Scientific analysis of department stores”

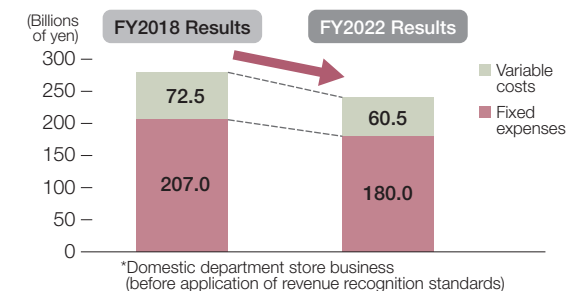
1. Reform the cost structure and redesign the department store business structure, thereby increasing productivity and maximizing profits
2. Visualize all activities of the Company from a scientific viewpoint and set up standards (operational indicators) in accordance with the strategy
3. In the strategy implementation phase, ensure that all employees understand the standards and transform their daily actions with a management mindset



Direction > ● Reducing SG&A expenses from a scientific perspective and redesigning the business structure by optimizing the number of personnel

- Maintain operating income by controlling expenses from the perspective of “Scientific analysis of department stores”
- Continue to reduce fixed costs and flexibly control variable costs to improve earnings structure

SG&A expenses trend



Major Initiatives				
	Item	FY2018 gross sales ratio	FY2022 gross sales ratio	Remarks
Fixed expenses	Personnel expenses	8.0%	7.2% – 0.8%	• Workforce efficiency • In-house production
	Business consignment expenses	3.2%	2.6% – 0.6%	• Review of operations • In-house production
Variable costs	Advertising expenses	1.3%	0.7% – 0.6%	• Shift from mass appeal to individual advertising

Major Initiatives of Scientific Analysis of Department Stores		
①	Income and Expenditure Structure Reform	• Maximizing Cost-effectiveness
②	Organizational Workforce Reform	• Multitasking Workforce
③	Store Structure Reform	• MD Balance Optimization

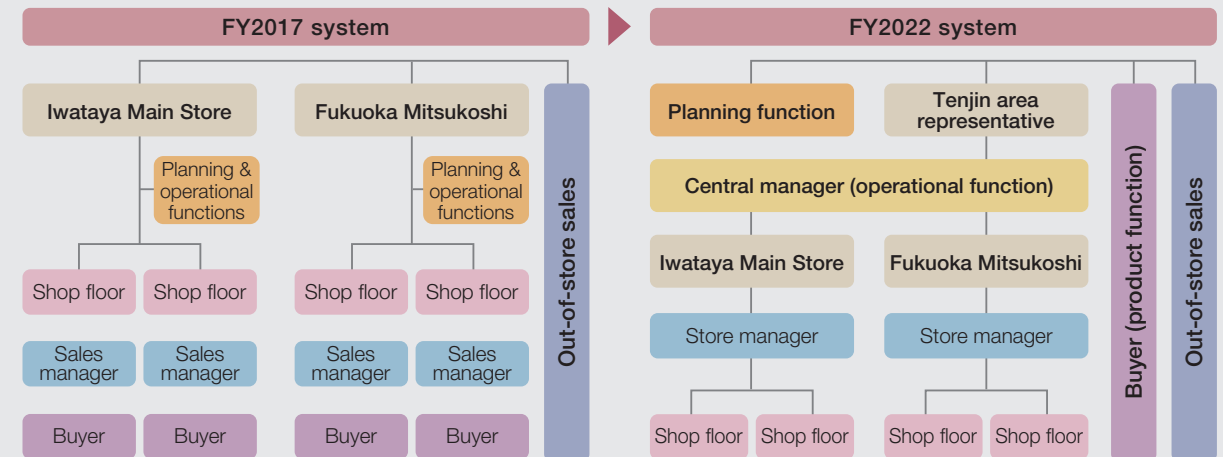
- “Scientific analysis of department stores” was launched at Isetan Mitsukoshi to break away from the existing department store business model
- Full-scale expansion to regional operating companies in FY2023

Initiatives at regional department stores ①

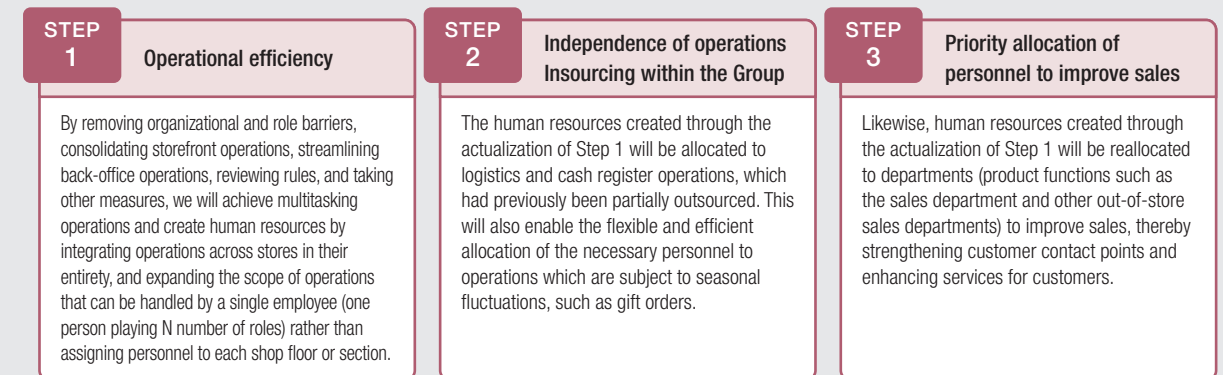
Iwataya Mitsukoshi

Iwataya Mitsukoshi, which operates Iwataya Main Store, Iwataya Kurume Store, and Fukuoka Mitsukoshi, changed from conventional store management in which each store has its own function and personnel are assigned to a certain shop floor or section, to an organizational structure in which multiple stores are centrally managed and overlapping functions are consolidated. It vigorously promoted multi-task management to broaden the scope of responsibilities and operations, thereby raising productivity per employee and improving profitability through organizational personnel reforms that reassign generated human resources to operations directly related to profitability.

Multi-tasking system in the Tenjin area at Iwataya Mitsukoshi (image)



Steps in reforming organizational personnel



With operational efficiency as the point of departure, we aim to maximize productivity by achieving optimal allocation of human resources.

Initiatives at regional department stores ②

Sapporo Marui Mitsukoshi

In April 2023, Isetan Mitsukoshi began outsourcing operations to Sapporo Marui Mitsukoshi, which launched its Contact Center business (service handling inquiries from customers by phone and e-mail). In order to enhance our services and improve the profitability of the Group as a whole, rather than outsourcing work to outside companies, we are working to reform our organizational personnel by assigning Group employees with a high level of customer service skills to the Contact Center, a department that serves as a point of contact with customers.

Isetan Mitsukoshi Contact Center at Sapporo Marui Mitsukoshi, which opened in April 2023

