

Management Strategy

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Culture That Produces Creativity

is local content rooted in the area where each store is located. There are still many attractive gemstones that have yet to be discovered, such as artists, food products, and crafts, in rural regions. We would like to explore this field thoroughly at each store. I believe that department stores will no longer be stereotyped, and that the time will come when the individuality of each store will stand out even more. Currently, several sustainable and unique local projects are underway at each store, and we plan to materialize them as new original content.

If we can successfully separate global content at the head office and local content at each store, our online content will also become more attractive, and we will be able to introduce our unique lineup to customers throughout Japan. We believe that the accumulation of these efforts will become our unique strength.

Suggestions from GINZA SIX

It is very interesting to see the movement of GINZA SIX. Structurally, the luxury brands that operate maisonette boutiques, which are called "Front 6," are a major feature, and they tend to attract attention, but in fact, with the expiration of the fixed-term lease period of 4 to 5 years, the brands will be replaced significantly. In a sense, the major reshuffle during the COVID-19 pandemic has become a hot topic, but the newly introduced brands have also adapted well to the current market and are also linked to the well-being orientation. I think one of the reasons for its strong performance is that it was able to adjust to market changes at a high rate.

And we see a variety of potentials in the fact that it is popular among young customers in their 20s and 30s. It also offers unique space value, and I think communication

with its customers through an app also contributes to its success. The brand lineup, assortment, environment, and app all work well together at GINZA SIX.

On the other hand, it is undeniable that most of the existing department stores have not invested in major renovations in the past 10 years, and that investment has mainly been in maintenance. It is clear that we will not be able to survive in this rapidly changing era if we just do our best with sales promotion and customer policy. For this reason, we believe that it is necessary to budget for appropriate renovation investment over a span of about five years, regardless of a fixed-term lease, while proceeding with fixed-term lease where it is possible with a certain degree of massiveness in stores. Including that, we need to look at the NPV over a 10-year span.

We have a business management system in place that allows us to track the balance sheets and cash flow of each store. Essentially, I think it is important to have a long-term plan to make appropriate investments for each store over a five-year period or so based on the cash earned from the stores. We would like to create a situation where each store can run a growth investment cycle on its own. In the next medium-term plan, we would like to draw up a solid financial strategy for building such an ecosystem.

Change the culture, change the output

I believe that corporate culture reform is one of organizational changes. If corporate culture reform is just a means, and this is what we should aim for, then we have to change the organization, that is, change roles and organizational functions. When we do that, it can be difficult to get things right because

of the forces that try to undo them. It is about a culture of tacit knowledge, where informal rules are the most troublesome. This is what I mean when I say that culture reform is one part of changing the organization itself.

It is time to compete on the basis of content. It is not enough to collect what is currently selling. There is a term "meaningful consumption," and that is where our main battlefield is. It is essential to face the market firmly and show originality. All people at the stores and the head office face the market and think about it. In other words, what is required is a creative mindset. It is important to efficiently execute what has been decided, but we are now in an era when it is not enough to do so.

If we cannot do it on our own, it will be important to actively involve outside people to create something. We don't have to do it all by ourselves at all. We would like to create a culture that allows people to speak up, nurture, and propose interesting things. It is important to bring out more of what young people are thinking.

If there is an unspoken rule that draws attention only to negative elements and rejects new projects, I would like to improve such a culture. I believe that we must look at the four processes in so-called Nadler's model as a whole.

Some interesting businesses are also taking shape, such as "asumise," a shop that does not sell, "AnotherADdress," a fashion subscription business, and "Raku-Rich," a frozen delicatessen subscription business, all of which were born from the ideas of young people. We would like to reform our corporate culture to make it easier to generate creativity, and to start taking on various challenges now with a view to contributing to earnings five to ten years down the road.

Post-COVID-19 era in full swing

The post-COVID-19 era is finally in full swing in department stores. Looking at the changes in sales trends as various restrictions on behavior are eased, I am deeply impressed by the fact that the economy is based on the movement of people. In particular, the Daimaru Tokyo store adjacent to Tokyo Station symbolically shows this.

During the COVID-19 pandemic in 2020 and 2021, we were unable to fully perform sales operations and our business performance was extremely severe, but I think it was an opportunity to reset and reconsider our business model not only for our company but also for the upstream of the supply chain. During this period, some of our suppliers have been working on re-engineering and business model reforms, by, for example, thoroughly reviewing inventory management, and have significantly increased sales compared to fiscal 2019.

Just as the positioning of summer and winter sales has changed from both the supply side and the market side, it is clear that market entrances

are becoming more fragmented and values are diversifying. We are no longer in a situation where large masses are moved by easy fads. We have seen this trend for some time, but with COVID-19, it has become completely clear. We continue to offer good items as archives at appropriate prices without easy price reductions. I feel that there has been a change, like going back to the basics, or what we should be.

In terms of market changes, sustainability orientation has become more apparent than expected, and there are many brands that strongly reflect this philosophy in their product planning.

In addition, the awareness of our ECOFF program, which collects clothing and accessories that customers no longer need, has increased, and it has gained a lot of support. The amount collected in fiscal 2022 was 367 tons, an increase of about 40% from the previous year, and the number of participants also reached a record high. We recognize that actively engaging in such sustainable initiatives is becoming a prerequisite for being the company of choice for our customers and other stakeholders.

Expand content with advantages

In order to focus on their main products, many luxury brands are now strategically strengthening their two approaches: an approach to the ultra-luxury zone and an approach to the younger generation using accessible product lines. I feel that they have a three-layer structure, such as upper, main, and accessible. In other words, expanding the range of customers vertically while clarifying the main target is the key to winning, and it is consistent with our customer strategy.

In the midst of intensifying competition from a wide variety of retail players, we have focused on the areas of luxury goods, high-end watches, and contemporary art as categories where department stores can still compete, and in addition, future growth can be expected. In fact, these markets are growing steadily. I believe that this is an area that should be addressed as a policy under the initiative of the head office.

On the other hand, what will become more important in the future