

Special Discussion

## IT-DX Strategy to Support the Nitori Group's Business Model



Executive Officer and General Manager of Information System Improvement Office

**Toshinori Arai**

Joined Nitori in May 2001, after working in development, purchasing, and corporate planning for an office automation equipment sales company. After serving as a technology division leader and director of ICT infrastructure strategy, he has served as a division head of the information systems department since 2019. Since 2022, he has served as our Executive Officer and Director of Nitori Digital Base CO., LTD.

Independent Outside Director

**Naoko Yoshizawa**

Joined Fujitsu Limited in August 1988, and in September 2009, she was appointed as General Manager of the company's Mobile Phone Business Group. In November 2019, she assumed the position of Executive Vice President and Digital Software and Solutions Business Group Evangelist for the company. She has served as an outside director of the Nitori since May 2021.

Managing Executive Officer, Chief Information Officer (CIO) & President of Nitori Digital Base CO., LTD.

**Naoshi Takei**

Joined Oracle Corporation Japan in 1993. He served as Executive Officer, General Manager of Business Planning Division and CIO, etc. Joined Nitori in 2006 and served as General Manager of Information System Improvement Office and Business System Improvement Office. In October 2022, he was appointed as Managing Executive Officer and General Manager of Digital Sales Business Promotion Office. He has been in his current position since February 2024.

**More than 80% of our systems are produced in-house. We contribute to the achievement of our vision by securing excellent human resources in an attractive development environment.**

### In-House IT Development for Speedy Management of the Nitori Group

**Takei:** The Nitori Group currently has the mission “to enrich the homes of people all over the world” and has set a medium- and long-term vision of “3,000 stores, 3 trillion yen in sales by 2032.” To achieve this goal, we must achieve leapfrogging

growth, not just extension growth as we have done in the past. I believe that IT is the key to achieve it. As the name of our business model “Manufacturing-Logistics-IT-Retail Business” suggests, IT is an extremely significant element in the management of the Nitori Group. The Nitori Group is committed to a “self-sufficiency principle,” and currently produces more than

80% of its systems in-house. This is to keep up with the speed of business and is the best way to increase the speed of development. The key to in-house production is to have the expertise to compare and judge the value of software, AI, and other technologies in-house. Outsourcing creates dependency and makes it difficult to choose the best quality at the lowest cost. In order to achieve the best at the lowest possible cost, it is important to have the ability to develop, research, and compare in-house.

**Arai:** The Nitori Group's history of IT in-house production began in 1996, when the Information System Division developed a store inventory confirmation system. As the business scale expanded, the core system was developed in-house in 1999, and the product supply system was completed in 2009. In 2013, the overseas core system was standardized, and in 2015, Nitori-net was revamped. Subsequently, we integrated our in-house customer information management (CRM) into the system, and in 2022, we brought Nitori app, which is used by approximately 20 million customers, in-house. In this way, in-house production in many sectors is helping to speed up our business.

#### History of Nitori Group's IT In-House Production

1996	Store inventory confirmation system development
1999	Server installation / business system operation
2002	Order slip system installation
2009	Product supply system installation
2011	Deco Home system installation
2014	Business system partially converted to Web
2015	Nitori-net renewal
2020	Product supply system renewal
2021	CRM system renewal
2022	Nitori app in-house production

\*partial excerpt



### New Base Company for Digital Promotion Increase IT Talent to 600 by 2026

**Arai:** The shortage of IT personnel is becoming more and more serious in various industries, and for many companies, securing excellent IT talent has become a major management issue. In this environment, Nitori Digital Base CO., LTD. was established in April 2022 for the purpose of attracting excellent human resources to the Nitori Group and promoting DX for the entire group. In addition to offering excellent compensation and system design, Nitori has been highly evaluated for its ability to work on development in unison with on-site and is attracting excellent human resources one after another.

**Takei:** The Nitori Group hires more than 50 new IT recruits each year. All new employees are assigned to stores and distribution centers for a total of one and a half years. This is because without understanding the details of the business, it is difficult to know how IT should improve operations. We also believe this method is important so that engineers do not become subcontractors to the operations division, but rather communicate equally and closely with the operations members.

## Special Discussion

**Yoshizawa:** In my previous job, I worked as a software developer for a general IT company; IT is a tool to realize customers' demands, and as an engineer, I have a strong desire to make the user happy. The Nitori Group environment is very attractive to engineers because they can be involved from development to actual use.

**Takei:** Currently, Nitori Digital Base has about 300 employees and about 700 including subcontractors and plans to hire more than 100 new employees over the three years from 2024 to 2026, and through mid-career hiring and reassignments, to double the current number of IT talent in the entire group to about 600. In this way, we will keep pace with the Group's growth.

## Combining Surveillance and Innovation, and Preparing for a Variety of Risks

**Takei:** As Chief Information Officer (CIO), I am in charge of managing the healthy functioning of both surveillance and innovation. I report frequently and closely to the board members and provide detailed reports on major issues individually. The Board of Directors is briefed, as appropriate, on how to promote human resources and IT utilization policies throughout the organization.



We feel that our board members are highly IT literate and extremely interested in IT.

**Yoshizawa:** We feel that IT-related discussions at the Board of Directors are active, and that concrete consideration is being given to in-house production. However, cyber security needs to be discussed further, as the risks are expected to become more complex and significant with future overseas expansion. It is important to assume various risks in advance and prepare responses. In addition, the Nitori Group's IT is divided into three major areas: corporate IT, IT supporting actual business operations, and IT supporting EC. It is also important to clearly separate the priorities of each, and whether they are to be produced in-house or in cooperation with partners. We highly appreciate the company's efforts to join the Nippon CSIRT Association and work with other companies to establish a cyber security response system. I also think that the establishment of a CISO\* and Information Security Office and the creation of a specialized unit to monitor security in cooperation with the Information System Improvement Office are also in the proper direction. It is an important issue for the future to ensure that these systems function properly and permeate all the way down to the end of the line.

\*Chief Information Security Officer

## Support for IT Utilization and DX Promotion at Overseas Branches

**Takei:** In order to increase the ratio of global employees, we plan to consider systems that will help simplify operations and expand overseas by revamping our EC application. In June 2024, we established Nitori Digital Base Vietnam. Since our factory is located in Vietnam, we will support IT utilization and DX promotion at our stores in Vietnam and throughout Asia. In overseas markets, the challenge is to control inventory by predicting which products might be sold. Accordingly, we are improving the core system for production management at our factories with the aim of optimizing the supply chain.



**Arai:** We call our IT-related initiatives for 2032 "medium- and long-term projects." We are currently working on 15 large-scale projects simultaneously. These include "reform" initiatives, such as using AI to advance communication with customers. And if we include smaller "improvement" projects, we work on more than 100 IT projects each year.

**Takei:** Securing human resources for this purpose is an important part of our strategy, and we are moving forward with plans to increase the number of IT talents in Nitori to more than 1,000 by 2032. We also believe that cooperation with the business divisions will result in excellent systems, and we are placing enormous emphasis on increasing the IT literacy of our general employees. In our ongoing projects, we use a variety of approaches to gather IT talents according to the characteristics of the project, including selection-based, voluntary-based, and all-inclusive. In this way, we take care to ensure that as many employees as possible are actively involved in IT and DX.

**Yoshizawa:** The Nitori Group has been working on DX from early on, and I feel that it is a rare company where DX is naturally integrated into corporate activities. Three years ago, when I became an outside director, I had an opportunity to talk with employees from the Information System Improvement Office. When I asked them about the status of development, I was very surprised at the scale and efficiency of the annual development. The Nitori Group has embodied its mission and vision, and last year achieved 36 consecutive quarters of increased sales and profits. There is no doubt that the Nitori Group's IT plays a part in this. This is not so-called "reform-level DX," but Nitori that practices "true IT and DX," which has had a significant impact on management. I believe that this fact could be better publicized to investors.

