

Co-Creation Management and DNA of Innovation as Seen by External Directors

MARUI GROUP’s Corporate Governance and Board of Directors

MARUI GROUP pursues medium-to-long-term improvements in corporate value through the practice of co-creation management.

The Company’s two external directors discussed the type of deliberations that take place at the Board of Directors, which is charged with guiding management, and whether corporate governance systems were functioning effectively.

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External Director
President and Representative Director, FUJI KYUKO CO., LTD.



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External Director
President & CEO, ProNova Inc.



A Board of Directors Engaged in Lively Debate

Okajima: I have been an external director at MARUI GROUP for two years now, and I have a very positive opinion of the atmosphere of the Board of Directors. With a total of six members, including us two external directors, the Company's Board is lean but highly conducive to lively debate.

Moreover, the Board of Directors does not just make decisions about important matters; it also engages in open, active, and constructive discussions of management issues from a medium-to-long-term perspective. While I specialize in management strategies and organizational development, retail and finance lie outside of my area of expertise. For this reason, I often ask somewhat naive questions, but the internal directors are always thoughtful enough to offer me a comprehensive answer to my inquiry.

Horiuchi: Discussions at MARUI GROUP's Board of Directors are practical, and the discussion processes are such that they ensure necessary decisions are made. You can plainly see that the Company has taken steps to make Board meetings a forum that is conducive to discussion, most likely out of a strong desire to invigorate the Board and make it a more meaningful body. The ratio of two internal directors to one external director is also ideal.

Since Ms. Okajima joined two years ago, the atmosphere of the Board of Directors has improved significantly. In the past, when the Board was all male, discussions tended to be a bit intense and were often locked in a single direction. However, with the advent of Ms. Okajima, the atmosphere has been more relaxed, and you have provided us with various ideas on how to make discussion livelier. Yes, there truly have been a lot of changes.

Okajima: Looking back over the past year, I can remember various discussions that were held at meetings of the Board of Directors. I have a particularly strong impression of the Company's passion with regard to Hakata Marui, which was opened in the spring of 2016. This opening was not seen simply as the establishment of a new store; it was treated as an opportunity to ask society its opinion on the future direction of Marui stores in general. The commitment to exercise the Group's strength in its entirety in this undertaking was palpable.

It was also through Hakata Marui that I was able to deepen my understanding of the Company's concept of co-creation management, which entails developing stores through an exhaustive process of incorporating customer feedback. This experience convinced me that the direction chosen by MARUI GROUP's management was right on target.

Horiuchi: What left a strong impression on me was the discussions related to the massive transformation that MARUI GROUP has been undergoing over the past several years, including the shift toward shopping center style stores. President Aoi was particularly passionate about the Company's corporate value-raising business model innovations. When providing an explanation as to why this transformation was being pursued now, the depth of his passion and commitment could not have been clearer.

At the same time, President Aoi exhibits exceptional leadership while exercising a sense of balance, first carefully listening to our opinions at meetings and then putting forth his thinking and final decisions. I suspect that the growth of MARUI GROUP's business and performance is due in part to these characteristics of its Board of Directors and the corporate governance systems enacted to achieve these characteristics.

Okajima: We also discussed human resources development at the Board of Directors. MARUI GROUP is actively utilizing its profession change system, which allows for personnel to be relocated among Group companies and divisions. I originally had misgivings regarding this

system, primarily out of concern that it might impede the accumulation of expertise within the organization.

However, over the course of our discussions on this topic, I grew to understand the merits of this system, such as how changes in professions offer new opportunities to junior employees while helping enhance the ability of veteran employees to adapt to different work situations. I also learned that this process thereby contributes to cross-divisional co-creation. In other words, it was an example of an initiative to "equate the development of our people with the development of our company," as described in the Company's corporate philosophy. The ability for us to discuss MARUI GROUP's policies for improving corporate value at meetings of the Board of Directors is truly meaningful.

MARUI GROUP's Ongoing Process of Innovation

Horiuchi: Recently, the common consensus among investors and other people outside the Company is that "MARUI GROUP has changed." However, I feel a little differently. I have been an external director at the Company since 2008, and I do not get the impression MARUI GROUP underwent any drastic change.

MARUI GROUP has always had its eyes to the future, aware of the dangers that lie ahead and committed to transforming these dangers into opportunities. This is part of its corporate DNA. If, from the outside, it looks as though the Company has suddenly changed, this is most likely because the reforms that it has been advancing for

several years have finally begun producing results. MARUI GROUP undoubtedly has a corporate culture of tackling the challenge of innovation while also considering what constitutes the essence of the Company.

Okajima: I feel the same way. One of the roles external directors of Japanese companies are currently expected to fulfill is to support management with regard to taking appropriate risks while realizing long-term growth. However, this approach toward growth is already entrenched in MARUI GROUP.

For this reason, discussions at meetings of the Board of Directors are not based on precedent or preconceived notions. Rather, the atmosphere is one in which no topic of discussion is taboo, and you can feel the devotion to carrying out any decision made, leaving no measure incomplete. An ideal example of this devotion can be seen in the Company's committed stance toward co-creation management.

Horiuchi: Because of this devotion on the part of management, I feel that we, as external directors, are expected to verify the appropriateness of the strategies and measures MARUI GROUP is looking to advance and examine any risks it may face. I manage a land transport company, which operates in an industry where careful preparation for risks is exceptionally important. From this perspective, I tend to voice opinions from a conservative standpoint in my capacity as an external director at MARUI GROUP.

In the end, President Aoi is a manager that will also make decisions that target an ideal position from the perspective of all stakeholders. As he can be relied upon for this type of prudence, I am able to voice my opinions without unnecessary restraint.

Okajima: I believe that my expected role is a little bit different than yours, Mr. Horiuchi, especially given my relationship to the diversity of the Board of Directors. It is for this reason that I try to make suggestions to spur forward the growth of MARUI GROUP from my differing perspective as a woman as well as in terms of corporate management and human resources development.

As a management advisor, I have observed both successes and failures at numerous companies. I believe that this experience can be of use to MARUI GROUP in making aggressive management decisions. In addition, I hope to help promote innovation at MARUI GROUP and contribute to increased competitiveness from the perspective of human resources and organizational development, my areas of expertise.

