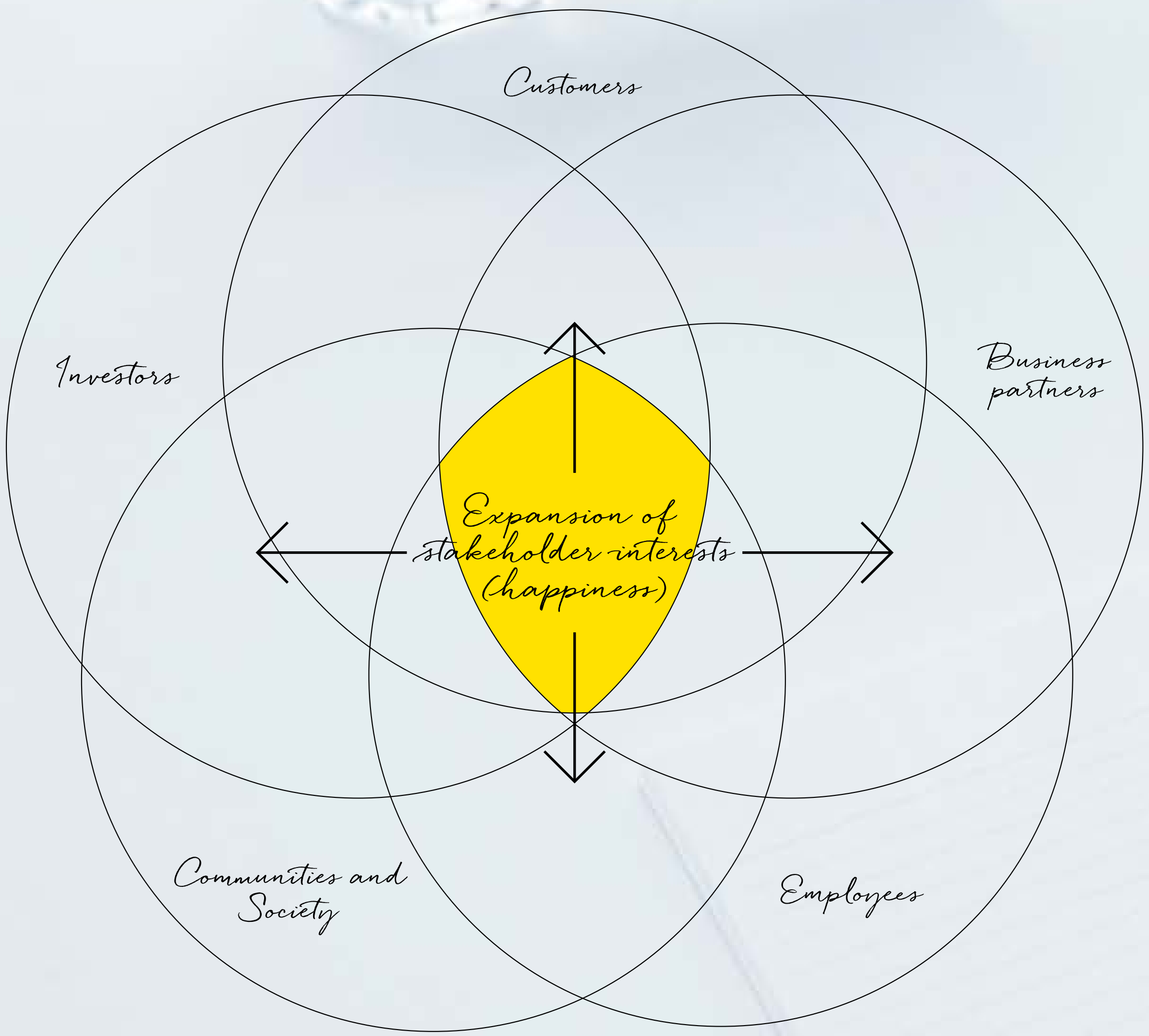



Corporate value = Intersection of all stakeholder interests

Expansion of this intersection = Improvement of corporate value

# Goal of Co-Creation Management—Expansion of Intersection between the Happiness of Stakeholders

## MARUI GROUP's View of Corporate Value

MARUI GROUP practices co-creation, which is aimed at co-creating the happiness of all people together with stakeholders. The Company is supported by a wide range of stakeholders, including customers, shareholders, other investors, business partners, members of local communities and the greater society, and employees. Although the interests of these various stakeholders are often seen to be in opposition, the reality is that there is a significant intersection at which the interests and values of different stakeholders overlap. At MARUI GROUP, we see true corporate value as being able to expand this intersection between the happiness of all stakeholders.

For this reason, it is crucial that we constantly evolve our business frameworks and practices based on ongoing stakeholder engagement. Through such engagement and the new ideas born therein, we will create new value. This is MARUI GROUP's vision for innovation and the ideal form of co-creation management that we pursue.

Hiroshi Aoi

President and Representative Director
Representative Executive Officer

President Aoi on the roof of MARUI GROUP's Nakano head office





# A Step toward a Future of Creating Corporate Value

## Emerging Issue

First, let me begin by discussing our performance in the fiscal year ended March 31, 2017, the first year of our current five-year medium-term management plan. During this year, we made smooth progress in advancing this plan, achieving earnings per share (EPS) of ¥80.2, an increase of 14% year on year, and return on equity (ROE) of 6.7%, up 0.7 percentage point. Both indicators met their targets. Operating income grew 6%, rising for the 8th consecutive year, to ¥31.3 billion, and a new record was set for cash dividends per share of ¥33, ¥11 higher than in the previous fiscal year. In addition, return on invested capital (ROIC) exceeded weighted average cost of capital (WACC) as a result of our financial strategies for achieving an optimal capital structure. Accordingly, we are at last poised to begin creating corporate value. Perhaps a more noteworthy accomplishment was MARUI GROUP's inclusion in all three of the environmental, social, and governance (ESG) investment indexes adopted by the Government Pension Investment Fund of Japan in July 2017 (→P.134).

In this manner, MARUI GROUP took a step toward a future of creating corporate value during the fiscal year ended March 31, 2017. However, an issue also emerged. Our total shareholder return (TSR) for this year was a negative 4.5%, well below the Tokyo Stock Price Index average of 17%. Some may be curious why, despite a massive increase in per share dividends from ¥22 to ¥33 on the back of a large 14% rise in EPS, the Company's TSR fell below the market average.

The reason was most likely that investors and other stakeholders were unable to fully understand MARUI GROUP's corporate value, and therefore could not evaluate the Company properly. Based on our interactions with stakeholders to date, we have identified two causes for the difficulty in properly understanding and evaluating our corporate value.

Transition to a Structure in which ROIC Exceeds WACC
(Fiscal year ended March 31, 2017)

ROIC 3.1% > WACC 3.0%

Inclusion in ESG Investment and
Socially Responsible Investment Indexes

FTSE4Good

2017 Constituent
MSCI Japan ESG
Select Leaders Index

FTSE Blossom Japan

2017 Constituent
MSCI Japan Empowering
Women Index (WIN)

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

The first cause is trouble understanding the unique business model of MARUI GROUP. The second cause is our failure to clearly describe our future initiatives or, in other words, our measures for addressing risks. In *Co-Creation Management Report 2017*, we will endeavor to more thoroughly explain MARUI GROUP's business model and the opportunities and threats we face.

## 1. MARUI GROUP's Business Model

### Identity of *Euglena*

A major characteristic of MARUI GROUP is the unique business model merging retailing and finance that it has employed since its founding. For those of us on the inside of the Company, shaping our actions based on this model is a natural part of everyday business. However, when viewed from outside of the Company, this model has been difficult to understand, with the meaning of "merging retailing and finance" being particularly unclear. In fact, the most common question received from investors was whether MARUI GROUP was a retailer or a financial company. We would always respond to this question by saying "both," but, unfortunately, there were few who were able to fully grasp what we meant.

While this may be a bit of an unorthodox comparison, the situation was similar to someone asking a species of *Euglena* whether it is a plant or an animal. Faced with this question, the organism would have to answer "both." Although the inquirer would understand better if the *Euglena* were to say "animal" or "plant," either answer would entail denying its own identity. The *Euglena* cannot do that, and neither can we. Just as *Euglena* species have distinctive value due to their combining the characteristics of both animals and plants, so too does MARUI GROUP derive its unique corporate value from blending retailing with finance.

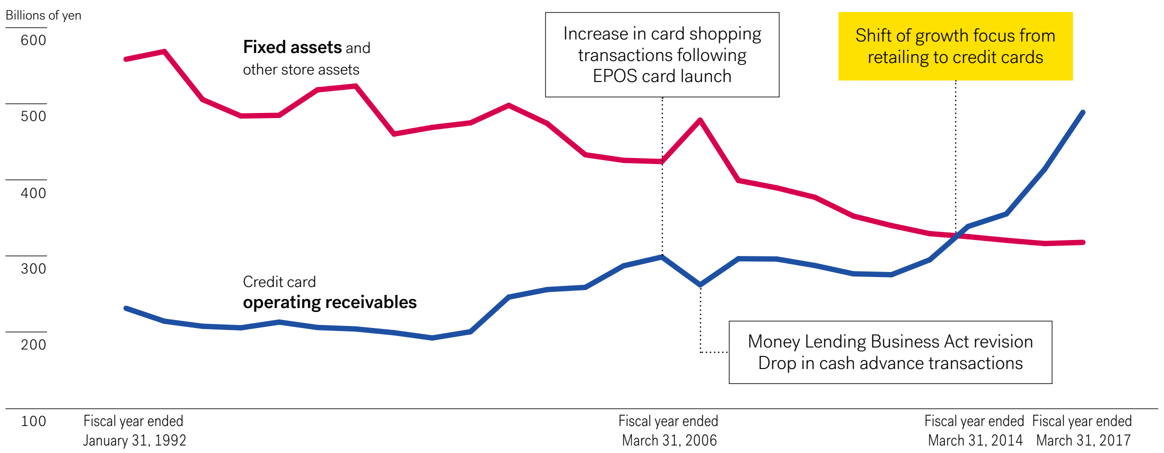
### Reversal of Relationship between Retailing and Credit Cards

Let me go into a little more detail. MARUI GROUP was a retailer with approximately 6.4 million cardholders, and we grew by having loyal cardholders shop at Marui stores. Taking a different perspective, however, it could also be said that MARUI GROUP was a financial company with stores where roughly 200 million customers shopped each year. Either way, we have grown primarily through retailing operations by providing credit cards as a tool to offer customers greater convenience when shopping at Marui stores.

Today, we are witnessing a shift in consumption from goods to experiences, which has also made it necessary for us to change the relationship between retailing and credit cards. In light of this trend, we transformed our business model by transitioning away from our previous credit card, which was only usable at Marui stores, to a new multipurpose card that can be used anywhere in the world. This new card was the EPOS card launched in 2006. Since issuing EPOS cards, our number of cardholders has increased by 1.6 times, from about 4.0 million to around 6.4 million, and card shopping transactions have risen by approximately 8 times, from ¥180.0 billion to ¥1,390.0 billion. Furthermore, although 100% of card transactions used to take place within Marui stores, this figure has since dropped below 10%. Previously, credit cards supported the growth of our retailing operations. However, as I have explained, this relationship has been reversed, and now our stores are supporting the growth of our credit card operations.

This change in business structure is most clearly apparent on our balance sheet. In the past, the land, structures, and other fixed assets that had supported MARUI GROUP's growth since its inception represented a majority of assets. Everything changed in the fiscal year ended March 31, 2014, when the balance of credit card operating receivables came to account for more than half of our assets. Since then, this balance has continued to rewrite record highs.

**Balance Sheet Assets**




### Retailing and Finance—Two Sides of the Same Coin

What I want to make perfectly clear is that this change in business structure—this innovation—did not transform MARUI GROUP from a retailer to a financial company, but rather that it led to our using the stores of our retailing operations to drive the growth of our credit card operations. I mentioned that only less than 10% of total credit card transactions are conducted at Marui stores. However, approximately 80% of cardholders applied at Marui stores, clearly illustrating how both businesses are in a mutually complementary relationship and are intrinsically linked.

For example, you could say that retailing and finance are two sides of the same coin for MARUI GROUP. If you stand a coin on its edge and give it a spin, the spinning coin will appear to take the shape of a sphere. Our business model is like this spinning coin, with no heads or tails, just one sphere of retailing and finance.

By taking a snapshot in time of this sphere, we can report on our financial condition by showing the two circles, one for retailing and one for finance, that would be visible in this picture. A great deal of information can be gleaned from this picture. One could take the perspective of looking at which circle is larger and which is smaller or which is heads and which is tails. However, we see such information as only supplementary and not as truly important to MARUI GROUP.

To MARUI GROUP, it is important for the "coin" to spin more smoothly, gain speed, and ultimately draw a more powerful and beautiful sphere.

For this reason, we do not segregate retailing and finance. Rather, we share human resources, stores, and data throughout our integrated business as we seek to improve corporate value by evolving our unique business model merging retailing and finance.

## 2. Opportunities and Threats Faced by MARUI GROUP

### Eight Operating Environment Changes over the Next Decade

The ability for MARUI GROUP's business model to continue creating corporate value into the future will hinge on our ability to furnish long-term responses to the changes in the operating environment that will be seen going forward.

I would therefore like to discuss the long-term operating environment changes we expect to see over the next decade. Specifically, we have identified eight major changes projected to occur. In this report, we will look at how these changes will unfold going forward, examine the opportunities and threats they will present for our business, and explain how MARUI GROUP intends to respond.

(1) Transition to e-commerce
(2) Shift from goods to experiences
(3) Emergence of a sharing economy
(4) Declining birthrate and aging population
(5) Increase in demand from inbound travelers
(6) Rise of cashless payment methods
(7) Change of focus from saving to investment
(8) End of era of low interest rates

## Opportunities and Threats for the Retailing Business

For the Retailing business, we see opportunities in the projected increase in demand from inbound travelers. However, we will also have to face numerous threats, the greatest of which may be the transition to e-commerce. As e-commerce becomes more prominent going forward, it can be expected that conventional retailing businesses selling goods at stores will begin to decline, a trend that is already apparent in the United States and China. This trend will be compounded by the shift from the consumption of goods to the consumption of experiences, which will decrease demand for goods. This decrease is currently visible with regard to apparel products, which have been undergoing a noted decline in demand in recent years.

At the same time, we project the emergence of a sharing economy. "Sharing" also means a reduction in the consumption of goods, making it a threat to retail businesses. Meanwhile, the declining birthrate and aging population will result in a decrease in the number of consumers.

We have formulated two main measures for responding to these changes. One measure is the transition to shopping centers and fixed-term rental contracts that we have been advancing under the medium-term management plan or, in other words, the transformation of our business model from focusing on a department store model to utilizing a real estate model. The other measure is the expansion of omni-channel retailing. The transition to shopping centers and fixed-term rental contracts entails deemphasizing apparel tenants, whose services will no doubt be replaced by e-commerce sales, to place more emphasis on tenants that provide dining, services, experiences, and other offerings that cannot be supplied via e-commerce. The expansion of omni-channel retailing will be conducted to deliver new value to consumers by evolving our retailing business in a manner that is complementary to e-commerce.

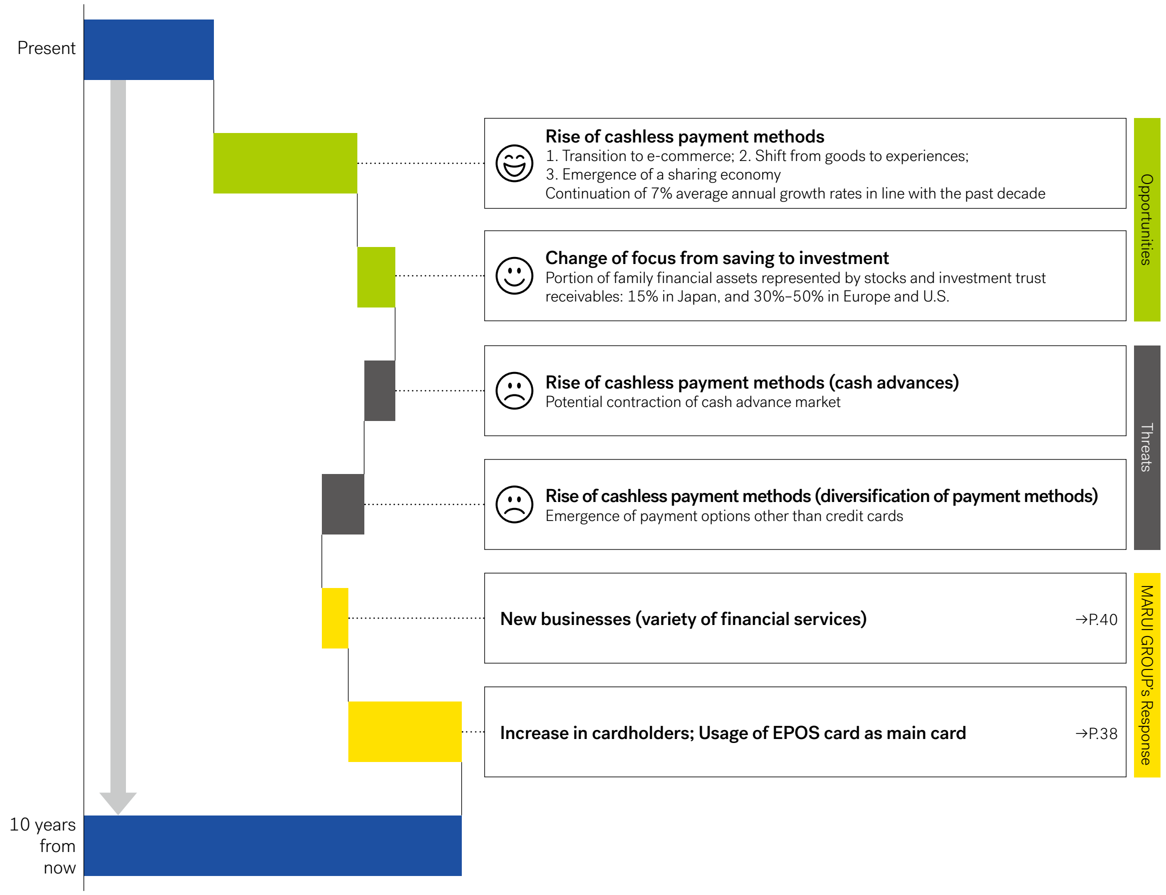
Meanwhile, we look to address the declining birthrate and aging population by expanding our customer base and increasing customer numbers through diversity and inclusion initiatives targeting customers. These initiatives will include providing products, commercial facilities, and services that can be enjoyed by all customers, regardless of their age; physical characteristics, or if they have a disability; or gender, which will entail catering to members of the LGBT community. As for the emergence of a sharing economy, we will respond by creating new businesses to expand the scope of our operations.

## Opportunities and Threats for the FinTech Business

The greatest opportunities for the FinTech business will come from the rise of cashless payment methods. The transition to e-commerce, the shift from consumption of goods to consumption of experiences, and the emergence of a sharing economy will all contribute to the rise of cashless payment methods. Credit cards are a major component of the FinTech business. In the credit card market, the rise of cashless payments has contributed to the continuation of 7% average annual growth rates over the past decade.

### Opportunities and Threats to Be Faced by the Retailing Business over the Next Decade


### Opportunities and Threats to Be Faced by the FinTech Business over the Next Decade




Note: Information on measures related to (8) End of era of low interest rates can be found on page 80.

We expect this 7% trend to be sustained going forward as infrastructure is installed in preparation for the Tokyo 2020 Olympic and Paralympic Games. On the other hand, the rise of cashless payments presents the threat of contraction in the cash advance market. In addition, technological progress could stimulate the diversification of payment methods and consequently detract from the credit card market.

Our responses to these trends include the shift in our business model from an in-house credit card to a multipurpose credit card—the EPOS card—which took place in 2006, as well as the redefinition of our credit card services business as the FinTech business, which was described in our medium-term management plan. As the diversification of payment methods detracts from the credit card market, MARUI GROUP will evolve its operations into a FinTech business in order to transform this threat into an opportunity while at the same time expanding the scope of its business. This move will also enable us to take advantage of the opportunities presented by the change in people's focus from saving to investment.

## Immunity to Downside Risks and Growth Investments

To summarize, we will first transition to a real estate model for stores in the Retailing business in order to part ways with the declining department store model. This transition will change the source of our earnings from product sales to rent revenues, effectively guaranteeing stable earnings that are almost completely unaffected by weather, trends, inbound demand, or other external factors. Moreover, by utilizing fixed-term rental contracts, we will be able to increase the value of our shopping centers by periodically replacing tenants, thereby realizing steady growth.

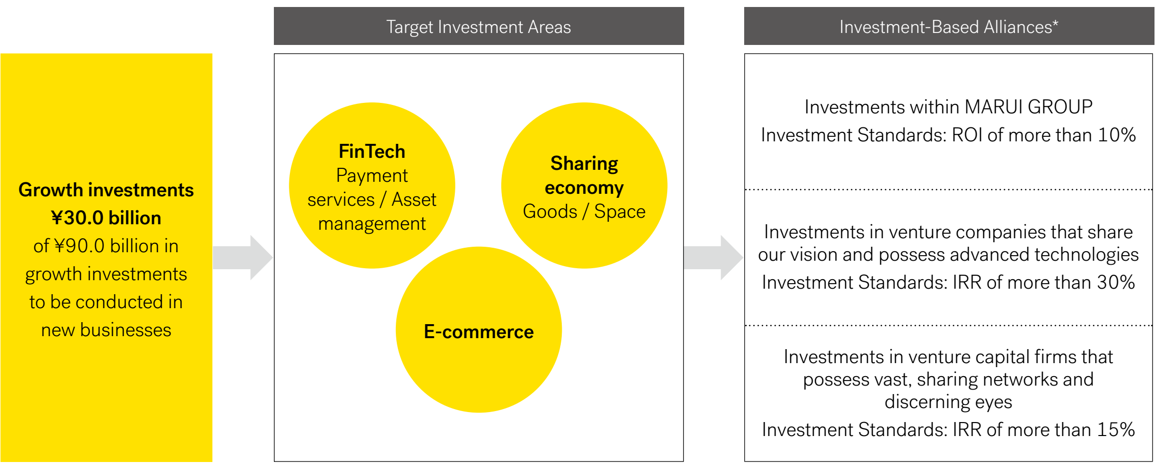
Compared to the prior department store model, this real estate model will lack in its ability to capitalize on upside risks. However, it will be almost immune to downside risks, which is our main aim. During past periods of strong economic growth, department store models operating with consignment agreements were able to exploit upside risks over long periods of time. Today, the situation is quite the opposite. Not only are we in a period of low economic growth, but stores that sell products are also exposed to significant long-term risks arising from changes in consumer needs and the spread of e-commerce.

Next, we will pursue the creation of new value by transitioning to a business model that can grow by taking advantage of the e-commerce trend. Specifically, we will promote omni-channel retailing to build a complementary relationship between our retailing operations and our e-commerce operations and provide value that cannot be replaced solely by e-commerce. This approach will be adopted in all conventional, product-selling retailing operations, including Marui stores and private brands and even tenants. In addition, we will capitalize on the greater degree of freedom in stores granted by the real estate model to develop new, sharing businesses. These businesses will not be limited to sharing goods, but will also include sharing spaces to foster communities among customers and thereby respond to changes in lifestyles and needs.

Under the current medium-term management plan, we intend to invest ¥30.0 billion in new businesses leading up to the fiscal year ending March 31, 2021. We have already begun investments and collaboration aimed at advancing omni-channel retailing, sharing economy, and FinTech initiatives through open innovation.

### Growth Investments under Medium-Term Management Plan (5 Years)

**Investment Policy**
Rather than focusing on pure investment, engage in investments and alliances that contribute to expansion and innovation of main business




* Investment in and collaboration with applicable companies to be conducted based on investment standards by the Research Department and the New Business Development Department

## Forward-Looking Business Models

MARUI GROUP aims to develop an unprecedented, forward-looking retailing business model that is unlike department stores, shopping malls, train station buildings, fashion retail complexes, specialty shops, or anything else seen before. By evolving our retail stores from a forward-looking perspective, we anticipate that synergies can be created with our FinTech business. There is only one financial company in the world with stores where roughly 200 million customers shop each year, and that is MARUI GROUP. We plan to promote financial inclusion through the use of these stores, our approximately 6.4 million cardholders, and big data that links our retailing operations with our credit card operations. Simultaneously growing our credit card operations will create the forward-looking business model we envision for our FinTech business.

Our quest to create value for the future has only just begun. In this report, we have taken every possible angle toward explaining the business model we are targeting, but I am aware that these explanations may still be insufficient. For this reason, we hope that investors will provide us with their frank opinions as professionals.

We also desire to co-create corporate value through engagement with our customers, business partners, members of local communities and the greater society, employees, and all of our other stakeholders. I look forward to your ongoing support and understanding.

August 2017

**Hiroshi Aoi**
President and Representative Director
Representative Executive Officer

Messages from President Aoi can be accessed through the following links.

Fiscal Year Ended March 31, 2015:
Co-Creation Management Declaration
www.0101maruigroup.co.jp/en/ir/message/ceo_2015.html

Fiscal Year Ended March 31, 2016:
Co-Creation Management from a Corporate Value Perspective
www.0101maruigroup.co.jp/en/ir/message/ceo_2016.html

# A Company that Profits and Grows Structurally

**Kazushige Okuno**
Managing Director (CIO)
Norinchukin Value Investments Co., Ltd. (left)

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**Hiroshi Aoi**
President and Representative Director
Representative Executive Officer
MARUI GROUP CO., LTD. (right)

The desire to see a company's corporate value improve is shared by entrepreneurs and investors.

Although both parties are partners in creating value, the roles they play in this process are fundamentally different.

However, it is out of the interplay between this shared perspective and these differences that entrepreneurs and investors are able to engage in a frank dialectic to further their mutual growth and contribute to the long-term interests of society.

## Dialectic with Companies from the Perspective of a Long-Term Investor

**Aoi:** Mr. Okuno, your idea regarding long-term capital allocation—that entrepreneurs and long-term investors should be on the same side, but not on the same team—is very intriguing. An effective dialectic can be generated due to both parties being on different teams on the same side, that is to say, working for the same goal, and this dialectic can enhance corporate value. In other words, the returns of long-term investment contribute to the interests of both parties.
**Okuno:** There are, of course, long-term investors that seek to improve the corporate value of investment targets by joining the same team as these companies. It is not so much that either approach is better, but is rather that both approaches entail judging entrepreneurs by different perspectives.
**Aoi:** Long-term investors that join the same team and those that stay on different teams may have differing investment styles, but I believe that they both share the perspective of creating something together with the companies in which they invest. MARUI GROUP's corporate philosophy is founded on the concept of creating together, or co-creation. Accordingly, I see corporate value as being best created through close-knit relationships with investors, or by encouraging co-creation with both parties on the same team. Your investment style, Mr. Okuno, represents a 180-degree turn from this idea.
**Okuno:** I have been conducting long-term investment in companies, both domestic and overseas, for a decade. Over this time, I have learned that quality companies share something fundamental. Some may call this something the essence of their business or their nature, but I refer to it as their "structure." As investors, we survey various industries and select the most "structurally robust companies" from these industries to invest in. The leaders of companies will change over time. It is as Warren Buffett is always saying; rather than focusing on leaders, it is better to invest in companies that would still be successful even if they did not have a leader.

Entrepreneurs and long-term investors both decide to which businesses they will allocate their capital by judging the economic feasibility of each business, looking at the value they provide, their competitiveness, and the long-term trends then can expect to see. As seen in the acquisition of Sankyo Seiki Mfg. Co., Ltd., by NIDEC CORPORATION, it is possible to alter the structure of entire industries by allocating resources to peripheral businesses, all the while maintaining the strengths that keep a business running. Investors do not actively influence the structures of industries. However, if we can see the logic behind a company's earning mechanisms, we will allocate resources to that company. As a result, we come to invest in various companies regardless of their industry or country. The desire to see a company's corporate value improve is shared by entrepreneurs and investors. With this passion as a foundation, it is the interplay between this shared perspective and the differences of both parties that enable them to engage in a frank dialectic.

## Business Built on a Combination of Finance and Retailing Expertise

**Aoi:** When I was in North America as part of our investor relations activities, an institutional investor described MARUI GROUP as having a "bad industry, but good management." Although this individual was in favor of the new business model we are creating, he stated that we may be in a bad industry in reference to our involvement in the retailing, department store, and credit card industries as well as to our relatively low stock price. This investor was unable to understand our unique position even when I explained that MARUI GROUP's credit card transactions have been growing by 17% on average over the past 10 years and how our ratio of delinquent debt is the lowest in the industry at 1.45%.
**Okuno:** I personally feel that neither the retail industry nor the financial industry is inherently a "bad industry." In these industries, corporate managers are united in their sentiment that connections with customers are of utmost importance to providing value.

**Kazushige Okuno**
Managing Director (CIO)
Norinchukin Value Investments Co., Ltd.

After graduating from the Faculty of Law at Kyoto University, Mr. Kazushige Okuno joined The Long-Term Credit Bank of Japan in 1992. He later took positions at LTCB Securities and then UBS Securities. In 2003, he joined The Norinchukin Bank and also received a Master's in Finance from the London Business School. Mr. Okuno started a project to manage a proprietary internal fund of long-term concentrated portfolios in 2007. This project was transferred to The Norinchukin Trust and Banking Co., Ltd., in 2009, where Mr. Okuno provided fund advisory services for other institutional investors, including pension funds. In 2014, he was reassigned to Norinchukin Value Investments Co., Ltd., a specialized company concentrating on the investment advisory business, where he remains today.





### I have learned that quality companies share something fundamental. I refer to it as their "structure."

—— **Kazushige Okuno**

I have previously viewed MARUI GROUP as a retailer, but I now think that the Company may actually be a financial company with retail operations. MARUI GROUP's store network enables it to gather information on customer needs. Here, I see the business model of a financial company that understands retailing, or perhaps a retailer that understands finance. This model is complemented by MARUI GROUP's profession change system, which allows employees from retailing or finance backgrounds to be relocated to other Group companies. MARUI GROUP is unprecedented in having finance field connections with customers, despite being a retailer. I have high praise for the Company's business, which merges retailing and finance. However, I also see a need to translate this business into concrete numbers or present it as a clear business model.
**Aoi:** We have continued to develop this business based on tacitly held knowledge, and it is therefore not uncommon for people to request that we put forth a clear picture of our business model. Our business model underwent a drastic change when we sought to pull our retail stores out of a bad industry through business structure transformation. However, at a glance, our stores may not appear to be very different from the department store model we had employed previously. While one could say that it is enough so long as our credit card operations grow and profit, if all of our business knowledge is tacit, we will not be able to furnish an effective response should the operating environment change. It is therefore crucial that we transform this tacit knowledge into explicit knowledge so that we can continue accurately transmitting it to new generations of employees. This process will be vital to maintaining our strengths. If our knowledge can be transmitted in this way, the Company will become structurally profitable, which is, in essence, the same as being structurally capable of growing with a manager.
**Okuno:** That is part of what makes business models interesting. Business models are templates. Whether or not investors will be in favor of a business model is determined by whether or not that business model can be logically linked to numbers. This is an important fact to reflect upon.

## Breakthrough Achieved by Merging Retailing and Finance

**Okuno:** It is also important for business models to be predicated on some sort of major breakthrough. Looking at MARUI GROUP as a financial company with sales floors, I see numerous possibilities, such as providing

Dialogue 01

A Company that Profits and Grows Structurally

**Our task going forward will be to find ways to link the knowledge, expertise, and other wellsprings of differentiation we have cultivated to date to the growth of our customer base.**

——— **Hiroshi Aoi**

surplus capacity as a service. Businesses that are built on fixed assets, such as commercial facilities, are inherently sharing economies.

**Aoi:** We are transitioning to a real estate model for operating our stores. Under this model, our directly managed sales floors function more as showrooms, with our main focus being on e-commerce operations. Treating our stores as real estate means that we do not need to sell products like a department store; all we need to do is rent space. For example, we could introduce tenants such as shared offices, co-working spaces, or classrooms. We aim to transform the sharing economy born out of such tenants into a new business.

**Okuno:** Changes to your business model will unlock a wider range of opportunities, but will also expose you to the risk of more competitors encroaching on your market. For this reason, it is important for the Company to have thoroughly entrenched strengths. I suspect that MARUI GROUP's main strength lies in its cardholder base. Moreover, the cards you provide are equipped with IC chips, which can be seen as a technology with the potential to create various new business opportunities.

**Aoi:** If we only provide functions that can be easily imitated, we will soon be overwhelmed by the competition, making it impossible to grow or to secure sufficient profit margins. We are thus looking to create a unique, membership-based business by combining our retailing operations with our credit cards. This model will open up the possibility of offering membership and other subscription services, which we will in turn contribute to the growth of credit cards if we can encourage users to pay their monthly subscription fees with our credit cards. If customers continue using our cards, the inherent value of these cards will grow, and our profit margins will increase rapidly. In this manner, I see success in business as hinging on the degree to which a company is able to combine a number of unique offerings.

## Multi-Party, Two-Way Communication via the Internet

**Okuno:** When viewing a business model from an abstract perspective, there are no doubt elements that will change and others that will not. In identifying these elements, it is important not to be constrained by past history or successes, but instead to continually observe the situation from a fresh perspective. One area in which change will occur pertains to the Internet. We have never before seen an era that has been so interconnected by the Internet. This new era is giving rise to a global trend toward individualism, with specific needs originating directly from individual people. Accordingly, it is no longer sufficient for companies to mass-produce a small lineup of products, which has previously been the norm.

**Aoi:** That view really resonates with me. In order to share our long-term operating environment analyses with Group employees, we chose to hold a meeting at which we discussed the main differences from the 20th century that we expect to see in the 21st century. The conclusion we reached was that the biggest difference would be the presence of the Internet and the resulting changes in forms of communication. In the past, communication has generally been in the form of one-on-one communication or of transmission for one individual to a "large group of others." However, the advent of the Internet enabled two-way communication to take place between multiple parties. This new form of communication will likely result in the emergence of consumer-to-consumer business models that differ from traditional business-to-consumer models. One example of such a model can be seen in peer-to-peer Internet sales applications.

**Okuno:** I believe that one of MARUI GROUP's strengths lies in its connections with customers. These connections could make it possible to, for example, issue straight bonds, which are normally aimed at professional investors, to standard consumers. If this were to be done, it would mean that both the asset and liability portions of the balance sheet would be directly connected to customers. Given that it is when companies cannot pay back their debt that they go bankrupt, diversifying funding sources is crucial to a company's survival. The era of multi-party, two-way communication via the Internet makes such diversification possible.

## Alternative and Inclusion Perspectives for Viewing Demographic Trends

**Okuno:** Another change will be a decline in growth potential as a result of demographic trends. The fact that Japan's population of approximately 126.8 million people will decline going forward seems self-evident, but is this actually true? Judging by this projected decline in population, it would seem that Japan's retail industry is doomed to fail. However, if we look at urban areas, for example, we can find areas in which the population is actually growing. Institutional investors view demographic trends from this alternative perspective when conducting investments, and this perspective leads us to understand trends differently. MARUI GROUP's business model is interesting in how its stores are concentrated in urban areas.

**Aoi:** At MARUI GROUP, we view demographic trends, such as the aging and shrinking population and the decline in the birthrate, from a perspective of inclusion. As such, we aim to be a forerunner in the development of operations that are inclusive of differently abled individuals, non-Japanese people, and members of the LGBT community of people of all ages and genders. In the past, our credit card services operations have sought to serve youths and young adults as well as people in the low- and middle-income brackets, demographics that were unable to take advantage of existing financial services. This experience has given us a sort of template to work from in promoting inclusion. Taking your alternative perspective to demographic trends, it will be enough if the number of our customers increases, even if the overall population declines. Accordingly, our task going forward will be to find ways to link the knowledge, expertise, and other wellsprings of differentiation we have cultivated to date to the growth of our customer base.

**Okuno:** In terms of creating value, entrepreneurs seek to create 1 from 0, while long-term investors, such as myself, strive to efficiently grow the 1 created by entrepreneurs to 100. Conversely, if we provide equity to a company that will go from 0 to -1, this will quickly be transformed to a -100. In the most extreme cases, such as the financial crisis of 2008, this -100 can bear the risk of setting off a global recession. In light of this risk, I always endeavor to identify whether an entrepreneur will create 1 or -1 through my interactions with them. This is one way that long-term investors contribute to a better world. I hope that MARUI GROUP will remain a company that creates 1's.

**Aoi:** To look at the same idea from a different perspective, if a company chooses the wrong investor to become engaged with, it will run the risk of being led in a bad direction. I enjoyed having this frank conversation with you today. It was a clash of ideas between professionals of the best possible kind and very refreshing. Looking ahead, I hope to pursue the type of mutual growth with investors that you speak of in order to contribute to the long-term interests of society.