



# Business Model

Section 02

Co-Creation Sustainability Business Model

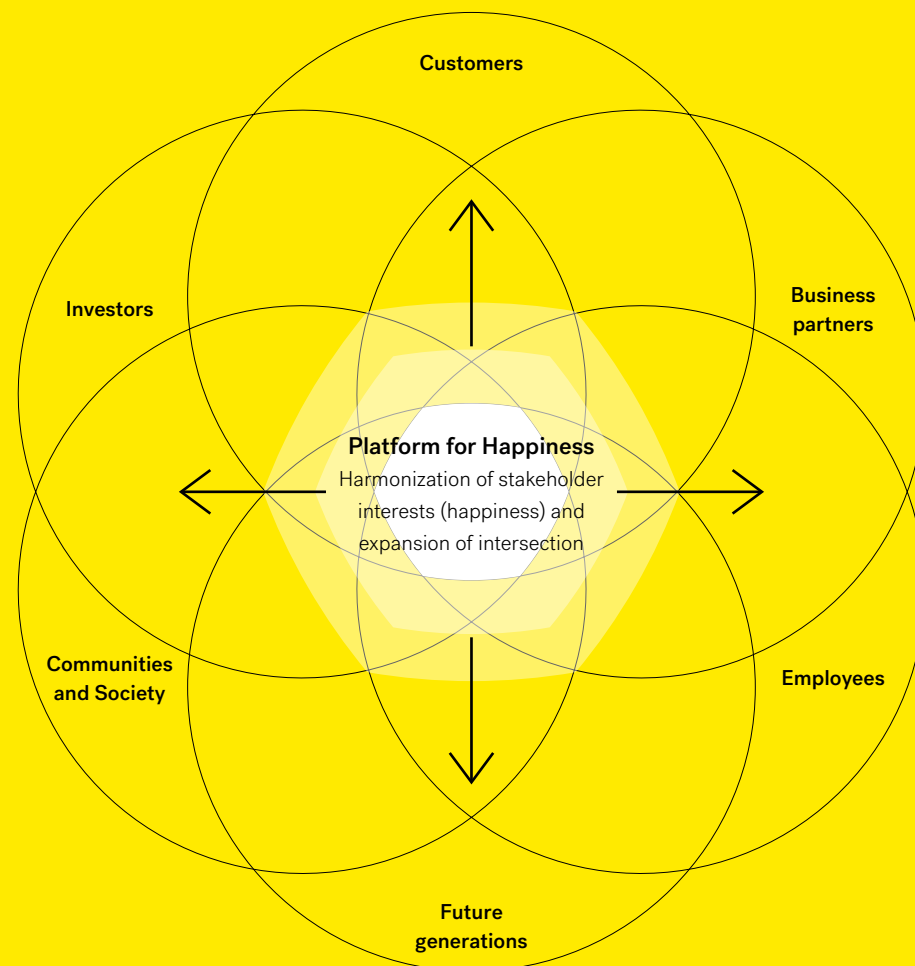


This page features a collection of photographs of customers enjoying shopping, eating, and other activities at Marui stores, which are always bustling with smiling customers and staff. We thank everyone who let us photograph them.





# MARUI GROUP's Corporate Value



## Platform for Happiness

The concept of a “platform” is crucial to creating new value. MARUI GROUP is a company that provides a platform for promoting harmony and the expansion of the intersection between the interests (happiness) of six groups of stakeholders as well as for supporting the growth of the people who use this platform. As such a platform holder, we seek to contribute to the happiness of all stakeholders.

### 1. MISSION

MARUI GROUP's corporate mission is clearly described within its co-creation philosophy. Even the most refined business model and corporate culture will be lost without a clear vision to serve as the compass for its daily business activities.

⇒ P26 MARUI GROUP's Co-Creation Philosophy

### Three Elements of Platform for Happiness

### 2. BUSINESS

It is MARUI GROUP's business that gives form to its mission. Leveraging its core value—the co-creation of credibility—together with the strengths it has cultivated since its founding, MARUI GROUP will innovate and evolve its platform for supporting the happiness of all stakeholders.

⇒ P32 Business Model Built on Co-Creation of Credibility

### 3. CULTURE

A company's employees are responsible for fulfilling its clear mission and operating its business model.

MARUI GROUP has fostered a corporate culture of voluntary participation and provides a platform through which employees are able to grow and acquire knowledge. The understanding and interactions born out of this platform drive the growth of the Company.

⇒ P60 Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction

# MARUI GROUP's Co-Creation Philosophy

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## Our Aspirations

### MISSION

Contribute to co-creating a flourishing and  
inclusive society that offers happiness to all

MARUI GROUP's mission is its reason for existence. The corporate and business activities of MARUI GROUP are the practice of fulfilling this mission. This mission is meant to provide all members of MARUI GROUP with a guide, inspiring them to reflect on whether their actions and decisions are contributing to the fulfillment of the mission, even in times of uncertainty.

### 2050 VISION

Harnessing the power of business to build a world  
that transcends dichotomies

MARUI GROUP's 2050 Vision is a roadmap for the accomplishment of the Company's mission. It puts forth directives for the concerted efforts to be advanced by all Group members as they ascertain changes in the operating environment. We believe that a vision and long-term targets are essential for a company to remain true to its mission and values as, no matter how righteous a mission or values may be, they will still need a guide to clarify priorities for advancing business strategies.

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In conjunction with the establishment of a long-term vision for 2050,  
we at MARUI GROUP reshaped our co-creation philosophy based on our aspirations  
and our principles, clarifying the intent of these ideals so that they may guide us  
in our daily business activities.

Revised in February 2019

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## Our Principles

### PHILOSOPHY

Continue evolving to better aid our customers  
Equate the development of our people  
with the development of our company

MARUI GROUP's philosophy is an essential compass for fulfilling its mission. The desire to "continue evolving to better aid our customers" compels everyone at MARUI GROUP to work for the benefit of stakeholders by exercising their capacity for empathy to adopt the viewpoints of various stakeholders in order to understand their thinking and their pain. The ongoing evolution of this capacity for empathy gives rise to the propensity for innovation that drives the resolution of the issues faced by customers, society, and the environment. The commitment to "equate the development of our people with the development of our company" is founded on the belief that MARUI GROUP's growth is achieved when our people realize self-actualization through empathy and innovation.

### VALUES

Creditability should be built together with customers  
Pioneer spirit of creating opportunities

MARUI GROUP's values are the unique principles of the Company that differentiate it from all others, the precious founding spirit that will perpetually permeate our organization. The concept of co-creation of creditability—based on the belief of MARUI GROUP's founder that "creditability should be built together with customers," rather than assigned to them—is the belief that credit should be forged through trust over long-term relationships by working together with and being empathetic toward customers. The founder also advocated a "pioneer spirit of creating opportunities." This value represents MARUI GROUP's spirit of innovation and evolution, which propels us forward as we transform our business and create new demand and markets in response to changes in customer happiness or in society.

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## Evolution from Monthly Installment Sales System Dating Back to Edo Period to Credit Cards

Born in Toyama Prefecture, MARUI GROUP founder Chuji Aoi sensed immense potential in the installment payment system used by the merchants of Ehime Prefecture. However, he did not blindly embrace this model. Breaking away from established traditions, he commenced a unique monthly installment payment business, later evolving this business to issue Japan's first credit cards in 1960. This was the start of MARUI GROUP's history of innovation and evolution.

## Advance into Fashion and Credit as Peers Moved Away from Retailing

The post-war Japanese economic miracle placed furniture and other durable goods, previously the main targets of consumption, in the hands of consumers, causing demand for sales on credit to decline in the 1980s. Faced with this industry-wide crisis, many of MARUI GROUP's peers moved away from retailing to focus on financial operations. MARUI GROUP, however, remained in retailing, turning its attention to fashion and to stimulating new credit demand among younger generations and other customers.

## Losses on Two Occasions and Reexamination of Point of Origin to Overcome Management Crisis

With performance peaking in 1991, MARUI GROUP entered a protracted period of stagnancy as the collapse of Japan's asset price bubble caused a sharp decline in fashion demand. The anticipation for performance after the 2006 launch of the EPOS card was quickly betrayed as the Company was impacted first by the revision of the Money Lending Business Act and then by the 2008 financial crisis, causing it to record losses on two occasions. Faced with this management crisis, we reexamined the point of origin of our business, leading us to break away from previous successes to pursue new business model innovation.

## Platform for Happiness of Future Generations and Everyone Else

MARUI GROUP's history of innovation and evolution can be seen in its transition from department stores to shopping centers and then to digital native stores to accommodate the future spread of e-commerce. Leveraging our core value—the co-creation of creditability—along with our propensity for innovation, we have now turned our eyes to the future of 2050. We thus are aspiring to become a platform holder that provides a platform for the happiness of all stakeholders, including future generations.

# Innovation

and

# Evolution

## of Business Model

MARUI GROUP's founding spirit, which is based on the belief that creditability should be built together with customers and the principle of a pioneer spirit of creating opportunities, is an expression of MARUI GROUP's ability to innovate and evolve its business model. Throughout our history, we have continued to emphasize the importance of working together with and understanding our customers and of building trust through long-term relationships with customers. Should there be changes in the happiness sought by customers or in society, we will innovate and evolve our business to match such developments.

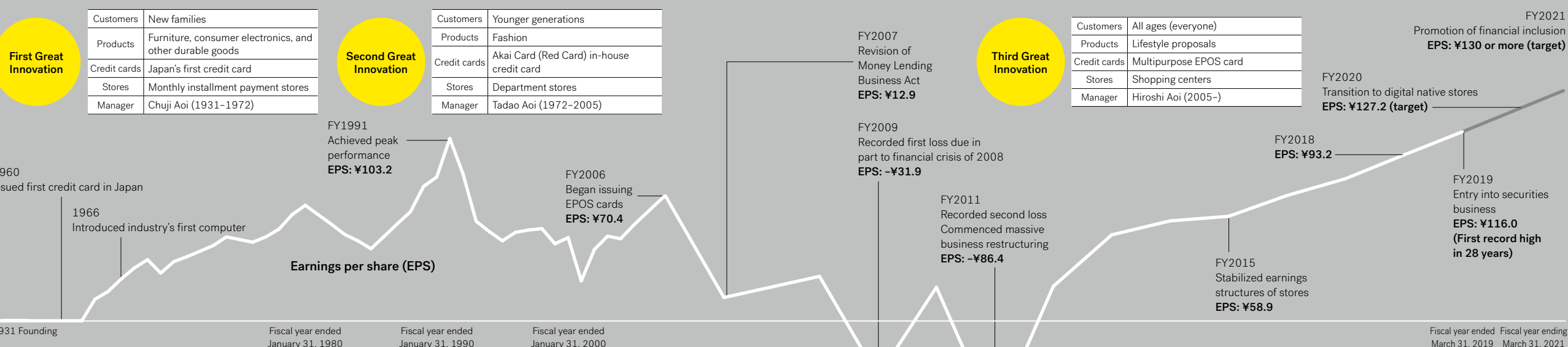
Post-War Japanese Economic Miracle

Accumulation of physical goods

Japanese Asset Price Bubble

Age of Declining Birthrates and Aging Populations

Pursuit of more-fulfilling lifestyles and market maturity



# Co-Creation of Creditability

The co-creation of creditability is a concept based on the belief of MARUI GROUP's founder that creditability should be built together with customers, rather than assigned to them. One principle encapsulated in our founding spirit is our focus on building trust over long-term relationships, rather than focusing on relationships that end with a single transaction. This is our unique core value, the value that differs from all other companies, the value that defines MARUI GROUP and that, if removed, would cause the Company to cease to be itself.

⇒ P32 Business Model Built on Co-Creation of Creditability

# Diverse Touchpoints with Customers

Our greatest strength from the perspective of retailing is our physical stores, which see visits from an aggregate total of 210 million customers a year, positioned in major cities and other locations across Japan that see large amounts of people traffic. Other touchpoints include the EPOS card application centers positioned within MARUI GROUP facilities, other commercial facilities, and partner companies as well as our directly operated Internet shopping sites and the external sites with which we have allied. Our diverse range of touchpoints with customers is growing with each coming year.

⇒ P36 Diverse Touchpoints with Customers

## Pioneer Spirit of Creating Opportunities

MARUI GROUP's founder also advocated a pioneer spirit of creating opportunities. This spirit is indicative of the Company's commitment to innovation and evolution, which drives it to evolve how it does business to create new demand or markets should there be changes in the happiness sought by customers or in society. In the face of our past management crisis, we responded by breaking away from past successes to build a new business model. However, we remained true to our core value as we undertook this transformation. We firmly believe that it is innovation that evolves a company.

⇒ P28 Innovation and Evolution of Business Model

## Strengths

### Fostered over 88 Years

The core strength of MARUI GROUP, its competitive edge over other companies, is its ability to generate synergies through a philosophy of differentiating itself from rivals by fostering a corporate culture for enacting its founding spirit.

Among MARUI GROUP's strengths are its diverse touchpoints with customers and its credit expertise, both of which were born out of synergies between retailing and finance. Although external stakeholders often attempt to evaluate us by viewing our retailing and finance operations separately, MARUI GROUP's business is actually a fusion of retailing and finance that entails generating unique synergies by maximizing the intersection between these two areas. It is thus impossible to speak of MARUI GROUP without touching on both of these areas.

⇒ P44 IT Capabilities Generating Synergies

## Synergies between Retailing and Finance

### since Founding

## Credit Expertise

MARUI GROUP's credit standards are a clear point of differentiation as they have produced the industry's lowest ratio of delinquent debt. These standards are an extension of the credit philosophy espoused by the principle of the co-creation of creditability that we have embraced since our founding. Based on these standards, credit card applications are not judged on the basis of a customer's age, profession, or income. Rather, we initially set low credit limits to make it possible to issue cards to as many customers as possible. We then proceed to build trusting relations with customers as we raise their credit limit based on their usage frequencies and payment histories. This is the reason that there are many cardholders for which the EPOS card was their first credit card or is currently their main credit card.

⇒ P40 Co-Creation Credit Expertise

Undertaking a new endeavor or creating something completely new can place a great burden on employees. However, employees are able to grow when they can overcome these challenges. The motivation to prevail is much stronger when an employee has chosen to tackle such a challenge of their own volition. MARUI GROUP therefore emphasizes the importance of motivating and empowering its employees, fostering a corporate culture in which employees are invited to voluntarily join hands with us to participate in our initiatives.

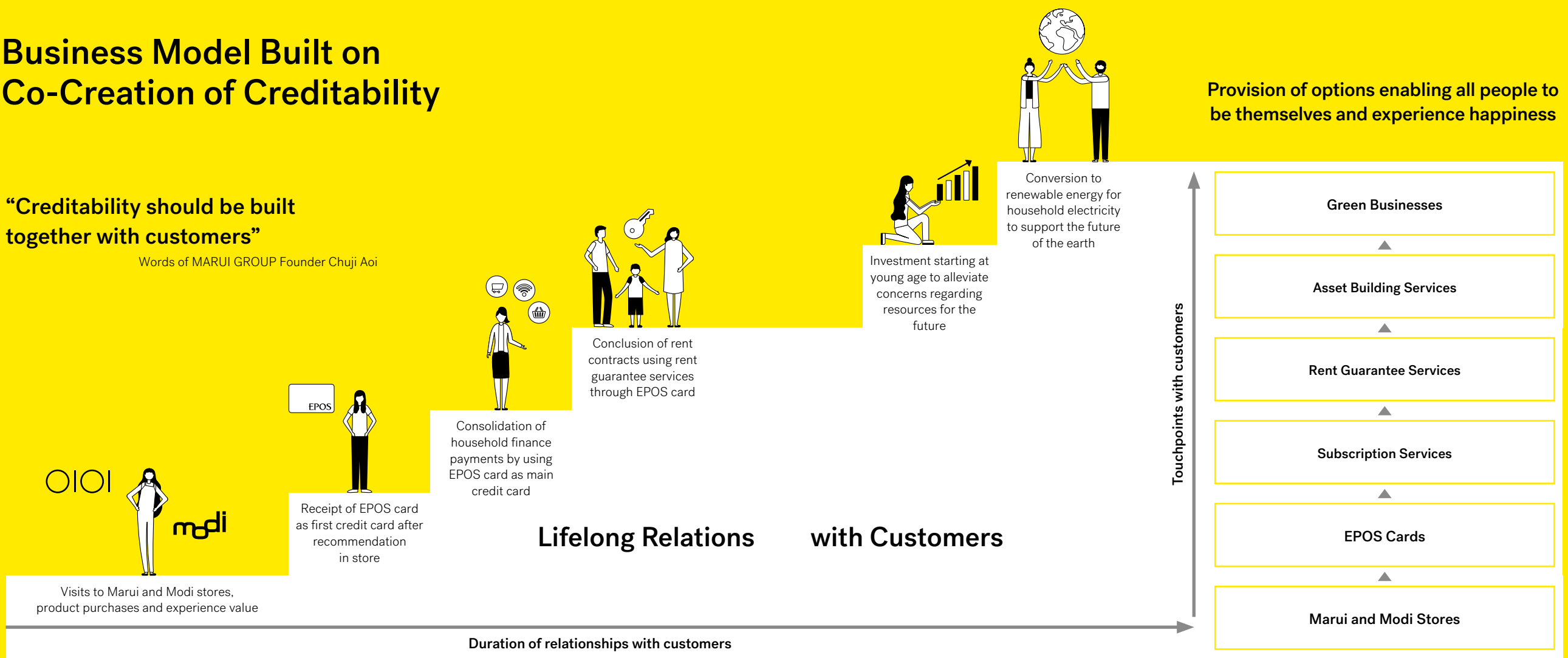
⇒ P60 Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction

## Corporate Culture of Voluntary Participation

# Business Model Built on Co-Creation of Creditability

“Creditability should be built together with customers”

Words of MARUI GROUP Founder Chuji Aoi



## Ongoing Relationships as Opposed to One-Time Transactions

Rather than one-time interactions that end with a single transaction, we seek to foster ongoing relationships with customers by providing experience value and diverse services in stores. These long-term relationships enable us to practice the co-creation of creditability.

## Lifelong Relations

MARUI GROUP joins hands with customers that resonate with a sustainable mind-set, thinking of one's future self and of future generations, to co-create a happier society.

## Spirit Continuing from Installment Payments at Time of Founding Seen in Co-Creation of Creditability

MARUI GROUP's business initially involved selling furniture through monthly installment payments. Furniture in those days was exceptionally expensive. We helped customers make such expensive purchases by loaning money for the purchase to customers, which they would repay in monthly installments. Compared to business models based on cash payments, which often resulted in relationships ending after a single interaction, installment payments were effective in fostering

long-term relationships with customers as they proceeded to repay their debts in 10, 12, or 24 installments after purchases. So long as customers made payments on time, they would continue to build creditability the more they borrowed and the longer the period over which they borrowed. The services we offer customers have changed with the times. Regardless, we have continued to practice the co-creation of creditability throughout the years by mutually building creditability with customers based on their usage histories.

## Customer Success Imperative to Long-Term Relationships

MARUI GROUP is increasing its diverse lineup of services centered on EPOS cards as well as subscription services that are not dependent on selling goods in order to foster even longer-term relationships with customers. Rent guarantee and asset formation services, for example, entail recurring transactions with customers over the course of long-term relationships that can last 5, 10, or even 20 or more years. These services thereby

encourage customers to use EPOS cards as their main cards and contribute to increases in Gold and Platinum cardholders. In these relationships, the concept of customer success is imperative. We focus on addressing the concerns and issues of customers in order to contribute to their happiness. This approach leads to increased customer satisfaction as well as to the enhancement of our services, the creation of new businesses, and ultimately the growth of MARUI GROUP's earnings over the medium-to-long term.

# LTV

## Lifetime Value Management Dramatically Transforming Earnings Structures

The recent transformations in the earnings structure of MARUI GROUP have caused recurring revenue to grow and surpass one-time revenue from product sales. As this recurring revenue is generated on an ongoing basis in accordance with contracts, it can be recognized as contracted recurring revenue to account for the amount of revenue to be generated in a given fiscal year as well as in future fiscal years. The concept of recurring revenue includes the future earnings to be generated by new businesses. As such, recurring revenue is a crucial element of management that focuses on lifetime value (LTV) from a long-term perspective.

### Transition in Earnings Structure from One-Time Revenue to Recurring Revenue from Recurring Payments

MARUI GROUP is endeavoring to forge even longer-term relationships with its customers and business partners through the transformation of its business model. In our retailing operations, the transition to shopping centers and fixed-term rental contracts has made it possible to generate consistent recurring revenues over periods of between three and five years. Meanwhile, increased use of EPOS cards for the purposes of making rent and other recurring payments have enabled us to continue relationships with customers over 10 or even 20 or more years. The profits generated over the course of these relationships are recurring revenue.

In the fiscal year ended March 31, 2019, recurring gross profit amounted to ¥122.7 billion, approximately 2.3 times higher than five years ago, making for an average annual growth rate of 18%. In addition, we have recently been seeing growth in revenue from rent

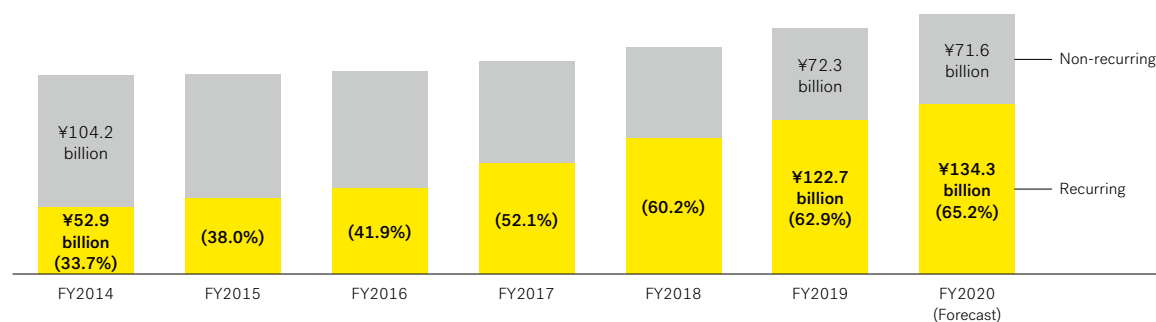
guarantee and asset building services. The markets for these services are expected to continue to expand going forward, and we therefore anticipate strong ongoing growth in recurring revenue in the future.

This earnings structure centered on recurring revenue indicates that MARUI GROUP's business model is similar to that of a SaaS company. These companies are known for producing high levels of LTV with their recurring revenue-oriented earnings structures as well as their distinctive products and services, frameworks for close coordination with customers and business partners, and large total addressable markets.\*1 These strengths are thus all areas warranting attention as MARUI GROUP practices LTV management going forward.

\*1 See "(Reference) Estimate of Total Addressable Market Scale for MARUI GROUP's Rent Guarantee Business" on page 43 for more information.

### Ratio of Recurring Gross Profit to Total Gross Profit\*2

Ratio of recurring gross profit to total gross profit anticipated to continue growing to exceed 65% in the fiscal year ending March 31, 2020



\*2 Calculated as the ratio of a figure combining gross profit and selling, general and administrative expenses paid by business partners

### Recurring Revenue Recognized in the Future

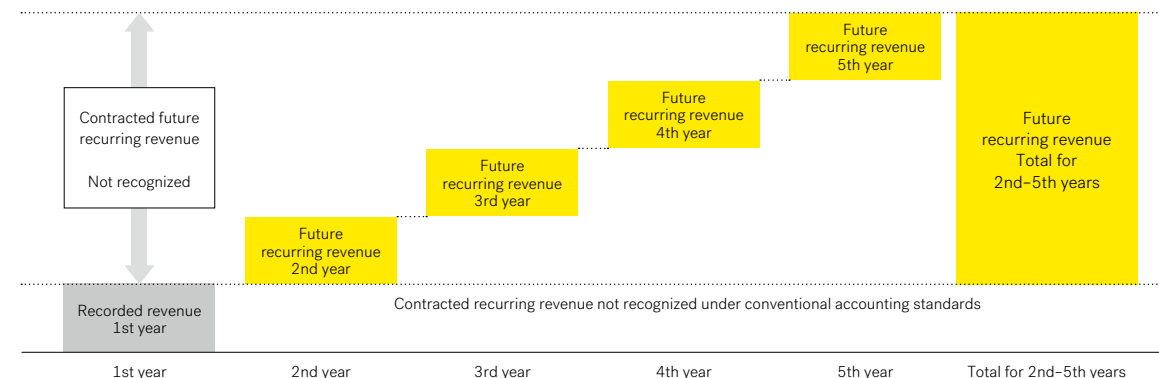
Recurring revenue represents revenues that will continue to be generated well into the future. However, the true value of these revenues is difficult to communicate through the consolidated statements of income due to these statements being limited to one year in scope. For example, if a customer were to conclude a five-year contract in a given fiscal year, the conventional method of recognizing earnings would only see us posting the revenue recorded for the first year of this contract in the fiscal year in question. The remaining four years' worth of outstanding value would not be accounted for.

However, this outstanding value is incredibly likely to be recognized in the future. The concept of contracted future recurring revenue is a tool for quantitatively

recognizing this outstanding value. On April 1, 2019, the amount of outstanding contracted future recurring revenue that will translate to revenue in the future was approximately ¥360.0 billion, roughly 1.4 times higher than the consolidated revenue posted in the fiscal year ended March 31, 2019. The view of contracted future recurring revenue gleaned from MARUI GROUP's new business model helps cast light on the fact that earnings previously recorded on a single fiscal year basis were actually a component of LTV, which continues from the past into the present and on to the future. In this concept, we see the underlying principles of MARUI GROUP's long-term LTV management approach.

⇒ P100 Tracking of LTV

### Concept of Contracted Future Recurring Revenue Underlying Long-Term LTV Management



### Message from an Employee



**Nahoko Kutsukake**  
Investor Relations  
IR Department  
MARUI GROUP CO., LTD.

### Illustration of LTV Management through Engagement with Investors

MARUI GROUP has a unique business model that merges retailing and finance. We understand that this can make it difficult to evaluate the Company, and this recognition has shaped our ongoing engagement activities with shareholders. In these activities, I was made aware of the fact that future earnings scale is an important standard for decisions by investors and that there is a great deal of interest regarding the ratio and growth rate of recurring revenue. This inspired me to research companies deemed to have high LTV. I found that these companies often disclosed information on their anticipated future earnings, including information on market scales, customer bases, sales, and growth rates. In addition to recurring revenue, these companies also presented the concepts of contracted future recurring revenue and total addressable market. I believe that combining such data will make it easier to illustrate MARUI GROUP's approach to LTV management. In the future, we will seek to realize consistent improvements in LTV while also engaging in constant dialogue with investors to facilitate disclosure that accurately portrays MARUI GROUP's market value based on LTV.



# Diverse Touchpoints with Customers

MARUI GROUP's idea of retailing entails relationships that do not end with the sale of a product in a store. Rather, we aspire to create a diverse range of touchpoints with customers and foster long-term relationships by providing experience value along with services that help resolve customer concerns and issues. To this end, we are joining hands with companies, commercial facilities, collaboration card partner facilities, and digital native brands that share our aspirations to expand the scope of our co-creation initiatives by reshaping our customers' touchpoints to exceed the boundaries of a physical store-oriented approach to achieve a form that is suited to the post-digital world.

### Physical Stores in Prime Locations

MARUI GROUP boasts a network of 25 Marui and Modi stores positioned in prime locations in major cities and other locations across Japan that see large amounts of people traffic. These stores receive visits from an aggregate total of 210 million customers a year. Such direct touchpoints with customers enable us to identify changes in customer needs while also providing a platform through which customers may gather.

### EPOS Collaboration Card Partner Facilities

MARUI GROUP has established EPOS card application centers at collaboration card partner facilities across Japan, including those in regions where there are no Marui or Modi stores. Inviting to EPOS cardholders and non-cardholders alike, these application centers are staffed by MARUI GROUP employees. The number of partner facilities with EPOS card application centers has risen to 25.

### Directly Operated and External Partner Internet Shopping Sites

MARUI GROUP's directly operated "marui web channel" Internet shopping site is a marriage of Internet and physical venues, allowing customers to pick up or return items purchased through the site at physical Marui and Modi stores. In addition, we post our products on KDDI CORPORATION's "au Wowma!" Internet shopping site as well as on Rakuten and Amazon as part of our efforts to expand customer touchpoints.



Shinjuku Marui Main Building



Yurakucho Marui



Shibuya Modi



Hakata Marui



EPOS card application center

# 01

## Transition for Retailing Focused on Sales of Goods to Digital Native Stores

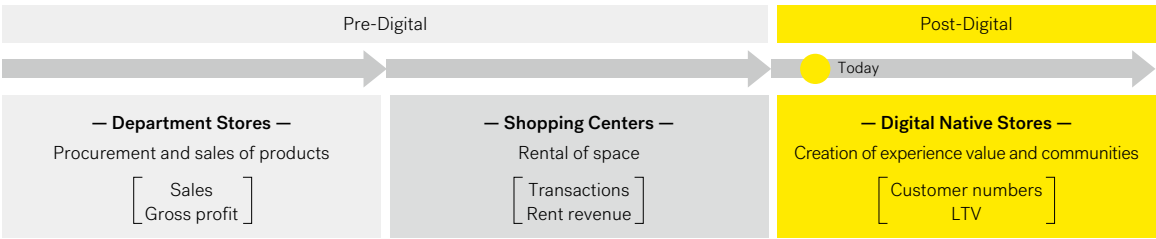
Our physical world is linked to a wealth of information and activities via digital technologies accessed through our smart-phones and other terminals. The younger generations of today, who grew up in an environment permeated by IT technologies and products, are referred to as "digital natives" in reflection of their natural affinity for the Internet and social media. To address the lifestyle changes that digital natives herald, MARUI GROUP is targeting a transition to digital native stores as the next step of its evolution.

### Digital Native Stores

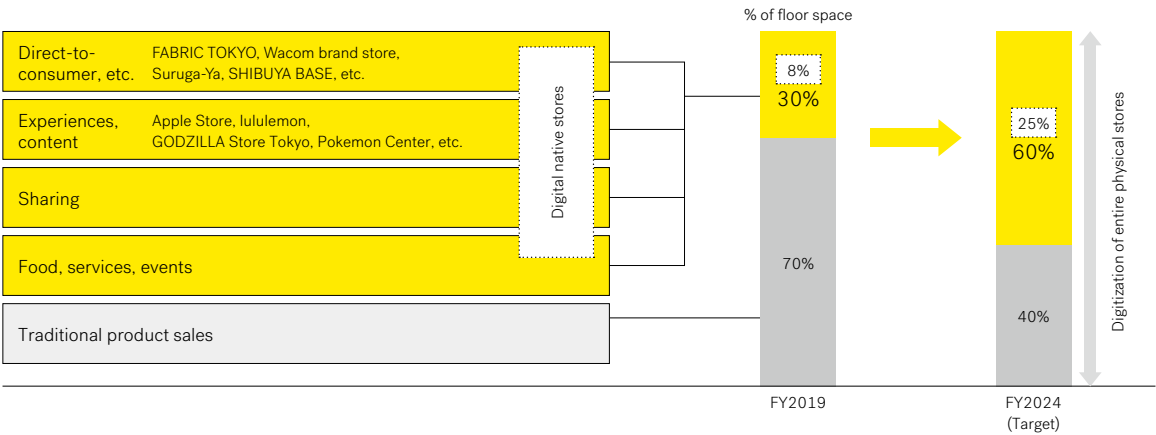
In the past, our operations have focused on physical stores, with digital venues serving a complementary function. In today's post-digital world, however, physical stores have already been incorporated into digital spaces, and the relationship between physical and digital touchpoints has been inverted. If physical stores only sell goods, they will be unable to compete with the convenience of digital stores. There is thus no need for physical stores of this nature. Rather, it is important for physical stores to be used to create the type of experience value and communities that cannot be replicated by digital venues.

For this reason, MARUI GROUP will continue its efforts to expand food vendors and service providers. We will also work to encourage store openings by the direct-to-consumer, sharing, and subscription business digital native brands that primarily develop their operations through e-commerce venues and that have been appearing around the world. Through these efforts, we will transform our physical stores into venues for encounters of the type unique to such physical venues.

### Change in Focus Indicators in Conjunction with Evolution of Stores



### "Digitization" of Stores to Raise Ratio of Digital Native Stores to 25%





## 02

## Venues for Providing Experience Value and New Encounters

Some e-commerce-oriented brands employ approaches in which they use physical stores purely as venues for providing experiences to customers to encourage them to purchase their products via Internet shopping sites. For this reason, these brands often have trouble negotiating to open stores in commercial facilities as they do not produce sales in the store. MARUI GROUP, meanwhile, views the mission of its physical stores to be providing medium-to-long-term benefits to business partners, which includes offering venues for promoting e-commerce sales and engaging with customers. In addition to inviting brands that do not make in-store sales, we are also welcoming brands with no experience in operating physical stores. For the latter, contract operation services are available in which MARUI GROUP staff will operate stores on the brand's behalf. We are thereby working to supply digital native brands with value distinct to physical stores.

**FABRIC TOKYO**

FABRIC TOKYO Inc. offers a brand of business wear that seeks to fit its customers' lifestyles and values. Its store in Shinjuku Marui Main Building allows customers to have their measurements taken so that this size data can be used to purchase suits that fit them online. Everything from production to sales is performed by partner factories. (MARUI GROUP has concluded a capital and business alliance with FABRIC TOKYO.)

**BASE**

BASE, Inc. offers a free-to-use Internet shopping site production service that is used by 800,000 shops, including fashion, accessory, handmade item, and food product providers. In response to requests from shop owners for support in showcasing their items in physical stores, BASE opened a location in Shibuya Marui that allows owners to set up shop for as little as three days. (MARUI GROUP has concluded a capital and business alliance with BASE.)

**Suruga-Ya**

Suruga-Ya is a major Internet shopping site for secondhand hobby items that primarily offers plastic models, figures, and other anime goods. Its location in Shinjuku Marui Annex boasts a higher ratio of female customers than its Internet shopping site and its other physical stores, meaning that this location is functioning as a touchpoint with a different group of customers.

## .... Message from an Employee

**Satoshi Hirano**

Wacom Brand Store  
Shinjuku  
Events  
Shinjuku Marui Annex  
MARUI CO., LTD.

MARUI GROUP employees have developed an acute level of responsiveness during the process of transforming our stores. This responsiveness is an important element of our ability to cater to the desires of business partners. I suspect that we have proved to Wacom that contracting MARUI GROUP employees to perform customer service, which is outside of this company's wheelhouse, will resolve any issues in this regard. At the Wacom brand shop, I go about my daily work while thinking about how I can help increase the number of Wacom fans and provide customers with more enjoyable experiences.

**Wacom**

Wacom Co., Ltd., is a leading pen tablet company. Seeking to establish a venue at which customers can sit down and try its products, Wacom opened a location in Shinjuku Marui Annex, the flagship store for our anime business, in recognition of the overlap between its customer base and that of this store. The Wacom brand store has no inventories, serving only as a venue for customers to experience products. (MARUI GROUP is contracted to operate this store.)

**DRENI**

DRENI is a store that allows customers to rent dresses, purses, and accessories, all items for which opportunities to use are rare. This new rental service is friendly to both the environment and to customers' wallets. Not only does it help free up closet space in customers' homes, this service has won praise for allowing customers to try dresses of designs and colors that they would be hesitant to purchase. A DRENI showroom has been opened in Yurakucho Marui. (DRENI stores are operated directly by MARUI GROUP.)

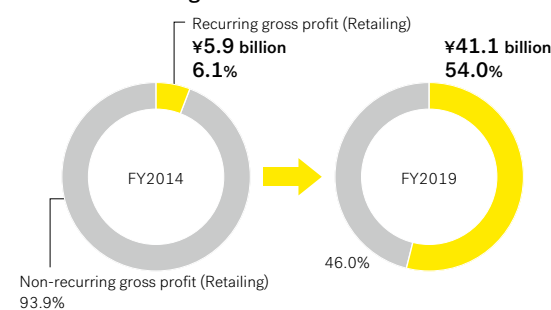
## 03

## LTV Vision for Retailing Operations

The business model transition from department stores to shopping centers resulted in massive growth in recurring revenue in our retailing operations. Looking ahead, MARUI GROUP will promote digital native stores in order to increase LTV by providing venues for engagement to high-LTV digital native stores.

**Growth in Recurring Revenue through Transition to Shopping Centers and Fixed-Term Rental Contracts**

In the fiscal year ended March 31, 2015, MARUI GROUP embarked on a transition to shopping centers and fixed-term rental contracts, which was completed in the fiscal year ended March 31, 2019. This transition entailed a switch in the main revenue source from product sales, which are recorded on a single fiscal year basis, to rent revenues, which generate recurring revenue over a period of three to five years, and thus resulted in massive growth in recurring revenue. Recurring gross profit in the fiscal year ended March 31, 2019, amounted to ¥41.1 billion, which represented more than 50% of total gross profit and was

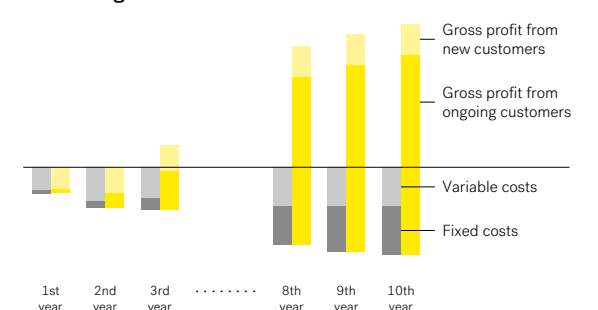
**Ratio of Recurring Gross Profit to Total Gross Profit\***

\* Calculated as the ratio of a figure combining gross profit and selling, general and administrative expenses paid by business partners

around seven times higher than the level before the transition to shopping centers and fixed-term rental contracts.

**LTV Associated with Digital Native Brands**

Many digital native brands view physical stores as venues for connecting with new customers and increasing customer engagement. Possessing both physical and digital touchpoints contributes to higher customer retention rates and increased sales. For these brands, the costs of opening a physical location exceeds the associated revenues for several years. However, revenues will eventually grow to surpass costs as a brand expands its base of ongoing customers, and profits will continue to rise thereafter.

**LTV of Digital Native Brands**

## .... Message from a Business Partner

**Yuichiro Mori**

CEO/Founder  
FABRIC TOKYO Inc.

**Shaping of Trends Together as Partners**

Many take a dualist view of e-commerce and stores. For this reason, MARUI GROUP's concept of digital native stores and their commitment to respecting customer value made me interested in partnering with the Company. At MARUI GROUP, wherever you look, you will see everyone, from senior management to employees, exercising a robust pioneer spirit and a drive to action. I thus feel that there is a lot we can learn from MARUI GROUP. After opening our physical location, sales per customer doubled and the ratio of repeat purchases jumped significantly. While about 80% of repeat purchases are made online, we see several customers revisit the physical location to check out our fabrics and consult with our coordinators. The synergies between physical and online venues are undeniable. Whether in retailing or in other fields, I have no doubt that we have reached an era in which business must be prefaced on the digital. It can be expected that digital native stores will become commonplace three years from now. At this time, the trailblazers in this field will find themselves at a great advantage. FABRIC TOKYO hopes to stand at the forefront of retail. I therefore look forward to sharing frank feedback with MARUI GROUP as we shape trends together as partners.

# Co-Creation Credit Expertise

MARUI GROUP's concept of finance is not the limited financial services that have traditionally been provided almost exclusively to the wealthy. Rather, we advocate financial inclusion with the goal of providing everyone with the financial services they need when they need them, regardless of income or age. This goal has been the driving force behind our promotion of the co-creation of creditability since our founding. The co-creation of creditability entails helping people who would be deemed to have no financial creditability in Japan, such as students and younger individuals with little or no income, to build this creditability. Through this approach to finance from the customer's perspective, we have achieved the industry's lowest ratio of delinquent debt of 1.80%.

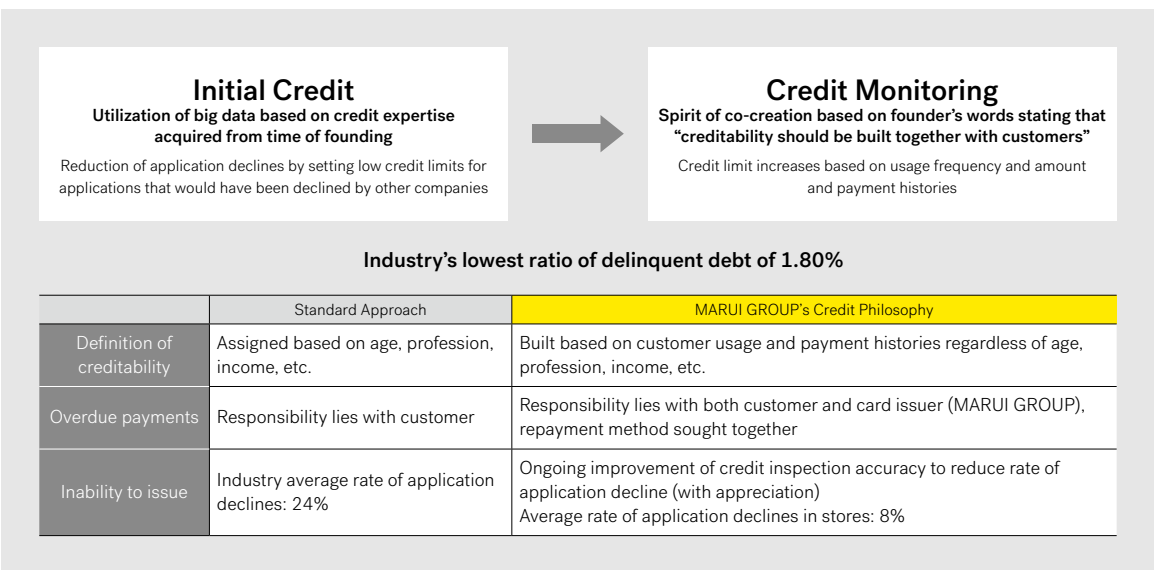
## Cardholder Base Largely Comprising Younger Generations and Women

Utilizing the unique credit expertise of Epos Card Co., Ltd., our cardholder base has come to largely comprise university students and minors without credit card experience, adults aged 18 to 39, and women. Furthermore, 30% of these individuals received their first ever credit card from MARUI GROUP.\*

\* Source: Epos Card Co., Ltd.

## Credit Philosophy Continuing from Founding

MARUI GROUP's basic credit philosophy is that creditability should be built together with customers. Accordingly, Epos Card sets credit limits for customers that are within their means and gradually increases this limit based on their usage history.



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# 01

## Maximization of Share of Household Finances throughout Customer Lifestyles

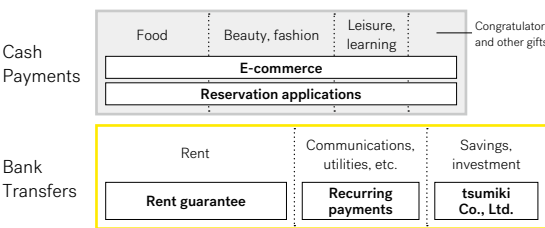
Various companies are launching smartphone payment services, resulting in intensifying competition in the cashless payment market. Many of these companies have adopted strategies that focus on gathering data through smartphone payment services that can be used for deploying financial services in the future. Conversely, MARUI GROUP's strategy is to use EPOS cards to deliver unique payment services targeting all areas of household finances in order to maximize the share of EPOS card payments in household finances throughout customer lifestyles.

### STRATEGY 1

#### Target Rent, Utilities, and All Other Areas of Household Finances

MARUI GROUP's primary target is the areas of household finances represented by payments made via bank transfers. In this area, we will step up efforts to encourage customers to use their credit cards to make recurring payments while also enabling customers to pay their rent with their card via our rent guarantee services. In addition, securities company tsumiki Co., Ltd., is supplying cumulative investment services that can be used via credit cards in the investment and savings field. We thereby seek to increase the share of EPOS card payments in all areas of household finances.

#### Approach Targeting All Areas of Household Finances



### STRATEGY 2

#### Conversion of All Family Members to Cardholders with EPOS Family Gold Cards

Gold and Platinum cardholders have high loyalty, usage rates exceeding 90%, and low turnover rates. In June 2018, we launched the EPOS Family Gold card, a Gold card with no annual fees that can be used by family members of Gold and Platinum cardholders. In the fiscal year ended March 31, 2019, the number of households using EPOS Family Gold cards rose to 50,000 as 50,000 Gold cardholders introduced these cards to 60,000 family members. When all members of a household have Gold cards, the average share of EPOS card payments in household finances rises

from 14% to 23% on average. Going forward, we will look to cultivate a cardholder base of more than 1,000,000 individuals in 500,000 households by the fiscal year ending March 31, 2024.

#### Usage Statistics by EPOS Card Type

	Standard	Gold	Platinum	Total
Usage rates (%)	54	92	100	66
Card user numbers (thousands of people)	2,530	1,930	70	4,530

- Shift in emphasis from cardholder numbers (card numbers) to LTV
- Improvement in ratio of Gold cardholders by stepping up initiatives pertaining to rent, other recurring payments, and e-commerce

### STRATEGY 3

#### Broadening Range of Uses for Money Realized through EPOS Card Application

In the area of household finances represented by cash payments, reservation applications are garnering attention for the new opportunities they represent. By coordinating with reservation applications through the EPOS card application, we will seek to increase use of EPOS cards and thereby contribute to the spread of cashless payments.

#### Message from an Employee



**Saho Tsunematsu**  
CS Promotion Division  
Member Services Department  
Epos Card Co., Ltd.

Epos Card is focused on increasing the use of EPOS cards for recurring payments, which in turn will expand its share of household payments. There are no other credit card companies that allow for points to be accumulated by paying monthly utility bills. I hope to maximize the share of EPOS card payments among household finances by incorporating feedback from customers.

Subscription-Type Businesses Based on Recurring Transactions

Areas in which initiatives will be accelerated going forward include those for encouraging the payment of rent, the largest outflow among household finances, with EPOS cards as well as asset building services offered through tsumiki Co., Ltd., enabling investment trusts to be purchased via credit card. Encouraging customers to use their EPOS card to make recurring transactions will lead to the creation of subscription-type businesses that contribute to ongoing growth in LTV.

ROOM iD Advance-Payment Rent Guarantee Service

The ROOM iD advance-payment rent guarantee service combines a rent guarantee service, which eliminates the need for a guarantor when renting an apartment, with the ability to make rent payments via credit cards. Rent is the largest outflow among household finances. Although it is not normally possible to pay rent with a credit card, our rent guarantee service allows for such payments to be made. Revenue from this service is growing smoothly thanks to its strengths, including the ability to accrue points by making rent payments, a unique characteristic, as well as the backing provided by MARUI GROUP's creditability. Future initiatives with regard to this service will be

Strengths of MARUI GROUP

	EPOS Cards	Competitors
Points accrued for rent payments	Accrued	Not accrued
Operations	Integrated with credit card operations	Stand-alone operations
Systems	Custom-made systems developed in-house	Built-to-specification systems (Outsourced)
Reliability	MARUI GROUP's creditability	Small to medium sized (Only four listed dedicated rent guarantee companies)

aimed at increasing users through both internal efforts and external partnerships. To this end, we will step up coordination with prominent partners, such as Sumitomo Forestry Residential Co., Ltd., and ABLE INC. In addition, we will advertise to cardholders buildings at which ROOM iD can be used through our proprietary website.

Services of tsumiki Co., Ltd., for Younger and Inexperienced Investors

Established in August 2018, tsumiki Co., Ltd., is a securities company specializing in cumulative investments, a form of investment that is highly accessible even to inexperienced investors. On March 31, 2019, a mere seven months after it started service, tsumiki Co., Ltd., had already received applications from approximately 16,000 customers. The easy-to-use online application form, high convenience of credit card payments, and an easy-to-understand user interface have helped users feel more familiar with asset building, winning great praise from many younger and inexperienced investors.



Message from an Employee



**Chizuko Umehara**  
Sales Section 2, Home Business Division 1,  
Home Business Department  
Epos Card Co., Ltd.

Provision of Inclusive Products and Services Matched to Diversifying Living Options

A large portion of the users of our ROOM iD advance-payment rent guarantee service are younger, and men and women both represent about half of our user base. Given that the vast majority of EPOS cardholders are women, I feel that ROOM iD is helping us form connections with new customers. Our rivals do not offer services that allow points to be accrued by making rent payments, and our service has thus won strong support from customers, with some stating that they hope to use ROOM iD again as they move to new apartments. Among the strengths we have to offer are the sense of reliability and creditability attached to Marui and Modi stores, the unique services and customer base of Epos Card, and our ability to respond to system-related needs. The 20-year-old customers living in rental housing today will be 50 in 30 years. I expect that the range of living options available will grow more diverse over this time. For this reason, it will be necessary for us to revise our screening processes going forward. We will also need to coordinate our services with other housing-related services, including monitoring services, emergency dispatch services, household chore proxies, cleaning services, and furniture and appliance rentals. Our goal is to continue evolving to assist real estate management companies, tenants, and property owners by providing inclusive products and services, including those that accommodate non-Japanese individuals.

LTV Vision for Finance Operations

Usage amounts and retention rates will be crucial to improving the LTV of EPOS cards. Accordingly, we will seek to bolster subscription revenues to contribute to increases in these areas and thereby improve LTV.

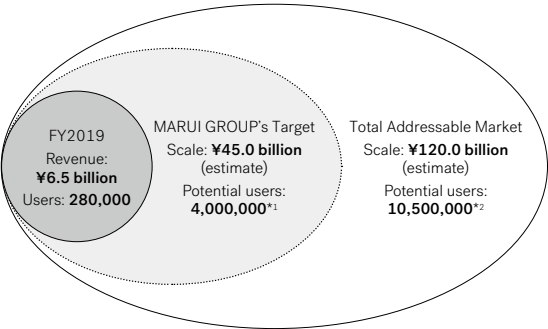
Improvement of LTV by Bolstering Subscription Revenues

The LTV of credit cards is measured as the difference between the revenues generated from a user over the period from application to cancellation of their card and the costs incurred over this period. The initial cost of issuing an EPOS card is quite large, meaning that LTV is almost always in the negative over the first year after application. However, costs are lower in subsequent years. As such, if usage frequency increases, we can recover the initial costs and begin generating profits over the next few years. Consistent profits will be produced thereafter.

Going forward, we will continue to reinforce rent guarantee and other subscription-type services. As subscriptions entail recurring payments, these services will contribute to increased usage amounts and higher retention rates. In this manner, we will seek to improve the LTV of our credit cards by bolstering subscription revenues.

(Reference) Estimate of Total Addressable Market Scale for MARUI GROUP's Rent Guarantee Business  
In the fiscal year ended March 31, 2019, revenue from the rent guarantee business amounted to ¥6.5 billion, and the average annual growth rate of the past five years was 30%. The scale of the total addressable market for the rent guarantee business can be estimated to be around ¥120.0 billion through a preliminary calculation. Accordingly, we see the potential for ongoing growth in this business.

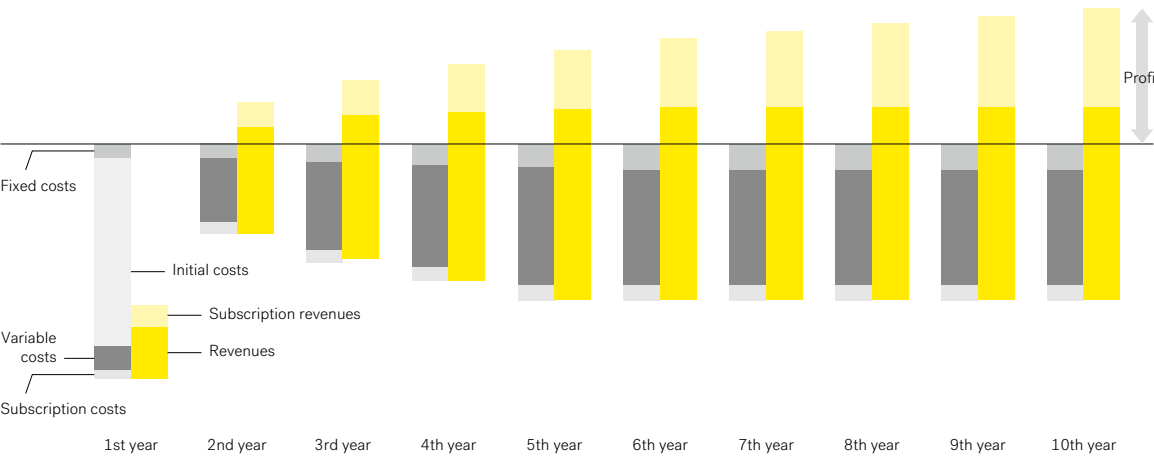
Estimate of Total Addressable Market Scale for Rent Guarantee Business in 2025



\*1 Rental housing residents with EPOS cards + (Rental housing residents without EPOS cards × Market share) (as of March 31, 2024)

\*2 Estimated rental housing units + Number of users of rent guarantee services (as of March 31, 2021)

Credit Card LTV after Application





# IT Capabilities Generating Synergies

MARUI GROUP views IT as a tool for maximizing synergies between its areas of strength, namely retailing and finance. IT is a crucial element of MARUI GROUP's foundation without which all of its businesses would cease to function. Although those outside the Company may evaluate MARUI GROUP's retailing and finance operations separately, we instead view these two areas as linked. We thus seek to merge our strengths through IT in these areas to maximize the intersection between them and generate unique synergies.

**“Synergy is the only word in our language that means behavior of whole systems unpredicted by the separately observed behaviors of any of the system’s separate parts or any subassembly of the system’s parts.”**

*Operating Manual for Spaceship Earth, Richard Buckminster Fuller*

## Unique Big Data Amassed through the Co-Creation of Creditability

Guided by its principle of the co-creation of creditability, MARUI GROUP has continued to provide financial services through credit cards to younger generations and a wide range of other customers. We have thereby amassed a unique collection of big data on credit cards and on the purchasing behavior of these wide-ranging customers. By utilizing this big data via IT, we are improving the accuracy of our unique credit expertise.

## On-the-Spot In-Store Credit Card Issuance Supported by Big Data and IT

MARUI GROUP encourages the customers that use its stores to apply for EPOS cards. To ensure that these customers do not have to wait longer than necessary and to offer our credit card services to a wide range of customers, we capitalize on IT and the big data we have accumulated thus far to realize on-the-spot issuance of IC-chipped-equipped Visa cards in stores in as little as 20 minutes. These cards can be used on the day they are issued, contributing to higher usage rates.

### Message from the CDO



**Takeshi Ebihara**  
Executive Officer and CDO  
Director and General Manager, Digital Transformation Promotion Department,  
M & C SYSTEMS CO., LTD.  
Director, Epos Card Co., Ltd.

### Realization of a Flourishing and Inclusive Society with Digital Technologies

The advancement of digital technologies is driving the spread of IoT technologies aimed at the realization of a flourishing and inclusive society. This trend has made the smartphone an indispensable part of our lives while producing other noteworthy changes in the environment surrounding us. In the midst of these trends, MARUI GROUP aspires to deliver new value and continue to grow. Accomplishing these goals will require that we accelerate business structure reforms by promoting digitization and technological innovation.

Through its business model integrating retailing, finance, and IT, MARUI GROUP has cultivated strength in the form of its information systems, distribution platforms, and human resources that understand customer needs. I believe that we can install digital technologies into our existing businesses while also creating new businesses that resolve social issues by fully capitalizing on these management resources in our promotion of digitization.

By accelerating digitization initiatives through a concerted Groupwide effort, we will harness the power of digital technologies to help build a flourishing and inclusive society that offers happiness to all.

# 01

## Hybrid In-House System Development

MARUI GROUP manages and develops the systems for maximizing synergies between retailing and financing in-house, and we have a robust history of IT-driven innovation, as seen in our introduction of the industry's first computer and of Internet infrastructure for stores. Today, M & C SYSTEMS CO., LTD., established in 1984, is performing system and software development and information management tasks for Group companies through hybrid operation with business partners.

### Co-Creation with Business Partners in Developing 230 Systems a Year

As we practice integrated Group management through a pure holding system, M & C SYSTEMS is less of a separate Group company and more like an IT arm of MARUI GROUP. Moreover, we do not develop systems completely in-house, but rather engage in hybrid in-house development of systems through a unique scheme of co-creation between MARUI GROUP's development team of approximately 140 staff and the roughly 100 employees of business partners that are positioned within the Company. This scheme allows for teams to be formed between MARUI GROUP employees, who are

well versed in internal operations and frameworks, and business partners with which strong ties have been formed over the course of long-term relationships. These teams develop around 230 systems of various sizes each year through short-term projects advanced side-by-side based on business policies. Our business partners have stated that this scheme allows for development that is 50% faster than traditional development projects that entail complete outsourcing of systems development. This hybrid in-house development scheme has thus been deemed ideal for MARUI GROUP's business model integrating retailing, finance, and IT in terms of speed, expenses, skills, and flexibility.

### Characteristics of Hybrid In-House Development Scheme

		Completely Outsourced	Completely In-House	MARUI GROUP
Overview		All aspects outsourced to business partners	All aspects performed by in-house employees	System design and programming outsourced
Characteristics	Speed	Time required to understand work processes	Quick starts and speedy responses possible	Quick starts and speedy responses possible
	Expenses	Outsourcing expenses incurred for entirety of systems development projects	Costs fixed in form of personnel expenses for development staff	Outsourcing expenses incurred only for design and programming Limited outsourcing expenses due to performing overall management and concept design in-house
	Skills	No skills accumulated in-house	Specialized skills accumulated in-house	Basic skills accumulated in-house
	Flexibility	Dependence on availability of business partners	Difficulty in maintaining necessary staff due to inconsistent workloads	Ability to receive priority staff allocation due to long-term relationships

### Division of Development Process Workload



Approximately 90% of IT Staff with Customer-Oriented Perspectives from Liberal Arts Backgrounds

M & C SYSTEMS, MARUI GROUP's IT arm, has a staff of approximately 290 employees, approximately 90% of whom are from liberal arts backgrounds. Each year, around 70 employees with customer-oriented perspectives that thrive on change are transferred to M & C SYSTEMS through our intra-Group profession change system. These employees are assigned actual IT work after undergoing the necessary training. Some may wonder why we conduct such frequent rotations of IT personnel, who are generally thought to require specialized skills. The reason is because we believe that this approach has three major benefits.

BENEFIT 1

**Customer-Oriented Perspective Fostered in Stores**  
It is likely difficult for systems development staff to fully understand the needs of stores and customers under normal circumstances. At MARUI GROUP, however, we assign employees to our IT arm that have the experience of addressing customer needs through customer service at stores or at EPOS card centers. For this reason, our systems development staff are accustomed to thinking from the customer's perspective.

BENEFIT 2

**Speed Achieved by Leveraging Business Experience**  
All employees that are assigned to our IT arm have experience in stores, credit card services, or other Group businesses. As such, there is no need to provide these employees with detailed explanations on the services and the businesses for which they will be developing systems. This fact expedites the process of understanding the purpose of systems and defining the necessary conditions, increasing development speed.

BENEFIT 3

**Intra-Group Coordination between Divisions**  
The active utilization of MARUI GROUP's profession change system creates cross-divisional connections between employees across the Group. Based on their shared desire to serve customers, employees from the Group company requesting the system and from the IT arm actively discuss how best to maximize synergies between retailing and finance in order to develop the optimal system.



Message from an Employee



**Ayami Torihata**  
Group Process Innovation  
R&D Center, Digital Transformation  
Promotion Department  
M & C SYSTEMS CO., LTD.

**Promotion of Swift Digitization from Customer's Perspective**  
It was in my third year at MARUI GROUP when I transferred to M & C Systems, a company that promotes swift digitization from the customer's perspective. My first three months were devoted to IT training from new transfers, after which I was able to go about my duties without issue, despite being from a liberal arts background. One day, I received a request from a Group company looking to adopt robotic process automation (RPA) for its work processes. I examined this possibility from various perspectives, including whether RPA was truly the best option and whether there was a need to revise work processes. Digital technologies are, at the end of the day, a tool. For this reason, our duty is to assess the current situation from an overarching perspective while remaining conscious of the ultimate goal, improvements to productivity or corporate value, for example. A key strength of M & C SYSTEMS is that its employees share the same set of values as those in the Retailing and FinTech segments. At this company, my duties are completely different from when I was in sales. What remains the same is that the underlying standard for my judgments is whether my actions will benefit customers. This shared desire unites the Group and enables us to pursue swift digitization.

Aggressive IT Management through Upgrades to Legacy Systems

In 2019, MARUI GROUP was included for the first time in the Competitive IT Strategy Company Stock Selection organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. This selection compiles, by industry, listed companies that are aggressively using IT to reform management, improve profitability, or boost productivity from the perspectives of medium-to-long-term increases in corporate value and enhanced competitiveness. One factor behind the Company's selection was its quick upgrades to its legacy systems.

**Swift Decision Enabling Issuance of EPOS Cards**  
MARUI GROUP has been transitioning to open systems for its mainframes since 2002 to accommodate the commencement of new businesses and address the so-called "2007 issue,"\*1 kicking off a gradual process of upgrading our prior retailing and credit card systems. It was these quick upgrades to our legacy systems that enabled us to begin issuing EPOS cards in 2006 and then to concentrate investments on the development of frameworks and new initiatives for accommodating the spread of the Internet. We were also thereby able to overcome the "2025 cliff"\*2 issue relatively early.  
In October 2017, a chief digital officer (CDO) was appointed to further enhance our aggressive IT management approach through the use of digital technologies. MARUI GROUP's IT management goes beyond the common

goals of improving and reforming work processes to focus on resolving social issues and creating new value. At the same time, the role of the Group's IT arm is to expand the intersection between retailing and finance. MARUI GROUP is committed to promoting digital transformations from the customer's perspective in both new businesses and in structural reforms to existing businesses.



\*1 The "2007 issue" refers to the issue that will arise when Japan's baby boomer generation, which includes the primary individual maintaining the mainframe computers supporting core processes at financial and other institutions, retires leaving no one else with the knowledge needed to maintain these computers. This issue threatens to halt such processes and could thereby have a catastrophic impact on the economy.  
\*2 The "2025 cliff" refers to the possibility for economic losses of up to ¥12 trillion to occur after 2025 if companies are not able to address the potential diminishment of the competitiveness of their legacy systems, which have become somewhat of one-of-a-kind black boxes.

Process of Upgrading Legacy Systems

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Upgrades to store retail systems									Completion of transition to open systems
	Upgrades to credit card systems								
						Upgrades to e-commerce systems			



Aggressive IT investment made possible by swift upgrades to legacy systems

MARUI GROUP Information Security Policy  
www.0101maruigroup.co.jp/en/security/index.html



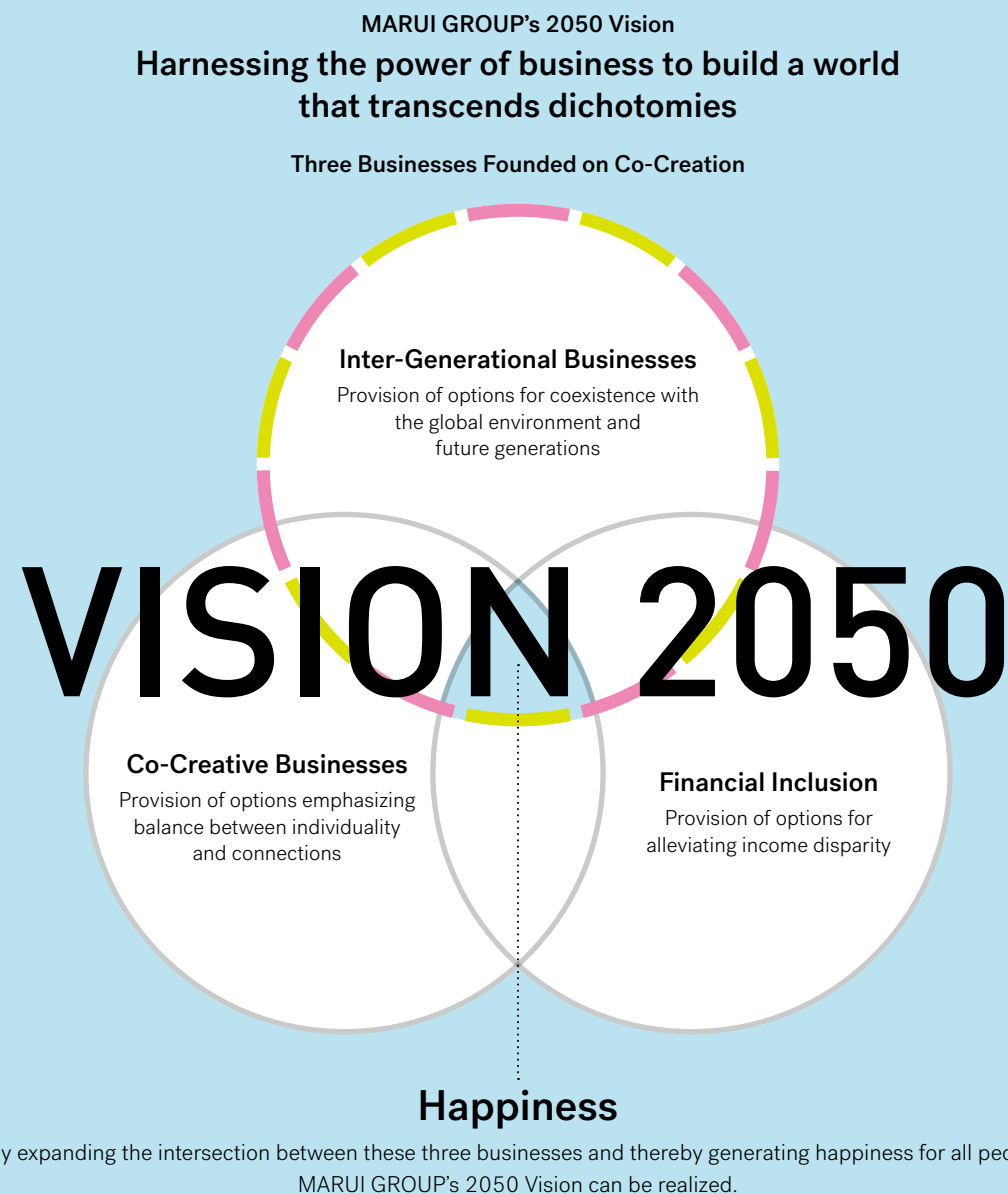
Please refer to page 40 of VISION BOOK 2050 for more information on MARUI GROUP's organizational structure for promoting digitization.  
www.0101maruigroup.co.jp/en/sustainability/pdf/s\_report/2018/s\_report2018\_a3.pdf





# Focus on the Interests of Future Generations

MARUI GROUP's 2050 Vision is "Harnessing the power of business to build a world that transcends dichotomies." We have defined the following three businesses founded on co-creation that will form the basis for our efforts to realize this vision. Each of these businesses is designed to provide options for increasing the intangible value that is happiness. Of these businesses, this report will look at our progress with regard to inter-generational businesses.



## Inter-Generational Businesses

MARUI GROUP has subdivided its inter-generational businesses\* into green businesses and human businesses. Green businesses, in particular, have been given a central position among inter-generational businesses out of recognition of the fact that addressing environmental issues requires immediate consideration for future generations. Meanwhile, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are garnering a great deal of attention, and interest in the efforts of companies to address climate change is on the rise (see pages 50–55).

Against this backdrop, MARUI GROUP will maintain an emphasis on the stakeholder group that is future generations while viewing climate change as both a source of risks and a source of opportunities for creating new businesses. Human businesses have a role in supporting green businesses by fostering the employees that will advance us forward on this mission.

\* For more information on inter-generational businesses, please refer to "Meaning of Wealth as Encapsulated in Richard Buckminster Fuller's 'Spaceship Earth' Model" (a discussion between MARUI GROUP Sustainability Advisor Peter David Pedersen and President Hiroshi Aoi) on pages 56–59.



## 1. Green Businesses

### Options for Coexistence with the Global Environment

For its green businesses, MARUI GROUP has defined the indicators of environmental efficiency and ratio of circular revenue. In addition, we have received certification from the Science Based Targets initiative in March 2018 for our targets for reducing emissions of CO<sub>2</sub> and other greenhouse gases throughout the Group. The Company also became a member of RE100 in July 2018, declaring its target of sourcing 100% of its electricity from renewable energy by 2030 (along with a medium-term target of sourcing 70% by 2025). For more information on MARUI GROUP's initiatives pertaining to the TCFD, please refer to pages 50–55.

Long-Term Targets	Medium-Term Targets (5 years in the future)	Long-Term Targets (10 years in the future)	Ultralong-Term Targets (30 years in the future)
Environmental efficiency* <sup>1</sup>	10.2	15 or more	20 or more
Greenhouse gas emissions (Scope 1 & 2)* <sup>2</sup>	20% reduction	80% reduction	90% reduction
Greenhouse gas emissions (Scope 3)* <sup>2</sup>	—	35% reduction	—
Ratio of electricity sourced from renewable energy	70%	100%	—
Resource recycling rate	60%	70%	100%
Ratio of circular revenue* <sup>3</sup>	30% or more	40% or more	50% or more

\*<sup>1</sup> Environmental efficiency = Operating income ÷ CO<sub>2</sub> emissions

\*<sup>2</sup> Scope 1 & 2 represent greenhouse gas emissions from the Group. Scope 3 represents greenhouse gas emissions from areas including raw material procurement, transportation, and use by customers.

\*<sup>3</sup> Ratio of circular revenue = Circular sales / Transactions ÷ Total Retailing segment transactions



## 2. Human Businesses

### Options for Coexistence with Future Generations

It is stated in MARUI GROUP's philosophy that we should "equate the development of our people with the development of our company." Accordingly, we see a company as being a platform for supporting the growth of its people. MARUI GROUP is thus only able to grow when it effectively operates this platform. Conversely, MARUI GROUP will not be able to grow if its employees do not also grow. At MARUI GROUP, we endeavor to supply our employees with opportunities to develop the capacity for empathy needed to build creditability together with customers as well as a corporate culture that fosters the propensity for innovation necessary for exercising a pioneer spirit of creating opportunities. MARUI GROUP's long-term targets provide a wide range of options for coexistence with future generations through co-creation with external entities, which will be conducted alongside human resource investment and the cultivation of a corporate culture that fosters a propensity for innovation founded on co-creation.

Long-Term Targets	Medium-Term Targets (5 years in the future)	Long-Term Targets (10 years in the future)	Ultralong-Term Targets (30 years in the future)
Annual human resource investments	¥1 billion or more (continued over the long term)		
Voluntary participation by employees (aggregate)	10,000 employees or more each year (continued over the long term)		
Future MARUI GROUP leaders cultivated (aggregate)		120 or more	
Individuals capable of creating future value cultivated (aggregate)		4,000 or more	10,000 or more
Financial and sustainability education	Conducted in Japan (continued over the long term)		Conducted overseas



Green Businesses

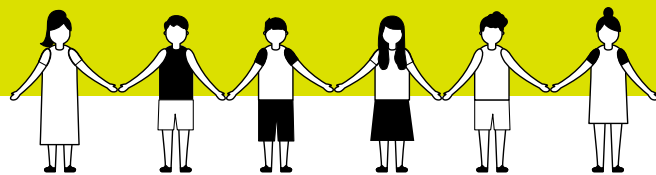
Green Businesses Based on TCFD Recommendations Designed to Create Happiness for the Future

If we do not take action, the average global temperature is projected to rise to 4°C above pre-industrial levels by the turn of the century, which would be devastating to the global environment. A global movement to prevent this catastrophic outcome by limiting the rise in the average global temperature to 2°C above pre-industrial levels was kicked off in 2015 with the adoption of the Paris Agreement.\* Accordingly, combating climate change is becoming particularly important among environmental, social, and governance (ESG) issues. This situation prompted MARUI GROUP to declare its support for the recommendations of the TCFD and to begin taking concrete action.

\* An international agreement for combating climate change adopted at the 2015 United Nations Climate Change Conference held near Paris, France



Let's join hands to build a happier future for current and future generations!



Future-Oriented Action

In August 2018, Greta Ernman Thunberg, a then-15-year-old girl from Sweden, held up a sign urging students around the world to take part in a school strike to promote the fight against climate change. Later taking to the stage at the World Economic Forum in January 2019, Ms. Thunberg delivered a speech calling for action among younger generations worldwide, stating "Since the climate crisis has never once been treated as a crisis, people are simply not aware of the full consequences on our everyday life... I want you to act as you would in a crisis. I want you to act as if our house is on fire. Because it is." This speech inspired people of her generation across the globe to take part in a series of simultaneous "Fridays for Future" demonstrations, spreading support for her cause.



Ms. Thunberg passionately asserting that it is her generation who will be most threatened by the climate crisis  
Photograph provided by CTK NEWS; Kyodo News Images Inc.



One of simultaneous "Fridays for Future" demonstrations held in over 2,000 locations in 125 countries with more than 1.6 million participants  
Photograph provided by Deutsche Presse-Agentur; Kyodo News Images Inc.

Declaration of Support for Recommendations of TCFD

Following the adoption of the Paris Agreement in December 2015, there was a rise in institutional investors evaluating the potential impacts of climate change on the assets of investees.

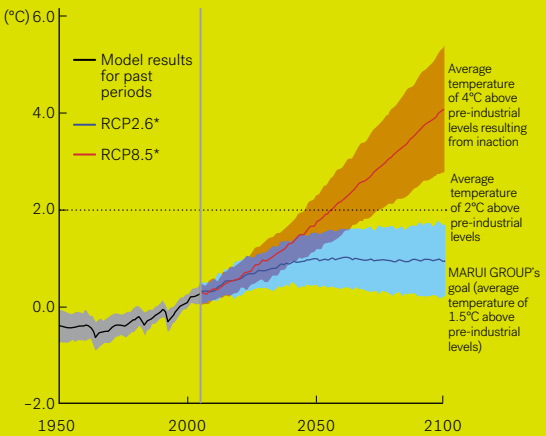
Amid this trend, the TCFD was established by the Financial Stability Board based on the intentions of the G20. The goal of this task force was to encourage companies to disclose financial information pertaining to

climate change in order to facilitate ESG-minded institutional investors in making appropriate investment decisions. The final TCFD report, *Recommendations of the Task Force on Climate-related Financial Disclosures*, was released in June 2017.

In November 2018, MARUI GROUP became the first Japanese retailer to declare its support for the recommendations of the TCFD. This move was meant to allow for accurate assessments and verification of financial impacts on our green businesses. As of August 31, 2019, more than 800 institutions had announced support for these recommendations, including the Government Pension Investment Fund, which manages the world's largest portfolio of pension funds, and the Ministry of the Environment in Japan as well as financial, non-financial, government, international, and public-sector organizations in 50 countries across the globe. Concern regarding climate change is notably high in Japan, as seen in the establishment of the TCFD Consortium.



Global Warming Leading Up to the End of the 21st Century



\* Please refer to Figure 1 on page 52 for more information on the RCP2.6 and RCP8.5 scenarios.  
Source: Prepared by MARUI GROUP CO., LTD., based on Summary for Policymakers of the Working Group I of IPCC Fifth Assessment Report released by Intergovernmental Panel on Climate Change (official Japanese-language translation provided by the Japanese Meteorological Agency)

Climate Change-Related Risks and Opportunities

MARUI GROUP has identified and organized the climate change-related risks and opportunities faced in its green businesses, which are a central part of its inter-generational businesses, based on the four recommended thematic areas for disclosures of the TCFD. In identifying these risks and opportunities, we used the multiple scenario analysis methodology recommended by the TCFD to analyze three potential scenarios leading up to 2050 in order to measure the financial impact on our green businesses in 2050.

⇒ For more information on the four recommended thematic areas for disclosures of the TCFD, please refer to "TCFD Management" on page 54.

Enhancement of Efforts Targeting 1.5°C Scenario Based on Scenario Analysis

The TCFD encourages all companies to identify the future climate change-related risks and opportunities they may face and to evaluate their financial impact. It also recommends disclosures based on the four thematic areas of governance, strategy, risk management, and metrics and targets.

Based on these recommendations, MARUI GROUP performed scenario analyses using three scenarios for 2050: (1) the world with average temperatures 4°C above pre-industrial levels described by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), (2) a world with average temperatures 2°C above pre-industrial levels based on the Paris Agreement, and (3) the world illustrated in the IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels.

Recognizing how damaging climate change would be in a world with average temperatures 4°C above pre-industrial levels, we realized the importance of contributing to a global movement for keeping average

temperatures below 1.5°C above pre-industrial levels. (see Figure 1).

Risks and Financial Impacts of 1.5°C Scenario

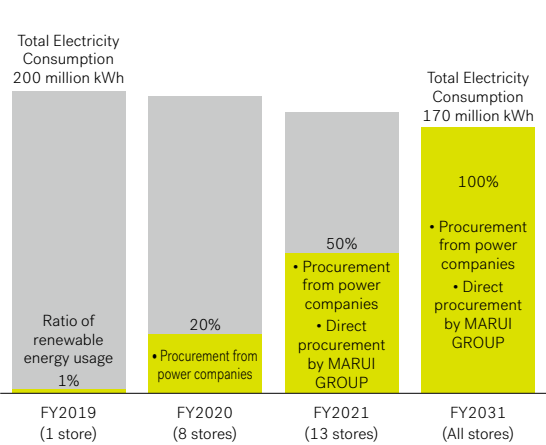
Risks associated with climate change include damages to assets from extreme climate events and other physical risks as well as transition risks brought about by changes in government policies and regulations. In the 1.5°C scenario, transition risks will be higher than physical risks, especially when compared to the 2°C and 4°C scenarios. MARUI GROUP has defined those risks associated with the 1.5°C scenario that may have a particularly high impact on the Company. These risks primarily fall into two categories: (1) increases in renewable energy costs and (2) the introduction of a carbon tax in Japan.

MARUI GROUP has put forth a target of sourcing 100% of the electricity used in its business activities from renewable sources by the fiscal year ending March 31, 2031, along with two intermediary goals. Accordingly, increases in renewable energy costs will have a significant financial impact (see Figure 2). Our climate change scenario estimates that the price of renewable energy will peak around

Figure 1: Analyses of Three Scenarios and Projected Risks

	End of 21st Century	Scenario Employed
High physical risks High impact on the environment	<b>4°C Scenario</b> Average global temperature 4°C above pre-industrial levels	<b>RCP8.5, IPCC</b> (High warming scenario) IPCC scenario based on maximum greenhouse gas emissions
	<b>2°C Scenario</b> Average global temperature 2°C above pre-industrial levels as consented to under Paris Agreement	<b>RCP2.6, IPCC</b> (Low stability scenario) IPCC scenario based on target of keeping warming below 2°C above pre-industrial levels  <b>Sustainable Development Scenario, IEA</b> Sustainable IEA scenario based on the Paris Agreement
	<b>1.5°C Scenario</b> Average global temperature below 1.5°C above pre-industrial levels	<b>SR1.5, IPCC</b> Scenario based on IPCC special report

Figure 2: Roadmap toward Goal of Using 100% Renewable Energy



2030 and will reach levels as high as ¥4 per kWh. Calculated based on the Company's current annual electricity consumption level of 200 million kWh, such prices would result in a total increase in costs of approximately ¥0.8 billion. Meanwhile, the introduction of a carbon tax in Japan could have an impact on MARUI GROUP amounting to around ¥2.2 billion (see Figure 3).

Benefits of 1.5°C Scenario

MARUI GROUP is encouraging EPOS cardholders to switch to renewable energy. This switch would increase the number of cardholders using their EPOS card to make recurring payments along with the number of Gold cardholders, thereby contributing to higher LTV for credit cards and consequently an increase in profit of approximately ¥2.0 billion.

In addition, if we achieve our goal of sourcing 100% of our electricity from renewable sources by 2030, we would not be impacted by potential carbon taxes, reducing costs by around ¥2.2 billion. We also expect to be

Figure 3: Financial Impacts of Risks

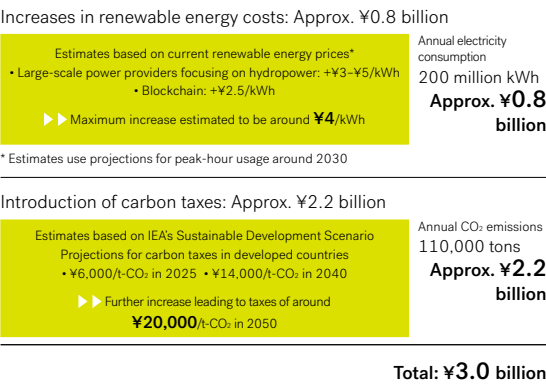
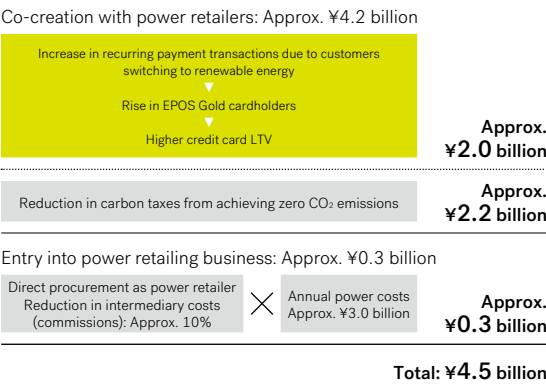


Figure 4: Financial Benefits from Opportunities



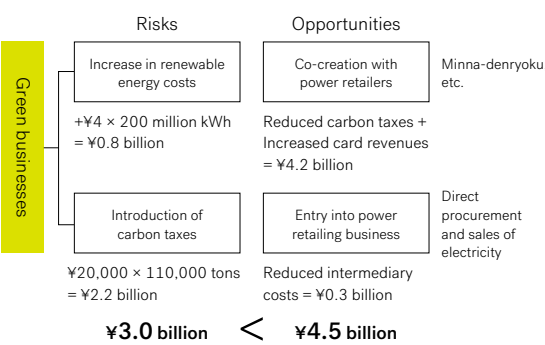
able to lower costs by approximately ¥0.3 billion by entering into the power retail business. The combined financial benefits of these opportunities would amount to ¥4.5 billion (see Figure 4).

Furthermore, we are examining the possibility of introducing large-scale storage batteries at stores that could be charged at night to reduce electricity bills. The estimated benefit would be a reduction of around 7% in annual per store electricity bills.

Opportunities of Green Businesses Exceeding Risks

As explained, the financial benefits of opportunities for green businesses under the 1.5°C scenario will amount to ¥4.5 billion, exceeding the financial impacts of ¥3.0 billion from risks (see Figure 5).

Figure 5: Risks and Opportunities in Green Businesses



Message from an Employee



**Hideyuki Inami**  
RE Development Section  
Eco Management Division,  
Planning Department  
MARUI FACILITIES Co., Ltd.

The RE Development Section was established after we introduced renewable energy, and this section has been garnering attention within the Company. The rise in environmental awareness among employees has led to an increase in the number of people wanting to work in the RE Development Section. On a personal note, my son once came home boastful that he had won a commendation in his junior high school speech competition by talking about how his dad's job is contributing to the environment through renewable energy. I didn't expect this position to elevate my position in my own family.

Green Businesses

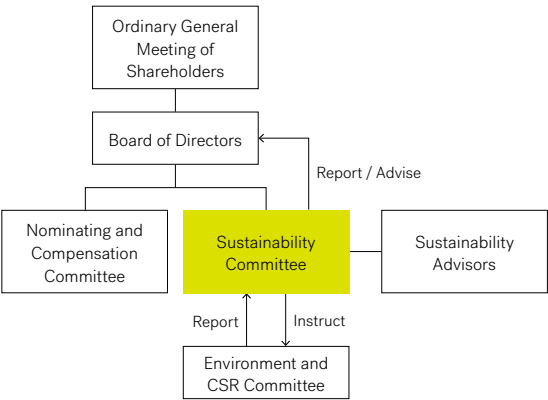
TCFD Management

The four thematic areas recommended for disclosures by the TCFD are governance, strategy, risk management, and metrics and targets. Based on these recommendations, MARUI GROUP is enhancing the information it discloses through a variety of media, including its annual securities reports, co-creation management reports, co-creation sustainability reports, ESG data books, and corporate website. In addition, the TCFD recommendations are used as a benchmark for assessing the appropriateness of MARUI GROUP's climate change response activities.

Governance

The Sustainability Committee was established in May 2019 as an advisory body to the Board of Directors tasked with examining and deliberating on basic policies and important items regarding climate change. This committee is chaired by the president and representative director and features members including executive officers and the chairman of the Central Executive Committee of MARUI GROUP UNION. Under the Sustainability Committee, the Environment and CSR Committee was formed as an organization for managing relevant risks and carrying out the instructions of the Sustainability Committee. The members of this committee include officers from Group companies (retailing, facility operation, distribution, building management, etc.) and from MARUI GROUP UNION. Through this framework, we are strengthening governance of climate change-related activities by making business strategy and investment and financing decisions based on comprehensive deliberations taking into account the MARUI GROUP Environmental Policy and important items pertaining to climate change.

Newly Established Sustainability Committee



Strategy

MARUI GROUP is enhancing its efforts to realize the 1.5°C scenario for climate change. To this end, the Company tracks the impacts of climate change-related risks and opportunities on its business activities and formulates and discloses strategies accordingly. In addition, analyses of various trends will be performed periodically in the future in order to revise assessments and disclose information on risks and opportunities related to other areas.

Risk Management

MARUI GROUP performs scenario analyses to track and access the impacts of climate change on its business and identify climate change-related risks and opportunities. The identified risks and opportunities are managed in terms of strategy formulation and individual business operations through a promotion system centered on the Sustainability Committee. In addition, the results of discussions at the Environment and CSR Committee are periodically reported to the Sustainability Committee, which deliberates on this information. Reports and advice are provided to the Board of Directors as necessary for specific items. Going forward, strategies and measures will be examined based on a myriad of factors. External factors on which information will be shared include climate change and other trends that may impact corporate strategies as well as legal and regulatory revisions. Internal factors examined will include progress in the measures of Group companies and future risks and opportunities.

Metrics and Targets

MARUI GROUP has set medium-term, long-term, and ultralong-term targets for its green businesses.

⇒ For more information, please refer to "1. Green Businesses—Options for Coexistence with the Global Environment" on page 49.

Committee Membership  
www.0101maruigroup.co.jp/pdf/committee\_members\_en.pdf

MARUI GROUP Environmental Policy  
www.0101maruigroup.co.jp/en/sustainability/theme03/environment\_01.html#environment1



Renewable Energy with Visibility of Producers

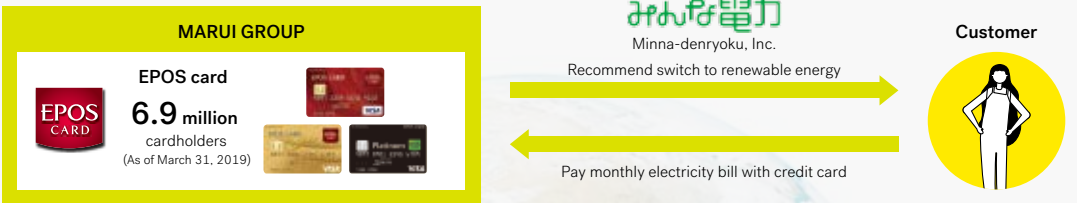
In its green businesses, MARUI GROUP has set a target of sourcing 100% of the electricity it uses from renewable sources by the fiscal year ending March 31, 2031. To accomplish this mission, we have begun switching to renewable energy at all Marui and Modi stores across Japan, beginning with Shinjuku Marui Main Building. Furthermore, MARUI GROUP concluded a business and capital alliance with Minna-denryoku, Inc., the first company in the world to realize the traceability of electricity with its proprietary blockchain technology, in December 2018. We have thereby created a framework for procuring renewable energy in a consistent and prioritized manner.

The future is projected to see society as a whole embracing decarbonization. MARUI GROUP will

contribute to this trend by using renewable energy itself and also by encouraging the 6.9 million EPOS cardholders nationwide to switch to renewable energy. These efforts will be complemented by a scheme that allows customers to pay their monthly electricity bills with their EPOS card. In addition to the benefit for customers of accruing EPOS card points when they pay their monthly power bills, this scheme also makes it possible for them to learn exactly from which producer the renewable energy they use each month is procured, making the producers visible. In this manner, we are providing sustainable options for coexistence with the global environment while simultaneously investing in support for local power producers.

Provision of Sustainable Options

Referral of customers considering switching to renewable energy through MARUI GROUP



Message from a Business Partner



Eiji Oishi  
CEO  
Minna-denryoku, Inc.

Realization of Lifestyles with Visibility of Producers

With its proprietary blockchain technology, Minna-denryoku was the first company in the world to commercialize an electricity traceability system, thereby giving visibility to power producers. In other words, we created new value in the form of connections between the producers and consumers of electricity. However, there were not many that realized the value of our efforts. MARUI GROUP was the first to recognize this value, promptly switching to our renewable energy with the visibility of producers at Shinjuku Marui Main Building. That store is now linked to various power producers. I hope to work together with MARUI GROUP to create sustainable businesses in the future. Efforts in this regard could include planning power producer tours for store customers or encouraging EPOS cardholders to use our renewable energy with the visibility of producers.

Furthermore, I aim to evolve this scheme to achieve traceability of food, clothing, and other products to realize lifestyles with the visibility of producers in order to contribute to a society in which the work and commitment of producers is properly recognized.



## Meaning of Wealth as Encapsulated in Richard Buckminster Fuller's "Spaceship Earth" Model

In 1968, four years before the Club of Rome released *The Limits to Growth* simulation, which articulated an existential crisis for humanity, leading 20th-century engineer Richard Buckminster Fuller published a book entitled *Operating Manual for Spaceship Earth*. The following is a discussion between MARUI GROUP Sustainability Advisor Peter David Pedersen and President Hiroshi Aoi on how to transmit the ideas put forth by Fuller half a century ago to future generations.

### Peter David Pedersen

Co-founder, Next Leaders' Initiative for Sustainability  
Sustainability Advisor, MARUI GROUP CO., LTD.

### Hiroshi Aoi

President and Representative Director  
Representative Executive Officer, CEO  
MARUI GROUP CO., LTD.

### Wealth as the Number of Forward Days We Are Physically Prepared to Sustain for Future Generations

**Aoi:** When I work with you, Mr. Pedersen, Richard Buckminster Fuller often comes up. I always had great interest in the ideas Fuller advocated as well as in his concepts of synergies and critical paths. Rereading Fuller's works was an enlightening experience. How were you first introduced to Fuller?

**Pedersen:** I think my first exposure to Fuller was a mention by my father when I was researching alternative communities in Northern Europe. I was struck by Fuller's idea of wealth.

**Aoi:** I too was struck by this idea, and I have memorized that section of his book.

**Pedersen:** In section 6, synergy of *Operating Manual for Spaceship Earth*, Fuller writes, "Now we can account wealth more precisely as the number of forward days for a specific number of people we are physically prepared to sustain at a physically stated time and space liberating level of metabolic and metaphysical regeneration." Let us say, for example, that the earth will have a population of 10 billion in 2050. The duty of those of us alive today would then be to create a situation in which water, food, resources, and energy can be regenerated in order to remove factors that may place constraints on the lives of these 10 billion future denizens of earth. The number of days we can continue to use the earth's resources—there is no greater definition of wealth.

**Aoi:** This idea inspired me as well. I was very glad when I heard that your concept of inter-generational perspective was based on this idea.

**Pedersen:** Sustainable development means to meet the needs of current generations while not robbing future

generations of the potential to meet their needs. The sustainable businesses that will be required going forward are those that protect the possibility of regenerating resources, as opposed to those destroying our chances of regeneration in the future.

**Aoi:** Even if a parent leaves assets for their children, it means nothing if these assets are destroyed by war or by natural disasters. The concept of wealth changes greatly if we inject an inter-generational perspective.

**Pedersen:** I like to reference the concept of "small self" versus "big self." The small self only needs to think about themselves. It lives through trade-offs, sacrificing the future, others, and the environment for its own interests. The big self, on the other hand, thinks simultaneously in the now and in the future. It lives based on raising value for oneself and others, i.e., considering others in addition to itself. Everyone must make the decision for themselves whether to shrink down and live as their small self or to connect with the world or the future as their big self. However, choosing the life of raising value is not an easy option. After all, the history of humanity has been one of trade-offs over the more than two centuries that followed the Industrial Revolution.

**Aoi:** We began seeing the limits of capitalism during the latter half of the 20th century. These limits were apparent in the rise of the hippie movement and other counter-culture groups in the 1960s and the ideals of ecology that emerged around that time.

**Pedersen:** I have been working in Japan since 1995. The mission that brought me to this country was to teach Japanese managers about ecology. Japan differs from Europe and North America in that it has a spiritual culture of respecting nature. Considering also that the country had just seen its bubble economy collapse, I had thus anticipated that it would be ready to head down a new

### Peter David Pedersen

Co-founder, Next Leaders' Initiative for Sustainability  
Sustainability Advisor, MARUI GROUP CO., LTD.

Born in Denmark in 1967, Peter David Pedersen graduated from the Institute of Cultural Anthropology at Copenhagen University. He first came to Japan in 1984. Mr. Pedersen co-founded E-Square Inc. in 2000, becoming its CEO at this time and then assuming the title of co-founder in 2011. Mr. Pedersen became executive director of The Academy for Corporate Leadership (TACL), a part of TRANSAGENT Co., Ltd., in 2014. In 2015, he became co-founder and representative director of Next Leaders' Initiative for Sustainability (NELIS). Mr. Pedersen assumed the position of sustainability advisor at MARUI GROUP CO., LTD., in 2019.



In his book *Operating Manual for Spaceship Earth*, Fuller likens the earth to a spaceship without an operating manual. This stimulating metaphor hints at solutions for the global issues facing humans. It also gave rise to ecological movements and Internet-like thinking. Often referred to as the "da Vinci of the modern era," Fuller transformed the thinking of the passengers of Spaceship Earth with his message and catalyzed the development of new thought processes.

*Operating Manual for Spaceship Earth* (Japanese-language version),  
Richard Buckminster Fuller (translated by Takashi Serizawa),  
Chikumashobo Ltd.  
[www.0101maruigroup.co.jp/en/ir/lib/book/001.html](http://www.0101maruigroup.co.jp/en/ir/lib/book/001.html)





**Everyone must make the decision for themselves whether to shrink down and live as their small self or to connect with the world or the future as their big self.**

# P. D. Pedersen

path so long as it was shown the way. Unfortunately, there was a strong drive to return Japan to the past, which I fear may have caused it to lose about 20 years.

## Innovation is Born from Businesses with a Purpose

**Aoi:** In the past, there was a part of me that rejected the idea of “synergies” in business. Fuller, however, spoke of how synergies are the strength of businesses, their very essence. I drew courage from these words. We are often asked whether MARUI GROUP is a retailer or a finance company. I respond to these queries by saying that we are a unique entity that is kind of like a *Euglena*, which is neither fully a plant nor an animal and that therefore cannot be classified as either.

**Pedersen:** Synergies are a wellspring of value. To cite an example used by Fuller, a piece of equipment that drills for oil only has value defined as a set dollar amount, but the value that can be generated by the equipment is much greater. Synergies are an instrument for measuring this value. Creating greater value requires different elements to be combined. Today, the word “synergy” may be in the process of being reimagined as “co-creation.”

**Aoi:** At the same time, Fuller mentioned how divisions of labor and specialization impede the process of creating true wealth. Dividing a business into segments has become a common convention. However, the performance of a company is the product of its business in its entirety. What is important is how the different elements of this business communicate and collaborate and the

value they create through this process.

**Pedersen:** You are right about that. Many major companies carve up their organizations, effectively shutting down communication. This situation prevents these organizations from uniting in the pursuit of a shared greater good. Visionaries like Soichiro Honda and Konosuke Matsushita worked toward the shared greater good of their ambitious dream of making then-poor Japan into the No. 1 country in the world by combining a number of different elements. To borrow the terminology of Silicon Valley, they had a massive transformative purpose.

**Aoi:** I am reminded of the words of an employee in charge of power supply work. In 2018, we became a member of RE100, announcing our goal of sourcing 100% of our electricity from renewable energy by 2030. This move radically transformed the nature of power supply work. Previously, when asked about his job by his kids, this power supply worker would say that it was his job to purchase electricity at a low price. However, this answer did not garner much interest from his kids. After telling them about how he is now working with renewable energy, his kids were impressed with how cool his job is. This change in how his family views his job has given him renewed pride in his work. I can remember how excited he was recounting this story.

**Pedersen:** It is not as simple as saying “a sense of purpose changes everything.” However, a shared greater good that contributes to the resolution of issues facing humanity will no doubt be a significant source of motivation for employees. This motivation will in turn help foster

innovation and consequently value. There is practically no other way to create innovation. It would be quite beneficial if there were a means of gauging employees based on their degree of self-driven motivation.

**Aoi:** Going forward, MARUI GROUP will pursue its long-term vision of having all of its businesses, both new and existing, contribute to the resolution of social issues. After advancing a short way down this path, we realized that our success in this venture was predicated on our efficient operational expertise, technologies, and a sense of purpose we have cultivated thus far.

**Pedersen:** If we only pursue advancements in technologies and improvements in efficiency, we will lose sight of the human elements of business, leading to degeneration. However, if our driving force is created by marrying our purpose to a view of the future and to the pursuit of sustainability, advancements in technologies and improvements in efficiency will follow.

## Companies as “Spaces” for Co-Creation and Collaboration between Older Generations and Junior High and High School Students

**Pedersen:** With growing populations and rising consumption, the global market is still a growth market. It may therefore be difficult to realize a drastic change in the current capitalistic system. The best we can do at the moment is to add the perspective of sustainability alongside the conventional criteria for competitiveness, such as price, quality, and market share. Under the current system, it may be possible to achieve a position with no competitors by creating a one-of-a-kind business that increases value for the future.



**Aoi:** Competition exists because of the presence of industries. Like people, companies also have their own individual personalities. Similarly, the more a company chooses to embrace its big self, rather than shrinking into its small self, the more co-creation partners it will be able to find. Going forward, I expect that the definition of a company will change from being a “vessel,” like a building or a store, to being a “space” for co-creation that draws large numbers of people. In the future, I hope that those of us belonging to older generations will be able to draw upon the ideas of junior high and high school students and integrate these ideas into our business. I am confident that reaching outside of the Company to collaborate with junior high and high school students will allow us to create something great.

**Pedersen:** That is an interesting idea. By creating a single field and experimenting in this field, it is possible to drive a shift from individualism to an inter-generational perspective, from trade-offs to raising value, from small self to big self. In terms of organization, this shift would be from a focus on technology and efficiency to an emphasis on purpose and sustainability. The companies of the future may take the form of fields for testing such transitions.

**Aoi:** Fuller, who became the central theme of today’s talk, was truly a genius. I think there is great meaning in our picking up where Fuller left off to continue on the quest that he could not complete due to the limitations of his time. The current era is one in which younger generations share Fuller’s vision, and we have the technologies and expertise necessary to realize this vision. The first step should be for us to ask people to join us in this quest. And hopefully, our efforts will spread as a result.

**In the past, there was a part of me that rejected the idea of “synergies” in business. Fuller, however, spoke of how synergies are the strength of businesses, their very essence. I drew courage from these words.**

# H. Aoi



Human Businesses

Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction

MARUI GROUP has established a framework for translating the human capital represented by the individual strengths of its employees into organizational capital. This framework is the integrated Group management achieved through the shared Groupwide human resource systems made possible by the transition to a pure holding company. Individual strengths are merely tacit knowledge. It is when these strengths are focused through the lens of co-creation with customers or other stakeholders or through MARUI GROUP's unique corporate culture that they are able to form new, greater capabilities. The resulting organizational capabilities underpin the co-creation of value through our business model integrating retailing, finance, and IT.

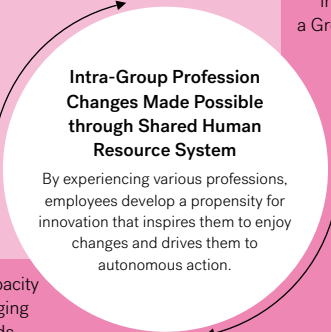
Unique Pure Holding Company System

MARUI GROUP's pure holding company system is unique in that all Group employees are hired through the Company and that, even if an employee is appointed to an operating company, they will still have access to the same shared human resource systems available at the Company. MARUI GROUP employees are provided with a range of opportunities, including the intra-Group profession change system that enables them to hone their individual specialized skills and expertise, the Groupwide project teams that allow for discussions that exceed the boundaries of age or position, and chances for engagement with stakeholders and secondment to start-up companies. By merging the capabilities of our employees through these opportunities, we translate the human capital represented by their expertise and knowledge into organizational capital for the Group.



All employees first join MARUI GROUP CO., LTD.

Employees foster a capacity for empathy by engaging with customer needs at MARUI CO., LTD., and other positions.



Employees that embody a customer-first mentality and are adept at responding to change adopt a Groupwide perspective.



Human resources with a capacity for empathy and a propensity for innovation enact proposals that are not bound by preconceptions.

The concentration of individual strengths gives form to the corporate philosophy calling on us to "equate the development of our people with the development of our company" and makes both sustainability and earnings growth possible.



Development of our company

Organizational Capabilities (Organizational Capital)

Entrenchment of expertise and knowledge of individual employees into the organization through its business model and corporate culture

Unification

Forward-looking mind-sets are cultivated among employees through discussions of management issues across age and position lines in Groupwide project teams.

Innovation

Co-creation of new businesses based on the perspective of inclusion is practiced with start-up companies and other partners.

Exchanges

Employees are invited to escape preconceptions through intra-Group company profession changes.

Empathy

All employees experience work in stores after joining to foster business processes founded on co-creation with customers.

Individual Strengths (Human Capital)

Individual expertise and knowledge can be personal and difficult to transmit.

Capacity for Empathy

- Ability to comprehend the position of others and build shared understanding to be more sympathetic to them
- Love of people and bringing joy to them
  - Drive to understand the thoughts and pain of others
  - Desire to work for the benefit of others

Propensity for Innovation

- Drive to autonomous thought and action
- Ambition to continue growing by setting goals and learning
  - Aspiration of creating new businesses
- Ability to find joy in changes and differences
- Positivity required to detect changes in society and the environment and to change oneself in response
  - Receptiveness toward diverse perspectives and opinions



Human Businesses

Shared Groupwide Human Resource Systems Offered through Unique Pure Holding Company System

We adopted a pure holding company system in 2007, granting our more than 5,000 employees access to shared Groupwide human resource systems. This move made it possible to realize such unique systems as intra-Group company profession changes and Groupwide project teams open to voluntary participation. MARUI GROUP's corporate philosophy of striving to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company" inspires us to view companies as a platform for the growth of their employees. We are therefore fostering a corporate culture in which all employees are accepting toward one another, regardless of their age, gender, lifestyle, or sexual preference, and that is conducive to the cultivation of human resources who can support our business model of co-creating happiness.

Intra-Group Company Profession Change System for Fostering Empathy and Innovation

MARUI GROUP's profession change system is a unique human resource system that is shared throughout the Group and that allows for relocations between the Company and 11 Group companies. This system enables employees to experience a wide range of businesses, including retail at stores, IT, logistics, and credit card services through a program that is almost like changing one's profession. We have been promoting this system since April 2013, and approximately 2,400 employees, or 52% of our entire employee base, had undergone profession changes as of April 1, 2019. A survey of employees that had undergone profession changes conducted in November 2016 revealed that 86% of such employees felt they had experienced personal growth after the

change, indicating that this system is contributing to the cultivation of highly resilient employees.

The longer one works in the same position, the more they will be susceptible to being trapped in the preconceptions of that position. Being placed in a new profession, however, can enable employees to escape preconceptions. Such transitions thus contribute to the growth of the employees undergoing profession changes as well as to transformations in the new workplaces in which they are placed. Moreover, cross-Group locations form connections throughout the Group, contributing to the enhancement of integrated Group management. Through this profession change system, we aim to cultivate employees that embody a customer-first mentality and are adept at responding to change in order to make the Group a more fertile ground for innovation.

Number of Employees Changing Positions between Group Companies

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of employees changing positions (annual)	383	552	404	431	343
Number of employees changing positions (aggregate)	670	1,222	1,626	2,057	2,400
Ratio of employees changing positions (aggregate)	18%	25%	34%	43%	52%

Note: Figures use the total of employees changing positions in April and October of each year (excluding officers and managers).

Groupwide Platform Supporting Profession Changes



Post-Professional Change Monitoring

Self-declaration system allowing employees to declare the professions and divisions in which they are interested in working (twice a year)

Opportunities for discovery for employees who have changed their profession as well as their new colleagues through meetings and on-the-job training

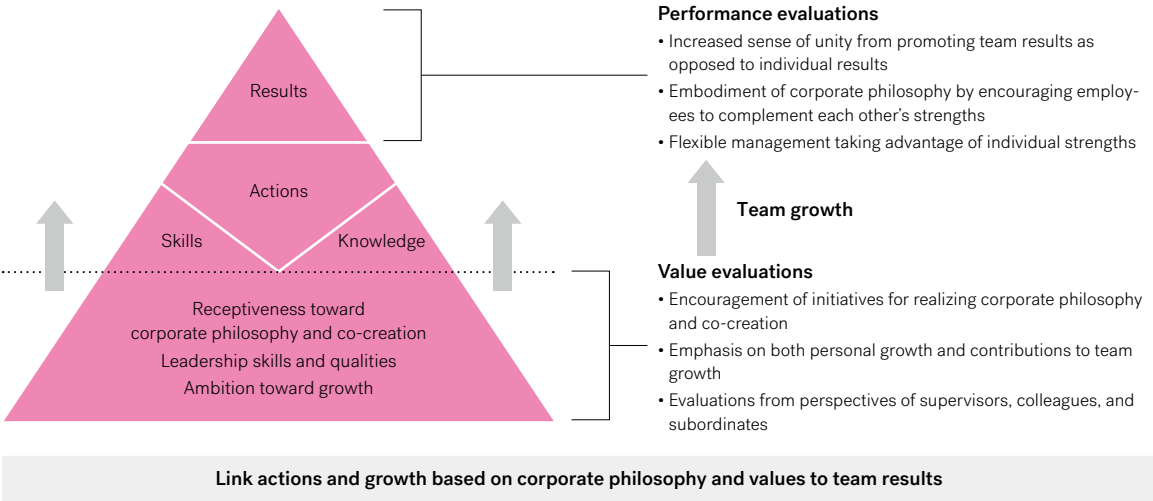
Personnel Evaluation Systems Revised Based on Discussion among Employees

MARUI GROUP's prior personnel evaluation systems evaluated employees based on the results that they produced and therefore made it difficult to assess the qualities and latent talents of individual employees. Moreover, the approach of evaluating results and processes on a quarterly basis encouraged employees to act based on a short-term perspective while also saddling those employees that underwent profession changes with lower evaluations.

However, sustainable growth requires an ability to evaluate and cultivate human resources from a medium-to-long-term perspective. For this reason, we initiated a revision process in December 2015 with the establishment of a Groupwide committee tasked with examining the possibilities for new human resource and evaluation

systems. This committee has held discussions on the implementation of these systems and their quantitative and qualitative targets with an aggregate total of approximately 3,200 employees. As a result of this process, MARUI GROUP launched new personnel evaluation systems in October 2017 that assess employees based on value evaluations and performance evaluations. These new systems contribute to the promotion of new employees, the cultivation of a team-oriented mentality, and the fostering of a corporate culture of voluntary participation. However, there are still obstacles needing to be removed to facilitate appropriate understanding of value evaluations, and ongoing improvement is necessary in this regard. We will be engaging in ongoing discussion in the future with the aim of evolving evaluation systems to better facilitate growth.

Personnel Evaluation Systems



Message from an Employee



**Yuko Sueda**  
Leasing Department  
Corporate Solutions Group  
AIM CREATE CO., LTD.

Team-Oriented Mentality Fostered through Personnel Evaluation Systems

Undergoing a profession change helped me broaden the scope of work I could perform, contributing to my growth. After working in sales and customer service in stores, I was placed in charge of merchandizing for women's clothing. Hoping to further expand my capabilities, I requested a transfer to my current position. Leasing was completely new to me, and I struggled at first. However, this process also helped me better understand my strengths and shortcomings, and I now feel motivated in this position. Under the prior personnel evaluation systems, my personal accomplishments were directly tied to my evaluation, which often caused me to act on my own and sometimes impeded smooth teamwork. The new systems made me more conscious of improving team results, fostering a culture of teamwork. AIM CREATE is in the process of broadening the scope of its operations outside of commercial facilities. For example, we have partnered with Sumitomo Forestry Co., Ltd., to branch out into planning and internal renovation of long-term care and child daycare facilities, making it possible for us to include a wider range of people in our business. In the future, I hope to contribute to the realization of a society that offers happiness to all through my work.

Groupwide Platform for Creating Innovation

Groupwide Project Teams Engaged in Deep, Forward-Looking Discussion

Promoting diversity has been defined as one of the strategies of the medium-term management plan launched in the fiscal year ended March 31, 2015, and we are therefore pursuing diversity with regard to individual talents, gender, and age. One facet of our diversity initiatives is our official project teams, which are open to voluntary participation by employees from throughout the Group.

In Groupwide project teams, members are selected based on essays, rather than division, age, or position, and these members discuss various themes that are

important to Group management. MARUI GROUP has established Group project teams based on three themes that are related to the Company or society as a whole from a medium-to-long-term perspective. After participating, members utilize the knowledge and ideas they gained to formulate and implement action plans for incorporating this insight into the business, procedures, or other aspects of their workplace. Project members are changed on an annual basis, producing a new set of autonomous employees with increased knowledge and awareness each year.

Three Groupwide Project Teams



Diversity & Inclusion Project Team

Launched in 2011, the Diversity & Inclusion Project Team's activities are aimed at fostering respect and contributing to the happiness of all people, including members of the LGBT community and people with disabilities, by encouraging receptiveness for the diversity of all stakeholders.



Wellness Management Project Team

Established in 2016, the Wellness Management Project Team believes it is important to go beyond the basic approach of preventing illness to foster more energized and happy employees. It is thus promoting wellness management that combines these approaches inside and outside of the Company.



Sustainability Project Team

Created in 2018, the Sustainability Project Team was responsible for illustrating a scenario for 2050 and discussing the future vision for MARUI GROUP; it met again to prepare for the announcement of our long-term vision in February 2019. This team is currently examining means of creating forward-looking businesses.

Medium-Term Management Visionary Committee Receiving over 1,000 Applications for Participation with Each Iteration

The Medium-Term Management Visionary Committee is a forum for discussing various topics that will be important to the future of Group management, which are selected from a long-term perspective. While this committee was

previously only open to members of Group management, in January 2016 we made the committee open to any interested employee, and meetings have been held regularly since. Active discussion is conducted among the roughly 300 members that are selected from the 1,000–1,500 applications received from employees of various ranks and divisions for each iteration.

Topics Discussed by Medium-Term Management Visionary Committee

Committee Meeting Discussion Topics in 2018

Corporate Strategies for Realizing a Sustainable Society  
—Lecture by Peter David Pedersen, co-founder of Next Leaders' Initiative for Sustainability and sustainability advisor of MARUI GROUP

Hello! Mirajin—A Look at the Sensibilities of the Future

Singularity and Exponential Thinking: Characteristics of Companies and People That Can Survive in Volatile Times  
—Lecture by Kazunori Saito, representative director of Exponential Japan

Long-Term Operating Environment and Impact on MARUI GROUP  
—Lecture by Peter David Pedersen, co-founder of Next Leaders' Initiative for Sustainability and sustainability advisor of MARUI GROUP

Joy Brought to Customers through Cumulative Investment  
—Lecture by Ken Shibusawa, chairman of Commons Asset Management, Inc., Haruhiro Nakano, president and representative director of Saison Asset Management Co., Ltd., and Hideto Fujino, president and representative director of Rheos Capital Works Inc.

Activity report by ultralong-term management research committee

Advent of After Digital World: Essence of Digitization  
—Lecture by Naoki Endo, CEO of beBit, Inc.

Sustainability × Business: Companies Only Engaged in Social Businesses  
—Masayoshi Suzuki, executive vice president of BORDERLESS JAPAN CORPORATION and sustainability advisor of MARUI GROUP

Committee Meeting Discussion Topics in 2019

Happiness × AI  
—Lecture by Dr. Kazuo Yano, fellow and director and happiness project leader of Future Investment Division of Hitachi, Ltd.

Seven Paradigm Shifts as the World Undergoes Digital Convergence  
—Lecture by Soichi Tajima, CEO and general partner of Genesis Ventures, Inc.

Insurance and Financial Inclusion  
—Lecture by Tooru Ushiroda, representative of Office Baton Insurance Consultation Office

Background for Direct-to-Consumer Brands, Physical Stores in a Digital Society, and Retail as a Service  
—Lecture by Yuichiro Mori, CEO/Founder of FABRIC TOKYO Inc.

Japan's First Employee-Driven Effort to Source 100% of Electricity from Renewable Power with Visibility of Producers: Familiarity with the SDGs through the Outlet via World's First Venture Combining Power and Blockchain  
—Eiji Oishi, CEO of Minna-denryoku, Inc.

Message from an Employee



Takayuki Sakai  
Sustainability Project Team Member  
Marui City Yokohama  
MARUI CO., LTD.  
(Joined in April 2019)

Desire to Learn About Business through Project Team to Create Financial Services for Younger Generations

We engage in group work during Sustainability Project Team assemblies. Everyone is always receptive toward others' opinions, even my own, despite my being new to the Company. The process of reshaping my ideas into something better with the help of more experienced colleagues and external lecturers fills me with confidence by indicating that my underlying idea was not bad. At project team assemblies, I am introduced to examples of sustainable businesses and activities from around the world, broadening my perspective. By examining how those businesses generate profit, I am learning the basics of business. I feel that members of younger generations, myself included, do not spend a lot, rather choosing to save for the future. I want to encourage such individuals to live based on the idea of using money while increasing it. To accomplish this goal, I hope to provide financial services that can be used with peace of mind by younger generations through MARUI GROUP. I believe that this would resolve social issues while helping us explore new markets.





Human Businesses

Wellness Management for Energizing Employees

MARUI GROUP believes it is important to go beyond the basic approach of preventing illness in order to foster more energized and happy employees. We have therefore been promoting wellness management that combines these approaches inside and outside of the Company. Wellness management has been positioned as an important element of our strategies under the medium-term management plan and is thus being practiced on a Groupwide scale through coordination between the Health Management Division and MARUI GROUP's health insurance union.

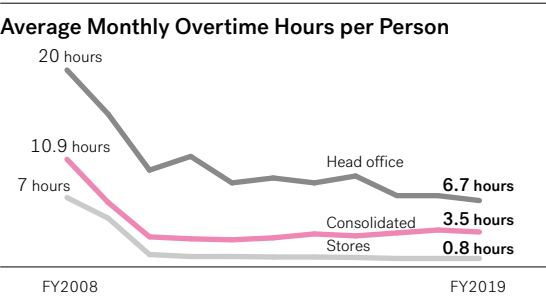
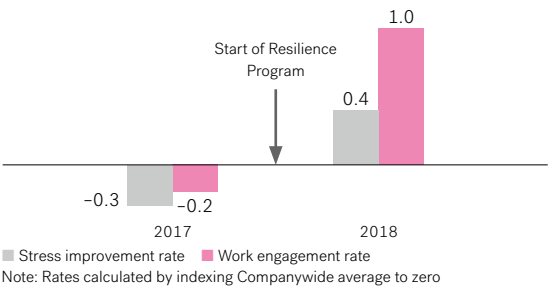
Reduction in Overtime of 70% through Work Style Reforms

MARUI GROUP began implementing work style reforms in 2008, and the Company now boasts one of the lowest levels of overtime in Japan as a result. The first step of these reforms was to set overtime reduction targets by division. In addition, approximately 50 shift patterns were established for stores to facilitate systematic shift planning. At the same time, processes related to delivering and returning products and other back-office procedures at stores are handled by Group companies to optimize work processes on a Groupwide basis. As a result, average monthly overtime hours per person were down to 3.5 in the fiscal year ended March 31, 2019, while average annual overtime hours decreased to 42.

Resilience Program for Improving Awareness Beginning with Senior Management

The Resilience Program is a one-year program that targets officers and managers. In this program, members of senior management learn habits that energize themselves and those around them to realize overall higher levels of energy, have a positive influence of those around them, and energize their entire organization. The organizations overseen by managers that participated in the program have witnessed improvements in workplace energy, demonstrating that initiatives based on the knowledge and habits gained through the program are having a positive influence on those surrounding participants.

Stress Improvement and Work Engagement Rates at Workplaces Overseen by Program Participants



Overtime Reduction and Benefits

	FY2008	FY2019	Benefit
Average annual overtime hours per person	130 hours	42 hours	-88 hours
Total overtime payments	¥3.4 billion	¥0.8 billion	-¥2.6 billion
Employee turnover rate (excluding mandatory retirement)	6.8%	2.5%	-4.3 ppt

Evolution of Healthcare Promotion Activities

1962	Establishment of MARUI GROUP's health insurance union
1970	Opened Marui Health Insurance Union Building
2008	Commencement of overtime reduction project Start of Health Improvement Program by MARUI GROUP's health insurance union that contributed to a large reduction in obesity rates in comparison to the nationwide average
2011	Introduced health management committee system Established Health Management Division and appointed dedicated Company physicians
2013	Introduced wellness leader system and physical and mental health consultation hotline
2014	Began analyzing health examination data of all employees and relationship between lifestyle patterns and attitudes toward work at Health Management Division Started holding self-care training sessions for all employees across Japan Appointed wellness leaders nationwide to help alleviate women's health concerns
2015	Appointed chief health officer (CHO)
2016	Introduced Resilience Program to promote habits to energize senior managers in terms of their body, mood, mental state, and thinking Incorporated new healthcare management items into labor agreements to clarify responsibilities of the Company and of employees Appointed an outside advisor and began analyzing healthcare management practices and data Formulated Groupwide Healthcare Management Project Team*
2018	Began holding group tests for nationally accredited health master examination
2019	Began holding group tests for nationally accredited women's health examination

\* Name changed to Wellness Management Project Team in 2018

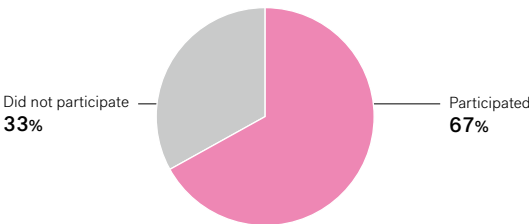
Tracking of Wellness Activities and Organization Energy

Analyzing the benefits of wellness activities enables us to track the link between wellness activities and organization energy levels. Workplaces actively engaging in wellness activities have seen improvements in work engagement indicators, providing quantitative evidence of the link between wellness management and Companywide energy.

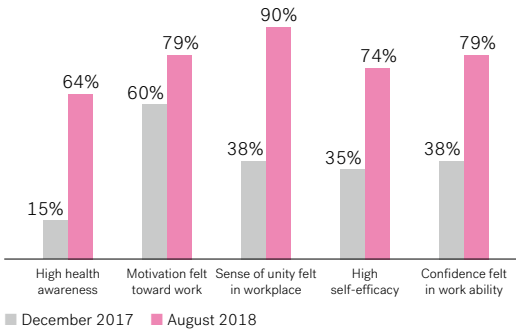
EXAMPLE 01 Participation in Workplace Wellness Activities by 67% of Employees

A survey conducted in June 2019 found that 67% of employees were participating in workplace wellness activities, showing that these activities are gaining traction within the organization. In addition, members of the Wellness Management Project Team conducted a survey on changes in the awareness and behaviors of project members as part of their activities in their workplaces. These surveys indicated that these activities were helping energize organizations through increases in motivation, a sense of self-efficacy, and confidence in work ability.

Participation in Workplace Wellness Activities in Past Six Months



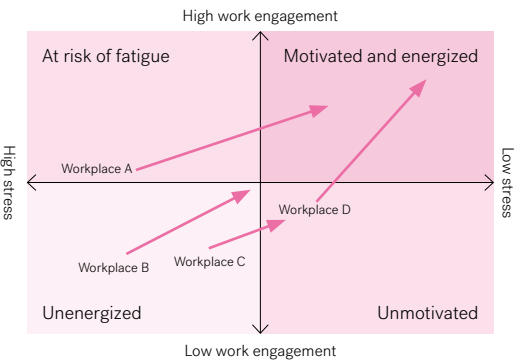
Changes in Awareness and Behaviors of Project Members



Source: Stress checks conducted in June 2019

EXAMPLE 02 Energization of Workplaces through Stress Checks

The results of organization analyses via stress checks are being used to institute targeted measures aimed at items identified as important for specific workplaces (items that will contribute to improve work engagement). After initial stress checks in the fiscal year ended March 31, 2019, voluntarily participating workplaces conducted additional stress checks before the end of the fiscal year. These checks found that stress was down and work engagement was up at almost all applicable workplaces. Successful measures will be shared throughout the Company in the future to energize other workplaces.

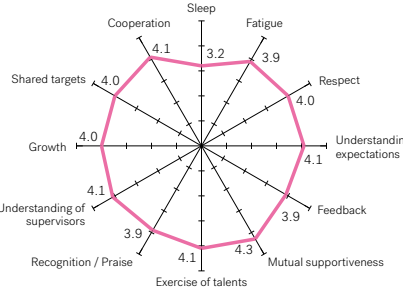


Source: Stress check data from the fiscal year ended March 31, 2019

EXAMPLE 03 Hybrid Measures Based on Organization Energy Surveys (Organization Health Surveys)

With the aim of further energizing organizations, MARUI GROUP has introduced proprietary organization health surveys that allow for analyses of organizations with small numbers of people, which are conducted in conjunction with stress checks. These surveys are currently being performed at more than 100 organizations. The benefits of stress checks will be used together with organization health surveys to increase the accuracy of future measures.

	Issues with Stress Checks	Organization Health Surveys
Timing	Once a year, in principle	Quarterly or at other freely chosen periods
Aggregation method	Specialized aggregation by external partner (90 questions)	Simple aggregation at workplaces (12 questions)
Minimum number of participants	More than 10	Around 10 (capable of surveying small numbers of people)



Source: Organizational health survey data from the fiscal year ended March 31, 2019





# Tracking of Happiness to Energize Employees and Society as a Whole

Dr. Kazuo Yano is engaged in researching happiness by utilizing data to elucidate fundamental principles behind the behavior of people. We invited Dr. Yano to discuss the future potential of wellness management with Dr. Reiko Kojima, a company physician at MARUI GROUP who asserts that there is a link between employee happiness and success.

## Dr. Kazuo Yano

Fellow and Director  
Happiness Project Leader,  
Future Investment Division  
Hitachi, Ltd.



## Dr. Reiko Kojima

Executive Officer  
Company Physician  
General Manager, Health Management Division  
MARUI GROUP CO., LTD.

### Application for Measuring Happiness from Body Motions

**Yano:** I first felt the desire to change how Japanese people worked about 15 years ago. As the Internet brought with it the rapid spread of virtual connections, real-life interpersonal connections were becoming more important than ever. Meanwhile, the tools for improving society, such as philosophy, sociology, and psychology, were all qualitative in nature. This realization prompted me to search for a tool for bettering society that was more scientific, more based on hard data. I thus began collecting data from my own body along with massive quantities of data from various business organizations. One finding that was particularly noteworthy was how corporate value and employee happiness, two metrics that initially seem to be in opposition, actually showed a positive correlation when you really delved into the data. Employees who are happy or who make those around them happy perform better and thus contribute to the happiness of their organization as a whole.

**Kojima:** Over the course of nearly 20 years, I have been a company physician at many corporations. In these positions, I always saw that employees who appeared to be energized and happy also exhibited high levels of productivity and creativity. However, it is difficult to communicate the link between happiness and results. Searching for an objective indicator for gauging happiness, I became aware of Happiness Planet, an application that you, Dr. Yano, developed. I felt great potential for this application.

**Yano:** Happiness Planet is a smartphone app that measures body motions related to behaviors that contribute to the happiness of the people around an individual or that indicate active engagement with these people. These measurements are made possible by the accelerometers installed in all smartphones. This app enables individuals to view indicators of their condition, to identify whether it is good or bad, and it is also possible to utilize indicators for organizations and teams. With the cooperation of MARUI GROUP and its hundreds of employees, I was able to collect a great deal of data for verifying the effectiveness of this app.

**Kojima:** MARUI GROUP's Wellness Management Project Team is operated in intervals of one year, with a team of around 50 employees assembled for each interval to play a proactive role in promoting wellness management (healthcare management). The current project team is advancing initiatives on a Companywide basis as well as outside of the Company. One group on this team is examining possible ways of using Happiness Planet in the future.

**Yano:** When you begin tracking metrics, it only natural to start looking for ways to improve those metrics. The means of realizing improvements will vary from person to person. Accordingly, it is important for people to be inspired to make a personal commitment to improvement. In this regard, Happiness Planet allows users to decide in the morning the challenges they will tackle that day. This app offers a selection of around 7,000 such challenges to choose from. Users can also make their own. Furthermore, if a user puts their smartphone in their pocket for only three hours a day, the app will

## Kazuo Yano

Dr. Kazuo Yano obtained a master's degree in physics from Waseda University in 1984 and joined Hitachi, Ltd., thereafter. In 1993, he achieved the world's first successful operation of single-electron memory at room temperature. Since 2004, he has been a world leader in the field of wearable technology and the collection and utilization of big data. His papers have been cited 2,500 times and he has 350 patent applications. He is known for the breadth and depth of his specialties, which range from artificial intelligence to nanotechnology. Dr. Yano's literary work, *Invisible Hand of Data: The Rule for People, Organizations, and Society Uncovered by Wearable Sensors* (published in 2014), was selected as one of 2014's 10 Best Business Books on the BookVinegar book review website. Dr. Yano has a doctorate in engineering and is an IEEE Fellow as well as a visiting professor at the Tokyo Institute of Technology.

Photograph taken at "Kyōsō-no-Mori (Forest of Co-Creation)," a facility established at the Central Research Laboratory of Hitachi, Ltd., in April 2019, to accelerate the co-creation of innovation together with customers



measure their body motion to quantify the degree to which they engaged in behavior that contributes to the happiness of those around them.

**Kojima:** In fall 2019, MARUI GROUP will launch an initiative in which everyone will work together to increase their happiness scores using the Happiness Planet. This initiative will make it easier for everyone to take part in wellness management activities while also creating venues through which people from various workplaces and Group companies can gather. Increasing venues for exchanges of diverse knowledge will foster a corporate culture of high creativity.

### Disparity in the Movements of the Bodies of Happy People

**Yano:** Over the past two decades, there has been a boom in scientific research on happiness. Genetics are part of the determining factors behind happiness, and such factors cannot be changed once someone has become an adult. However, there are also factors that can continue to be changed through means such as environmental alterations, training, experience, and learning. Among the most important determining factors behind happiness are working toward some goal, no matter how small, on a daily basis and adopting good habits. Particularly effective is attempting to make the people around you happy or acting for the benefit of these people. Incorporating such behaviors into one's daily life is an extremely effective way of increasing happiness.

**Kojima:** At MARUI GROUP, we conduct the Resilience Program in which managers strive to adopt good habits that help energize and bring happiness to themselves and the people around them over the period of a year, after which they seek to spread these habits throughout their workplace. Employees that find meaning in their work and tackle challenges in a self-driven manner are more resilient in that they are more able to remain committed to overcoming adversity than those employees who feel as though they are being made to work. When people hear the word "happiness," they are inclined to imagine something easy, like flower gardens. However, when we asked a group of more than 500 employees in a training session about the times that they felt the happiest and most fulfilled at work, the answers we received included stories of

overcoming adversity as a team to satisfy customers. I hope to make MARUI GROUP into a happy organization where employees can find joy and fulfillment by tackling such challenges of their own accord.

**Yano:** All activities by people are driven, in the end, by the movement of their muscles. For this reason, the movement of people's bodies is the easiest output to read. Even when sitting, people are not entirely still, but rather are constantly moving. In the case of people that make those around them happy, there is a great deal of disparity between how long they will continue moving once they start. For unhappy people, however, the amount of time between when they start moving and stop moving is usually the same. The values are practically fixed. These characteristics appear in a clear, quantitative fashion when looking at data. What is interesting is that when happy people communicate with the people around them, there is a lot of reciprocity. In fact, the data shows that their body movements often synchronize with the person with whom they are interacting. The ability to engage in effective communication is important, as human relationships and communication are essential to happiness.

**Kojima:** As a company physician, I have spoken with around 5,000 people to date. There are very few people who have exceptional people and communication skills but are in poor health.

### Challenging Environments Fundamentally Related to the Do of Japan

**Kojima:** MARUI GROUP's corporate philosophy calls for us to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." To enact this philosophy, we are developing frameworks and a corporate culture that offer employees access to challenging environments. These efforts can be seen in our profession change system as well as in Groupwide project teams and the Medium-Term Management Visionary Committee, which are open to voluntary participation.

**Yano:** Challenging environments are important. It is easiest for people to feel fulfilled when they are able to utilize their strengths and skills in challenging environments. If people are placed in environments that are not challenging, they may become complacent or, worse yet, bored.



Challenging environments are fundamentally related to the various *do* of Japan. Someone who practices *shodo* (calligraphy) or *sado* (tea ceremony) continue to hone their art, growing until they die. The act of making a cup of tea can lead one to become aware of changes in the seasons or customer tendencies that they could not perceive when they first took up the art, spurring ongoing growth. The mass production era in which people worked based on manuals to produce large quantities of products was perhaps an outlier in human history. We appear to be returning to an era in which people continue to grow throughout the course of their entire lives.

**Kojima:** I agree. You just made me think that people who join MARUI GROUP naturally begin walking the path, the *do*, of lifelong growth.

### Increased Happiness throughout Society Achieved by Tracking Happiness

**Kojima:** MARUI GROUP's wellness management approach is aimed at generating positive benefits, rather than preventing illnesses and eliminating negative health impacts. This management approach is thus oriented toward the creation of a flourishing and inclusive society

offering happiness to all. I therefore see potential to utilize the objective indicators provided by Happiness Planet in this approach. I understand that Happiness Planet assigns high happiness scores to altruistic actions. MARUI GROUP is promoting financial inclusion. It is possible that, outside of the area of wellness (healthcare) management, the ability to track the happiness of oneself and of the people around oneself could help us propose ways of using money to contribute to the happiness of others. In this manner, I see the potential for MARUI GROUP to contribute to increased happiness scores throughout society by means of its business.

**Yano:** Happiness is contagious. I therefore hope you will use Happiness Planet as a means of spreading such happiness fostering activities to MARUI GROUP's customers and to the rest of society. In the past, corporate value has been quantified through stock price and other indicators. However, these indicators were relatively divorced from people, and data on employees tended to be of a more superficial level, primarily pertaining to career metrics and salaries. I hope to engage initiatives that more directly incorporate the value of people. I believe that such initiatives could change the very way we live.

**Kojima:** You are right. A change in mind-set certainly has the potential to change how someone lives.