




























## CO-CREATION SUSTAINABILITY MANAGEMENT



-  I am the grandson of our founder, and I became president in 2005. I get excited when I think about our future. Hiroshi Aoi, President and Representative Director, Representative Executive Officer, CEO
-  I have supported the development of management teams at venture companies for nearly two decades. Some call me the “Godmother of Venture Companies.” Etsuko Okajima, External Director
-  Calling upon the relationship I formed through holding public office, I will continue to exercise my motto of “wisdom and action.” Yoshitaka Taguchi, External Director
-  I hope to create new value with IT through collaboration with start-up companies boasting innovative ideas. Masahiro Muroi, External Director
-  I am helping developing stores that do not sell while myself feeling excited about MARUI GROUP's co-creation of value. Masao Nakamura, Director, Senior Managing Executive Officer
-  Being social is indispensable to investor relations work, but I feel that earnestness and justness are even more important when it comes to co-creating value with shareholders. Hirotsugu Kato, Director, Managing Executive Officer
-  I am committed to seeing challenges for what they are and overcoming them with my team and more smiles than are probably necessary. Masahisa Aoki, Director, Senior Executive Officer
-  I am an oddity at MARUI GROUP, joining from a science background with a major in architecture because I wanted to shape the Marui stores that are at the forefront of trends. Yuko Ito, Director, Executive Officer
-  I committed myself to American football throughout my high school and university days before joining a bank in 1989 because I found the wide network and people appealing. Hitoshi Kawai, Audit & Supervisory Board Member (Full time)
-  I am a bit stubborn and lack flexibility, but this is also tied to my commitment to seeing things through and never giving up until the job is done. Nariaki Fuse, Audit & Supervisory Board Member (Full time)
-  MARUI GROUP's co-creative investments are truly matched to the times. I too will aspire to respond to change through flexible thinking. Takehiko Takagi, External Audit & Supervisory Board Member
-  I see myself as cheerful and positive. I also view the COVID-19 pandemic as an opportunity to accelerate digitization and the diversification of work styles. Yoko Suzuki, External Audit & Supervisory Board Member
-  Having joined in 1977, I am MARUI GROUP's oldest employee. I am constantly reminded of the fact that adopting others' perspectives is the starting point for co-creation. Motohiko Sato, Executive Vice President
-  The first step in co-creation is to learn things that you lack from others while being accepting of others, both inside and outside of the Company. Tomoo Ishii, Senior Managing Executive Officer
-  I am first and foremost a social person. My social nature has benefited me greatly as new encounters have led to new businesses or broadened my own horizons. Toshikazu Takimoto, Managing Executive Officer
-  I am sometimes too meticulous. Going forward, I hope to strike a balance between this meticulousness and bold action to enact MARUI GROUP's philosophy of “equate the development of our people with the development of our company.” Yoshinori Saito, Managing Executive Officer
-  I am optimistic and I love pondering new ideas. I can imagine nothing better than assembling a diverse team and capitalizing on their individuality to give rise to new ideas. Hajime Sasaki, Senior Executive Officer
-  MARUI GROUP is supported by countless stakeholders, and I hope we can repay them for this support through our business. Masahiro Aono, Senior Executive Officer
-  I am working to acquire building manager qualifications to spur my own growth, and I am currently fighting to understand the specialized terminology and complex machine structures. Yoshiaki Kogure, Executive Officer
-  When people first meet me, they often think of me as methodical and stern, but the more they get to know me, the more they realize that I can be quite easygoing. Mayuki Igayama, Executive Officer
-  I respond to change with the positivity and ideation needed to turn adversity into opportunities, and this drive inspires me to create maximized services even in the midst of the COVID-19 pandemic. Junko Tsuda, Executive Officer
-  My personality could be said to be cheerful, soft, spirited, driven, and flexible. I greatly enjoy sharing in the feelings of others. Miyuki Kawara, Executive Officer
-  People say that I pursue what I think is right with conviction and offer advice from a fresh perspective to those who are lost. Tatsuo Niitsu, Executive Officer
-  I see myself as a little optimistic. IT systems require a careful approach, but too much caution can halt progress. A sense of balance is important. Takeshi Ebihara, Executive Officer
-  At MARUI GROUP, co-creation is our passion, and I am happy to be able to work toward our shared goal of making society happier together with my colleagues. Reiko Kojima, Executive Officer
-  This experience let me feel the joy of directly pleasing customers. This prompted my decision to join MARUI GROUP in 1996, as I recognized that this company would let me contribute to communities by opening new stores. Akikazu Aida, Executive Officer

Please refer to pages 106–114 for the unique self-introductions of all officers in their entirety.



## Message from an External Director

# I think that co-creating an ecosystem with start-up companies was the best possible decision.

## Co-Creative Investment Business Springing from Previously Plowed Fields

I have watched as MARUI GROUP's business model has evolved over the years, from transitioning from an earnings structure driven by retailing to one spurred by fintech and converting department stores to shopping centers using fixed-term rental contracts. It feels like MARUI GROUP is always a step ahead of the times. Co-creation sustainability management and stores that do not sell are both ideas put forth by management while assessing contemporary trends. Now, the Company is embarking on the new journey of developing a co-creative investment business, having established D2C & Co. Inc. for this purpose. However, this business can be traced back a little further. It was a few years ago when MARUI GROUP earmarked ¥30.0 billion for investments, directing these toward start-up companies and seconding employees to them. It could be said that the co-creative investment business is the fruit that has sprung up in a clearly visible form from the fields that the Company plowed previously.



**Etsuko Okajima**

External Director  
(Appointed in June 2014)  
Nominating and Compensation Committee

I have helped a number of large companies transform themselves. Everyone understands the need for open innovation and disruptive innovation, but large companies tend to fail in this regard. This is because many of these companies view such innovation purely as a means of utilizing their existing infrastructure. They often become satisfied just by investing, and these investments thus fail to produce results. MARUI GROUP, meanwhile, approaches such investments from a different perspective: the perspective of creating something new with investees. For this reason, although MARUI GROUP's co-creative investments may seem like standard corporate venture capital investments based on external standards, the way in which the Company interacts with investees is actually completely different. I therefore think these investments constitute an entirely new form of investment.

## Prescription for MARUI GROUP: Cultivate People Who Can Co-Create Businesses with Start-up Companies

One frequent point of discussion at meetings of the Board of Directors is how MARUI GROUP and other major companies can cultivate human resources with an entrepreneurial spirit. People who join MARUI GROUP often do so out of a desire to serve customers. They are therefore proficient at improvement and ongoing innovation. However, responding to extreme circumstances requires an entrepreneurial spirit, which differs from that of MARUI GROUP's employees, to drive the disruptive innovation.

What should the Company do, then? My prescription for MARUI GROUP is this: cultivate people who can co-create businesses with start-up companies. An entrepreneurial spirit entails a strong desire to change the world and a bold commitment to access the risks inherent in such undertakings. This spirit can be found in the entrepreneurs at start-up companies. Working with these entrepreneurs will require MARUI GROUP employees to exercise understanding and empathy toward them. MARUI GROUP employees excel at discovering the needs of customers and gaining insight through their interactions on the sales floor. Moreover, they deliver incredibly high-value user experiences through the physical venue of stores. This is an area of expertise that

start-up companies often lack. Accordingly, I see potential for a symbiotic relationship between start-up companies and MARUI GROUP. For this reason, I think that co-creating an ecosystem with start-up companies was the best possible decision.

## Agricultural Tribe Approach Toward Ecosystem Development

I am not sure whether this is the best way to put it, but MARUI GROUP's approach toward developing an ecosystem is similar to that of an agricultural tribe. This approach differs from that of the "hunting tribe" approach of acquiring companies that are prospering as MARUI seeks to plow its fields together with start-up companies and other stakeholders. As MARUI GROUP is developing a business, it must also focus on raising lifetime value. At the same time, however, MARUI GROUP envisions an inclusive and sustainable world. This can be seen in its bold decision to cancel all rent payment for tenants during the store closures in response to the COVID-19 pandemic. The co-creation of philosophy of viewing business partners as inseparable from its business has truly permeated all corners of the Company's operations. Rather than pursuing sharp growth in revenue and income, MARUI GROUP adopts a longer timetable, focusing on creating corporate value over the medium-to-long term together with stakeholders, even if it must weather some temporary downturns as a result. I think this is a view that many investors can get behind.

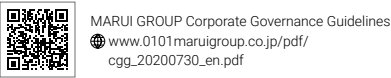
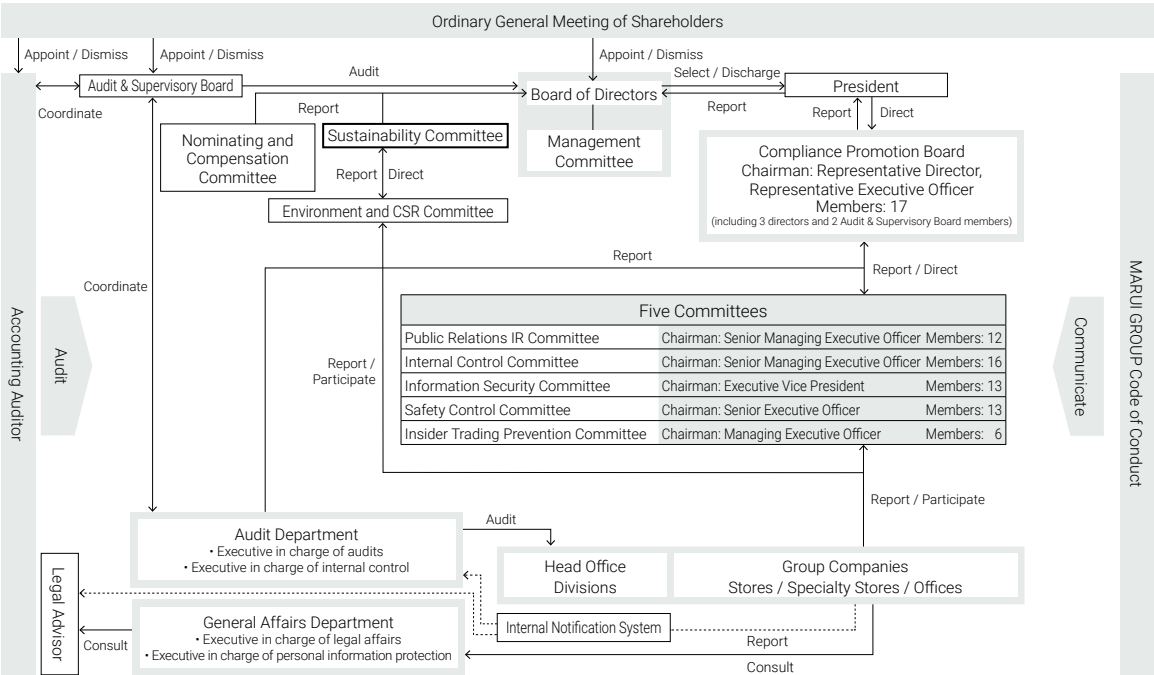
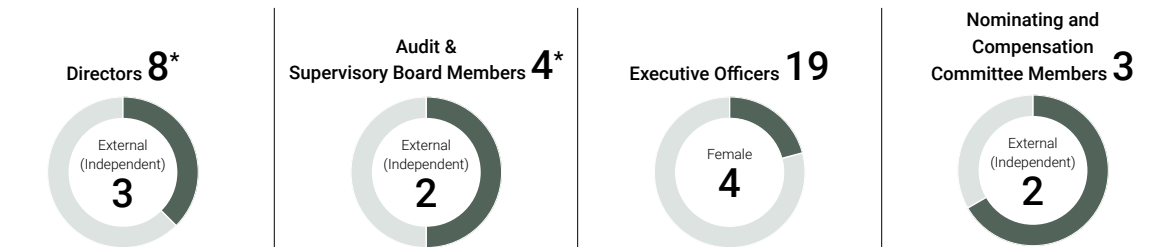
The definition of happiness is transforming in the midst of the COVID-19 pandemic, and people's values are becoming more apparent than ever. This is perhaps because the people whose sense of value had become dull, causing them to forget their own likes and dislikes, have had this sense sharpened. I think that we will see an increase in the number of people that realize they have tastes that go beyond the ordinary going forward. This trend, I expect, has the potential to increase MARUI GROUP's connection with the start-up companies with which it engages in co-creation and with other stakeholders that resonate with its values. These connections will move MARUI GROUP closer to developing the ecosystem it envisions.

Corporate Governance for Co-Creating Corporate Value

MARUI GROUP positions the reinforcement of corporate governance among its most important management tasks, and we aspire to practice sound, highly transparent, profitable, and efficient management. As a Company with Company Auditor(s), as described in the Companies Act of Japan, MARUI GROUP has in place its Board of Directors and Audit & Supervisory Board. In addition, the Company has established the Management Committee, the highest decision-making body; the Nominating and Compensation Committee; five committees that oversee high-risk areas pertaining to management; and the Compliance Promotion Board, which oversees these committees. For the purpose of promoting co-creation sustainability management, we have also established the Sustainability Committee, which

oversees the Environment and CSR Committee, an organization responsible for relevant risk management and other relevant procedures. In addition, two new Audit & Supervisory Board members, one of whom is a woman, were appointed at the Ordinary General Meeting of Shareholders held in June 2020 to further strengthen the Company's management team.

Furthermore, the Company has established the MARUI GROUP Corporate Governance Guidelines, which compile our basic corporate governance and initiative policies, and publishes corporate governance reports that provide details on the implementation of these policies. The Company is committed to further strengthening corporate governance going forward.



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MESSAGE

Messages from New Audit & Supervisory Board Members



Hitoshi Kawai  
Audit & Supervisory Board Member (Full time)  
(Appointed in June 2020)

I worked at banks and securities companies for a total of 31 years. During this time, I was provided with plentiful opportunities to take part in new initiatives and innovations, often times ending in success. For example, I was involved in expanding the corporate bond market, developing new products and businesses, and creating start-up company ecosystems. These initiatives were in part a response to the deregulation of the financial industry. More importantly, though, they were also undertakings that contributed to the resolution of social issues and to the public good. The understanding of the customers and colleagues I met during my time at banks and securities companies empowered me in my co-creative initiatives. I also learned an important lesson when I was president of the Kyoto branch of a bank, which was how growing together with customers over the long term, as opposed to chasing short-term gains, and acting together with colleagues united by a shared vision, can create massive and lasting value for society.

MARUI GROUP has continued to transform itself to match changes in the times, all while remaining true to its core value of the co-creation of creditability. Today, it is endeavoring to co-create a society in which future generations can shine together with stakeholders throughout the current society. As part of this quest, MARUI GROUP looks to evolve into an intellectual creation company through its business model, merging retailing, fintech, and now co-creative investment. I joined MARUI GROUP in June 2020. When I speak with President Aoi and other members of the Company, I am always overwhelmed by a sense of anticipation as I imagine MARUI GROUP's various initiatives and the results they will create. I hope to contribute to these efforts in my capacity as an Audit & Supervisory Board member, and I look forward to growing together.

I have held positions as an outside director and an outside auditor at a number of companies since 2003. In this position, I became increasingly interested in the concepts of ESG management and the SDGs. With this interest, I was fascinated when I heard of MARUI GROUP's forward-looking co-creation sustainability management approach. I accepted the invitation to be an external Audit & Supervisory Board member at MARUI GROUP because I hoped that, by supervising the co-creation sustainability management in my capacity, I could contribute to the improvement of the Company's medium-to-long-term corporate value.

I think that Audit & Supervisory Board members are increasingly being expected to play a role in driving corporate governance reforms as well as in implementing defensive governance measures. A specific role of external Audit & Supervisory Board members is to utilize their outside perspective to oversee management decisions to ensure that they are being made transparently and impartially with consideration paid to the perspective of future generations and other stakeholders. In my case, in particular, I want to use my expertise as an attorney in the monitoring of the Company's compliance and other internal control and risk management systems. I also hope to go about my duties while practicing extensive communication through coordination with and visits to the Board of Directors, the Audit & Supervisory Board, internal auditing divisions, and the accounting auditor.

Stakeholder values and lifestyles are changing amid the COVID-19 pandemic. This trend is increasing the need for inclusive, forward-looking management that is respectful toward diversity. In this environment, I am committed to working together with MARUI GROUP to realize its vision of providing a platform for supporting the happiness of all stakeholders, including future generations.



Yoko Suzuki  
External Audit & Supervisory Board Member  
(Appointed in June 2020)

Agenda Items Discussed by the Board of Directors

The major agenda items discussed by the Board of Directors in the fiscal year ended March 31, 2020, are detailed in the table below. In addition to resolutions and reports, free and open discussion and exchanges of opinion took place focused on issues pointed out by external directors and ESG and other themes related to long-term improvements in corporate value.

	Resolutions and Reports		Discussion Themes
First Quarter	<ul style="list-style-type: none"><li>• Change to resolution regulations</li><li>• Capital and business alliances</li><li>• Revision of officer compensation and medium-to-long-term incentives</li></ul>	<ul style="list-style-type: none"><li>• Establishment of Sustainability Committee</li><li>• Content investment trends</li><li>• Wellness management</li></ul>	<ul style="list-style-type: none"><li>• Evaluation of the effectiveness of the Board of Directors</li></ul>
Second Quarter	<ul style="list-style-type: none"><li>• Cross-shareholdings</li><li>• Investment products</li><li>• Positioning of Co-Creation Management Academy program participants</li></ul>	<ul style="list-style-type: none"><li>• Advisors</li><li>• Co-creation with start-up companies</li><li>• Organization reforms and relocation of officers and managers</li></ul>	<ul style="list-style-type: none"><li>• Organization and human resource development for post-digital world</li><li>• New business development</li></ul>
Third Quarter	<ul style="list-style-type: none"><li>• Management practices for EPOS cards emphasizing ongoing use</li><li>• Establishment of new company</li><li>• Experience-oriented store initiatives</li></ul>	<ul style="list-style-type: none"><li>• MARUI IR DAY report</li><li>• Shared living residence business initiatives</li><li>• Fund procurement report</li></ul>	<ul style="list-style-type: none"><li>• Nominating and Compensation Committee</li></ul>
Fourth Quarter	<ul style="list-style-type: none"><li>• Increase in investment in new company</li><li>• Issues at subsidiaries and future initiatives</li><li>• Delegation of authority to executive officers</li></ul>	<ul style="list-style-type: none"><li>• Evaluation of the effectiveness of the Board of Directors</li><li>• Organization reforms and relocation of officers and managers</li><li>• Committee membership changes</li></ul>	<ul style="list-style-type: none"><li>• Review of Co-Creation Management Academy and future human resource development initiatives</li><li>• Initiative areas and promotion structures for co-creation sustainability management</li></ul>

Transcript of Board of Directors' Discussion

The following is an abridged transcript of a discussion by the Board of Directors regarding new business development that took place in September 2019.

**Muroi:** Through the establishment of a chief digital officer, an innovation center, and an accelerator program, MARUI GROUP has installed the infrastructure necessary for new business development. However, new businesses generally have low success rates and their scale and profitability pales in comparison to existing businesses. It is incredibly important to look at the Company's business portfolio in its entirety to determine which projects will be prioritized and which will be abandoned. You also need to accurately calculate total investment amounts, project numbers, success rates, and returns. Other important considerations include what type of investments will be conducted over the next three-to-five years, how cash flows will be generated, and if these cash flows will exceed cost of capital. You must remain levelheaded when accessing these important factors.

**Okajima:** I want to talk about why MARUI GROUP looks to develop new businesses. Possible reasons include fostering new earnings pillars or cultivating human resources. I think the Company's current business plan contests are beneficial in terms of human resource development.

**Taguchi:** It is easy to understand if you state clearly that the new business development program is aimed at fostering human resources. The employees who see this will be motivated if they feel inspired to participate.

**Muroi:** Human resource development is important, but it is also crucial for MARUI GROUP to truly develop new businesses. If you do not make a business of a sufficient scale, it will be difficult to talk about how it relates to Companywide strategies.

**Aoi:** We aim to foster a corporate culture through human resource development while at the same time creating new businesses. We must first ask, "What type of new business does MARUI GROUP need?" The business of tsumiki or our anime business does not replace our retailing and fintech businesses, they contribute. I think that any new businesses should contribute to existing businesses in this manner.

**Okajima:** You mean to say that you are gauging investment returns in terms of the resulting improvements in lifetime value.  
**Muroi:** I understand the essence of MARUI GROUP's new business development approach. It would appear that the strategic focuses of MARUI GROUP's new businesses differ from those of companies that cannot survive without creating new businesses. If you can make this clear, it could affect business evaluations and plans. Are there no businesses that can be positioned adjacent to existing businesses, like the rent guarantee and anime businesses? Is this something that is decided by business departments?

**Aoi:** I think that is a decision to be made by management. However, if we share our view that new businesses at MARUI GROUP should be positioned adjacent to existing businesses and ask for ideas, we will surely receive proposals.

**Okajima:** I think it depends on the goal of developing the new business. If you look to refine operations by continuing to use assets in the same manner as previously, that should be done by business departments. If you look to use existing assets to do something new, that should be seen as a shift. Is it correct to assume that we should tell stakeholders that we are undergoing a shift?

**Muroi:** When speaking with institutional investors, I have been told that investors do not fully understand MARUI GROUP's innovative business model. I think you need to more effectively explain that your management strategies differ from other companies', and that this is true with regard to new businesses as well.



Evaluations of the Board of Directors' Effectiveness

The Company has been performing annual evaluations of the Board of Directors' effectiveness since the fiscal year ended March 31, 2016, with the aim of improving the effectiveness of the Board of Directors. In these evaluations, all directors and Audit & Supervisory Board members complete a self-evaluation survey of the effectiveness of the Board of Directors with regard to such aspects as the scale and composition of the Board of Directors, operating procedures, decision-making processes, and roles and responsibilities. Based on the results of this survey, information on the current evaluation of the Board of Directors and the issues it faces are shared, and constructive discussions are held in order to formulate measures for the future.

The possibility of acquiring third-party verification for the results of the evaluation of the effectiveness of the Board of Directors was examined. However, opinions were received, largely from external directors, stating that the current self-evaluation methodology was sufficiently effective.

Overview of Evaluation Results

The evaluation of the effectiveness of the Board of Directors conducted in the fiscal year ended March 31, 2020, confirmed that, overall, the Board of Directors was highly effective. In the previous year's evaluation, the low ratio of medium-to-long-term incentives (stock-based compensation) to total officer compensation and the failure to orient compensation systems toward medium-to-long-term improvements in corporate value were identified as issues. In response to these issues, the Company implemented a new compensation system with a higher ratio of medium-to-long-term improvements. As a result, the evaluation of the officer compensation systems increased substantially. In addition, the Company took steps to address the lack of involvement in and oversight of the future leader development program, which was identified as an issue in the previous evaluation. These steps included discussion by the Board of Directors and enhancement of provisions for the ongoing monitoring of the placement and development of program participants.

New issues identified included the need to increase the presence of women on the Board of Directors and to make better use of internet conferences.

Future Initiatives

In order to increase the presence of women on the Board of Directors, an area identified as requiring improvement, the Company appointed Yoko Suzuki as an external Audit & Supervisory Board member in the fiscal year ending March 31, 2021, bringing the ratio of women on the Board of Directors to 25%. From a long-term perspective, the Company will continue to cultivate junior female employees and identify and foster officer candidates through the future leader development program.

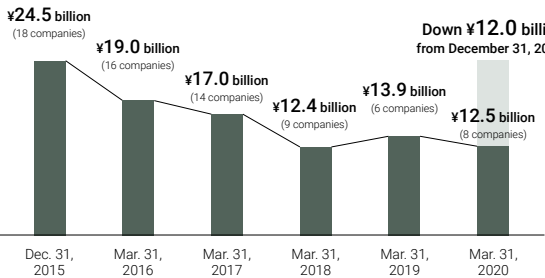
Meanwhile, in response to the global COVID-19 pandemic, the Company began holding meetings of the Board of Directors in the form of internet conferences in the fiscal year ended March 31, 2020. Internet conferences will continue to be used as a tool for facilitating timely discussion, resolutions, and information provision.

Reduction of Cross-Shareholdings

In principle, the Company will not engage in cross-shareholdings except for cases in which such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value. Shareholdings for which the strategic significance has been diminished will be sold in a phased manner based on consideration for the conditions surrounding the counterparty.

The returns from each cross-shareholding are verified at meetings of the Board of Directors held in either July or August of each year. The extent to which holdings have been reduced was confirmed at these meetings. On March 31, 2020, the Company held shares of the stock in eight companies as cross-shareholdings (10 companies fewer than on December 31, 2015), and the total value of these shares on the consolidated balance sheet was ¥12.5 billion (down ¥12.0 billion from December 31, 2015).

Total Value of Cross-Shareholdings on the Consolidated Balance Sheet



Two additional holdings in listed companies were acquired in the fiscal year ended March 31, 2020, to facilitate collaboration with new business partners, causing a year-on-year increase in cross-shareholdings. The amount of these holdings totals ¥5 million, and these stocks are held for the purpose of collecting information on industry trends and other topics.

\* Reduction amounts are displayed in comparison to December 31, 2015, as the MARUI GROUP Corporate Governance Guidelines were published in November 2015.



Revision of Officer Compensation Systems to Facilitate Sustainability Management

Compensation for directors (excluding external directors) comprises fixed basic compensation as well as performance-linked bonuses, which are based on the performance of the Company in a given fiscal year to function as a short-term incentive, and performance-linked stock-based compensation, which is based on the medium-to-long-term performance of the Company to function as a medium-to-long-term incentive. From the fiscal year ended March 31, 2020, officer compensation systems were revised to increase the portion of performance-linked compensation and employ new performance indicators in response to issues identified in evaluations of the Board of Directors' effectiveness.

In addition, the compensation levels and the ratio of performance-linked compensation have been revised to increase the portion of performance-linked compensation. This revision was aimed at boosting motivation to contribute to improved medium-to-long-term performance and corporate value for the Company in order to have officers share the interests of shareholders and to strengthen management from the perspective of

shareholders. Specifically, the ratio of 8 : 1 : 1 (basic compensation : performance-linked bonuses : performance-linked stock-based compensation) used until the fiscal year ended March 31, 2019, was replaced with a ratio of 6 : 1 : 3 in the fiscal year ended March 31, 2020.

In the fiscal year ended March 31, 2020, the range of adjustment for performance-linked bonuses functioning as a short-term incentive was changed from 90%–110% to 0%–200% and the performance indicator used for calculating bonuses was changed from consolidated operating income to earnings per share (EPS). For performance-linked stock-based compensation functioning as a medium-to-long-term incentive, ESG indicators were introduced alongside the prior performance indicators of return on equity (ROE), return on invested capital (ROIC), and EPS to make for compensation systems that are linked to co-creation sustainability management. This revision proposal was formulated based on discussion by the Board of Directors, the Nominating and Compensation Committee, and Management Committee before deliberation and approval at the Ordinary General Meeting of Shareholders held in June 2019.

Target Indicators and Performance-Linked Coefficients

		Target indicator		Target	Performance-linked coefficient
Fiscal year ending March 31, 2021	Performance-linked bonuses	EPS		¥130	0%–200%
	Performance-linked stock-based compensation	Financial indicators	EPS	¥130 or more	100% if three targets accomplished 70% if two targets accomplished 30% if one target accomplished 0% if no targets accomplished
			ROE	10.0% or more	
			ROIC	4.0% or more	
		Non-financial indicators	ESG indicators	Inclusion in DJSI World*	0% or 10%

\* Dow Jones Sustainability World Index: An ESG index comprising companies selected through comprehensive evaluation of economic, environmental, and social factors for the perspective of long-term improvements to shareholder value

Officer Compensation in the Fiscal Year Ended March 31, 2020 (Millions of yen)

	Basic compensation	Performance-linked bonuses (Short-term incentive)	Performance-linked stock-based compensation (Medium-to-long-term incentive)	Total compensation
Directors (excluding external directors)	150	21	—	171
External directors	29	—	—	29
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	34	—	—	34
External Audit & Supervisory Board members	15	—	—	15

The upper limit for full-year compensation paid to directors has been set at ¥300 million (excluding employee salaries paid to directors that are also employees of the Company or Group companies) and at ¥50 million for external directors. Separate from this amount, the upper limit for performance-linked bonuses has been set at ¥100 million (excluding employee salaries paid to directors that are also employees of the Company or Group companies) paid to directors (excluding external directors) and the upper limit for performance-linked stock-based compensation issued to directors (the amount of money contributed to trusts on their behalf) has been set at ¥200 million per fiscal year to be multiplied by the number of fiscal years in the respective incentive period (¥400 million for the two-year period encompassing the fiscal year ended March 31, 2020, and the fiscal year ending March 31, 2021). In addition, the upper limit for monthly compensation of Audit & Supervisory Board members has been set at ¥6 million. All of these amounts were set at the Ordinary General Meeting of Shareholders. Amounts of compensation for individual officers are not listed as no officer received total compensation of more than ¥100 million.



Officer Compensation  
www.0101maruigroup.co.jp/en/ci/governance/compensation.html

Future Leader Development Program

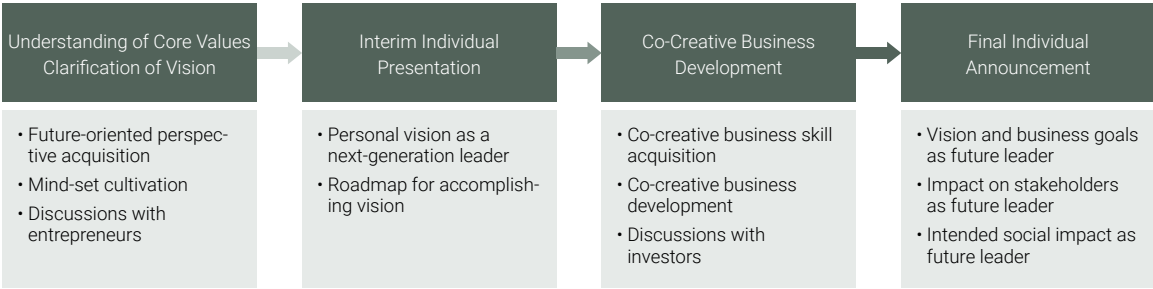
MARUI GROUP unveiled its Co-Creation Management Academy (CMA) future leader development program in April 2017 with the aim of identifying and cultivating human resources capable of promoting management innovation. This program is based on open application, and each year 10–20 candidates are selected from among volunteers. To date, a total of 63 individuals have participated. Those selected are submitted to a one-year training curriculum developed under the guidance of external directors to instill in them a management perspective. This curriculum includes programs to facilitate the acquisition of crucial insight as well as discussions with members of Company management, managers of other companies, and external experts. After the curriculum has been completed, participants continue to be monitored and nurtured into future leaders through secondment to affiliates or assignment to strategic or corporate planning posts.

Areas of focus concerning the curriculum for the fiscal year ended March 31, 2020, included understanding of MARUI GROUP's core values and acquisition of a management and a business perspective. Participants were given lectures from external specialists on topics such as finance, corporate value, legal

regulations, corporate governance, management strategies, and leadership. They also spoke with members of corporate management and managers of other companies and researched the Company through group work.

In the fiscal year ending March 31, 2021, the fourth year of the program, the curriculum was revised with the aim of cultivating human resources that are able to undertake co-creative businesses with start-up companies and targeting future generations. This curriculum involved conventional learning as well as hands-on and experience-oriented programs. Examples of these programs included discussions with entrepreneurs at the front lines of business and exchanges with members of younger generations. These programs were arranged to help participants improve their management skills and business creation capabilities and foster the skills that will be needed in the post-digital world. Moreover, we introduced a mentorship program in which individuals that had participated in previous programs mentor current participants to stimulate mutual growth. Through the CMA program, we aim to continue identifying and cultivating junior and female employees with the potential to become future leaders.

Sample Curriculum



Sample of Newly Introduced Experience-Oriented Programs

<p>Workshop on Customer-Oriented Thinking in the Post-Digital World</p> <p>Yasufumi Fujii East Asia Sales Representative beBit, Inc.</p>		<p>How to Realize Your Dreams—Programming Workshop and Lecture by University Student Mentor</p> <p>Yusuke Mizuno Representative Director and CEO Life is Tech, Inc.</p>	
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Appointment of New Wellness-Field Advisor

MARUI GROUP appoints external experts with insight into business strategies and various business areas as advisors. We anticipate that such advisors will be powerful assets in the establishment of strategies for Groupwide efforts to accomplish the targets of the medium-term management plan and to improve corporate value over the medium-to-long term as we seek to address the rapidly changing operating environment and an ever-diversifying society. Regular meetings of advisors are held once every two or three months, at which the president, pertinent directors, and representatives from relevant areas attend; advice is also sought on specific themes.

In addition, ESG specialists were appointed in January 2019 to strengthen the advisor team and support MARUI GROUP in conducting co-creation sustainability management while responding to operating environment changes over the long term. One additional advisor with expertise in the wellness field was appointed in July 2020.

Advisors

 Appointed in July 2020	<b>Yoshiki Ishikawa</b> Doctor of Medicine; Preventative Medicine Researcher; Representative Director, Well-being for Planet Earth Foundation	Wellness Specialist
Reason for appointment: Yoshiki Ishikawa possesses a wealth of experience and broad-ranging insight as a preventative medicine researcher. He is also one of Japan's foremost researchers of well-being and the representative director of Well-being for Planet Earth Foundation. MARUI GROUP anticipates that he will offer valuable suggestions and advice pertaining to the Company's management.		
 Appointed in July 2016	<b>Masakazu Masujima</b> Partner, Mori Hamada & Matsumoto	Fintech Specialist
Reason for appointment: Masakazu Masujima is a leading expert in the field of fintech with robust insight and experience. MARUI GROUP anticipates that he will offer proposals of specific growth investment targets, advice and proposals regarding entry into the securities business, and advice on fintech-related laws and regulations for use in the development of new FinTech businesses.		
 Appointed in July 2017	<b>Meyumi Yamada</b> Director, istyle Inc.	D2C Specialist
Reason for appointment: MARUI GROUP anticipates that Meyumi Yamada will provide up-to-date information on D2C ecosystems and customer success strategies and stimulate meaningful discussion in this regard to drive new value creation in the post-digital world.		
 Appointed in October 2019	<b>Yutaka Matsuo</b> Professor, Department of Technology Management for Innovation; Artifacts, Center for Engineering; Graduate School of Engineering; Tokyo University	AI Specialist
Reason for appointment: Yutaka Matsuo possesses a wealth of insight and experience as a leading authority in AI research. In addition, he has devoted his efforts promoting the use of AI and the cultivation of human resources in this field. One such effort was the establishment of the Japan Deep Learning Association, an organization tasked with improving the competitiveness of industry in Japan with deep learning. MARUI GROUP anticipates that he will offer valuable suggestions and advice for utilizing AI to improve corporate value.		

Sustainability Advisors

 Appointed in January 2019	<b>Peter David Pedersen</b> Representative Director, Next Leaders' Initiative for Sustainability; Professor, Shizenkan University	Environmental Specialist
Reason for appointment: As a corporate consultant, Peter David Pedersen has provided environmental and CSR consulting through various projects with leading Japanese companies, universities, economic organizations, and government agencies and has taken part in international symposiums. MARUI GROUP anticipates that he will offer valuable suggestions and advice for addressing future operating environment changes and improving corporate value based on his world-leading experience and insight in the environmental and sustainability fields.		
 Appointed in January 2019	<b>Masayoshi Suzuki</b> Executive Vice President, BORDERLESS JAPAN CORPORATION	Social Specialist
Reason for appointment: Masayoshi Suzuki co-founded BORDERLESS JAPAN, one of the few companies in the world that only engages in social businesses, through which this company has addressed social issues pertaining to poverty, discrimination, prejudice, and the environment. MARUI GROUP anticipates that he will offer valuable suggestions and advice for resolving social issues to help create a flourishing and inclusive society.		

Risk Management



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

Risk management system

The Group maintains five committees, i.e., the Public Relations IR Committee, Internal Control Committee, Information Security Committee, Safety Control Committee, and Insider Trading Prevention Committee to control high-risk areas in business operations and strive for speedy operational improvement and the prevention of accidents. At the same time, the Compliance Promotion Board, chaired by the Representative Director, is set up to coordinate the functions of all the committees.

The Group enhances the effectiveness of risk management by holding regular meetings participated by Executive Officers as well as holding and establishing the meetings of the above committees and subcommittees to realize close coordination, risk information sharing, and speedy decision making and implementation of countermeasures.

Business and other risks

Matters stated in the business overview and financial information of our securities report that may affect the judgment of investors are as follows. Forward-looking statements in this document are based on the judgment of the Group at the end of the fiscal year under review.

1. Risks concerning business strategies

1-1. Risks concerning Retailing and FinTech environments

<ul style="list-style-type: none"><li>• Changes in consumption trends</li><li>• Occurrence and intensification of competition</li><li>• Expansion of the e-commerce market, and diversification of settlement methods</li><li>• Revision of the taxation system and relevant laws</li></ul>	<table><tr><td>Impact</td><td>The Group's operations integrate Retailing and FinTech. The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. We anticipate to see a decline in the number of visiting customers and transactions at stores due to changes in markets causing sluggish consumer spending, such as fluctuations in business conditions, changes in economic conditions, the declining population, intensifying competition, the expansion of the e-commerce market, and the rise in the sharing economy. In addition, the share of credit card usage in the market is expected to shrink as a result of the technological advances such as the diversification of settlement means associated with the transition to cashless payments, or changes in consumer behaviors. If these risks become apparent, the financial position and business results of the Group may be affected. In store operations, the Group has been building a stable earnings structure by transitioning to a business structure focused on shopping centers and fixed-term rental agreements. However, the financial position and business results of the Group may be affected by cancellation of fixed-term rental agreements with tenants and increased vacant floor space, both of which will lead to a decline in rental revenue, posting of impairment loss due to fluctuations in land prices, increased tax burden due to a revision of the taxation system, and other factors. Furthermore, allowance for doubtful accounts is provided with respect to operating receivables (accounts receivable-installment and operating loans) of cards that account for a large share of the Group's total assets, based on the occurrence of receivables in arrears, historical bad debt ratios, etc. However, payments in arrears and uncollected receivables could increase due to worsening economic conditions, changes in relevant laws, or other factors. The financial position and business results of the Group may be affected by a sharp increase in bad debt expenses or allowance for doubtful accounts, etc. Provision for loss on interest repayment has been provided to prepare for the repayment of interest on cash advances, by projecting the amount of future repayments based on the past actual repayments. However, if the amount of provision is insufficient for the amount of future claims for interest repayment, additional costs may be incurred.</td></tr></table>	Impact	The Group's operations integrate Retailing and FinTech. The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. We anticipate to see a decline in the number of visiting customers and transactions at stores due to changes in markets causing sluggish consumer spending, such as fluctuations in business conditions, changes in economic conditions, the declining population, intensifying competition, the expansion of the e-commerce market, and the rise in the sharing economy. In addition, the share of credit card usage in the market is expected to shrink as a result of the technological advances such as the diversification of settlement means associated with the transition to cashless payments, or changes in consumer behaviors. 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Countermeasures	We are pushing ahead with a marriage of internet and physical venues centered on our e-commerce site "MARUI web channel." Marui and Modi stores have been working to realize the co-existence of physical venues with e-commerce and to constantly improve facility value by working to promote "digital native stores" to accommodate the post-digital era. The Group is working to diversify touchpoints with customers by having stores also play a complementary role to digital. Moreover, we endeavor to broaden our customer base and increase the number of customers by advancing "Customer Diversity and Inclusion," providing products and services that bring joy to all customers, regardless of their age, physical characteristics, or gender. Recognizing the promotion of the transition to cashless payments as a big opportunity, the FinTech segment responds to diversified payment methods by increasing EPOS Gold and Platinum cardholders and encouraging them to use their EPOS card as their main card by implementing the strategy of maximizing the share of EPOS card payments among household finances, such as the rent guarantee services business. Moreover, aiming to realize financial inclusion with the goal of providing everyone with the financial services they need when they need them, regardless of income or age, we provide initial credit by utilizing big data based on credit expertise acquired from the time of our founding, as well as credit monitoring under the belief that "creditability should be built together with customers." We have achieved a low ratio of delinquent debt by increasing credit limits based on usage frequency and transaction amounts and payment history.		

1-2. Risks concerning Co-Creative Investment		
<ul style="list-style-type: none"> <li>• Uncertainty of return on investment</li> <li>• Risk of impairment loss on investment in unlisted companies</li> <li>• Fluctuations in prices of investment securities</li> </ul>	Impact	<p>The Group is promoting "Co-Creative Investment," investing in growing companies as part of its measures to accelerate investments in intangible assets. We aim to create value greater than the sum of individual businesses by building a business model integrating Retailing and FinTech with "Co-Creative Investment." In executing investments, we conduct a preliminary detailed review through confirmation of the financial conditions and contracts of prospective investees, etc., and interviews with their management, to fully examine risks. However, in cases where a problem that cannot be identified through preliminary investigation is found, e.g., the occurrence of a contingent liability or the discovery of unrecognized debt, or depending on future business performance or changes in business policies of the investees, the expected outcome may not be achieved, leading to the recording of an impairment loss. Furthermore, listed shares held by the Group may be affected by price fluctuations depending on stock market trends.</p>
	Countermeasures	<p>In selecting investees, we prepare our own plan based on a business plan obtained from the investee, and make investment decisions after checking profitability including not only financial returns but also cooperative returns to be generated from cooperation with the Group. Most importantly, in "Co-Creative Investment," we believe that we can contribute to mitigating investment risks and increasing returns by realizing "co-creation" by uniting resources of the credit card business, the retailing business, and human resources involved in them, with intangible assets such as investees' know-how and skills, and by greatly contributing to the achievement of their business plans and development as a corporation.</p> <p>In principle, we will not engage in cross-shareholdings except for cases in which such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value. At a meeting of the Board of Directors held in February 2016, it was determined that the Company had already established sufficiently strong business relationships with cross-shareholding counterparties, and it was therefore decided to undertake a phased reduction in cross-shareholdings out of consideration for asset efficiency and stock price fluctuation risks.</p>

## 2. Risks concerning natural disasters, infectious disease, etc.

2-1. Risks concerning large-scale disasters		
<ul style="list-style-type: none"> <li>• Stagnation of economic activities and decline in consumption activities</li> <li>• Damage to assets held and occurrence of repair costs</li> <li>• Suspension of business activities due to damages to offices and systems, and adverse impact on employees</li> </ul>	Impact	<p>The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. In the event of a natural disaster such as a large-scale earthquake or storm/flood, or a terrorist attack in areas where sales offices are located, the sales offices may be forced to suspend business activities due to the disruption of social infrastructure, etc., and this may affect the financial position and business results of the Group.</p>
	Countermeasures	<p>The Group prepares against various disasters and accidents by taking measures such as introducing an employee safety confirmation system, formulating a disaster counter-measures manual, implementing earthquake-resistant measures for buildings, facilities, systems, etc. (including data backup), fire, disaster, and flood prevention drills, and stocking necessities. In the event of an earthquake, etc., the Group Earthquake Disaster Response Headquarters is established and Group companies work together to establish systems that enable business continuity.</p>
2-2. Risks concerning climate change		
<ul style="list-style-type: none"> <li>• Damages to stores and facilities from typhoons, torrential rains, etc.</li> <li>• Introduction of carbon taxes, etc., along with the tightening of regulations</li> </ul>	Impact	<p>The financial position and business results of the Group may be affected by damage to stores from flooding caused by typhoons and torrential rains, and an increase in costs due to the introduction of carbon taxes, etc.</p>
	Countermeasures	<p>The Group believes it is important to capture opportunities for growth and respond appropriately to relevant risks resulting from climate change. Please refer to "Initiatives Related to Climate Change and Endorsing the TCFD" on page 91 for information on MARUI GROUP's climate change response measures and initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures.</p>


2-3. Risks concerning infectious disease		
<ul style="list-style-type: none"> <li>• Stagnation of economic activities and decline in consumption activities</li> <li>• Refraining from or suspending business activities at stores due to the spread of infection</li> <li>• Suspension of business activities due to infection of employees</li> </ul>	Impact	<p>The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. If an infectious disease is prevalent in areas where sales offices are located or if measures such as voluntary restraints on going out are taken to prevent the spread of infection, the financial position and business results of the Group may be affected by restrictions on business activities such as suspension of store operations. Furthermore, it may become difficult to continue business due to the spread of infection among employees. Please refer to "Response to COVID-19" on page 93 for information on MARUI GROUP's response to the global COVID-19 pandemic.</p>
	Countermeasures	<p>In order to prevent the spread of infectious diseases, employees mainly based at offices are encouraged to remotely work from home as much as possible, while those in charge of logistics, such as e-commerce, work in shifts. In addition, we are taking infection preventative measures for our customers and employees at sales offices, such as installing alcohol antiseptic solution dispensers, requiring the wearing of masks, and ensuring the adherence to social distancing.</p> <p>In response to the spread of COVID-19, placing top priority on the health and safety of our customers, business partners and employees, opening hours of our stores were shortened and urban stores were temporarily closed in March to prevent the spread of infection. After a state of emergency was declared in April, all stores were closed except for food corners and certain tenants. Please refer to "Response to COVID-19" on page 93 for information on MARUI GROUP's response to the global COVID-19 pandemic.</p>

## 3. Risks concerning corporate operations

3-1. Risks concerning fund procurement		
<ul style="list-style-type: none"> <li>• Constraining fund procurement</li> <li>• Raising fund procurement interest rates</li> </ul>	Impact	<p>The FinTech segment is expected to grow, with card shopping transactions increasing and financial services including rent guarantee expanding. Amid this situation, the Group expects to see an expansion of cash demand owing to an increase in operating receivables (accounts receivable—installment and operating loans). Accordingly, new funds will be needed in addition to handling repayments and redemption of funds previously procured. We anticipate that risks concerning fund procurement will grow as the procurement amount will gradually increase in the future.</p> <p>In the case of turmoil in the financial market, fund procurement may be constrained. Furthermore, a substantial deterioration of the business results of the Group or a rapid decline in its creditability would make it difficult to borrow from financial institutions and hinder issuance of corporate bonds. If these risks become apparent, they may materially affect the financing of the Group.</p> <p>In addition, as fund procurement interest rates fluctuate depending on the market environment or other factors, procurement costs may sharply rise depending on such trend, and this may affect the financial position and business results of the Group.</p>
	Countermeasures	<p>The Group seeks to maintain a level of interest-bearing debt to around 90% in order to control the risk arising from an increase in debts.</p> <p>In raising fund procurement interest rates necessary for operating activities, we will diversify the procurement methods we use by indirectly procuring funds from financial institutions, directly procuring funds through issuance of corporate bonds and commercial paper, as well as liquidating operating receivables. We also utilize these procurement methods in a balanced manner.</p> <p>In order to cope with the risk of refinancing, we maintain consistent annual repayment and/or redemption levels by controlling the years of procurement. We have established a system to ensure procurement even if fund procurement is restricted, by executing commitment line contracts or establishing overdraft facilities with financial institutions for such amounts to ensure liquidity.</p> <p>As for the procurement interest rate, we minimize the impact of an increase in procurement costs due to the fluctuations in market interest rates by maintaining the procurement methods with fixed interest rates at a rate of 50% to 60%.</p>

3-2. Risks concerning information security

<div>• System failure due to an accident, defect, etc.</div> <div>• Unauthorized entries and access from outside, and virus infection</div> <div>• Leakage of customer information</div>		
	Impact	<div>1. System-related</div> <div>The Group employs a variety of computer systems and communication networks. In the event of a system error due to a hardware or software defect, or a communication network failure, a system delay, a service outage or the alteration of a website due to unauthorized access from outside, etc., it may affect the financial position and business results of the Group.</div>
		<div>2. Personal information-related</div> <div>The Group maintains EPOS cardholder information and other personal information of many customers and stakeholders. If, by any chance, customer information is leaked or fraudulent use occurs, the Group may suffer the risk of losing social credibility and incurring liability for damages, which may affect the business performance of the Group.</div>
	Countermeasures	<div>1. System-related</div> <div>The Group operates systems aiming at stable operation by duplicating computer systems and communication networks, replacing systems regularly, as well as preventing computer viruses or unauthorized entries. In addition, the Group strives to further strengthen information security by utilizing risk assessment by outside consultants.</div> <div>2. Personal information-related</div> <div>The Group recognizes the enhancement of Groupwide information security, such as the protection of customer information and other information assets held by the Group against unauthorized access or cyber attack, as a top management priority. By establishing the MARUI GROUP Information Security Policy and the MARUI GROUP Privacy Policy, we are working to properly manage and protect all the personal information obtained.</div> <div>Specifically, based on the Act on the Protection of Personal Information, other laws and regulations, and relevant guidelines, standards, etc., we take safety management measures concerning personal information. At the same time, we continue to properly protect personal information by constant improvement through implementation and operation of the personal information protection management system.</div> <div>Specifically, our Group companies handling large amounts of personal information have acquired the "PrivacyMark" and practice appropriate handling of personal information.</div>



Management Policies  
www.0101maruigroup.co.jp/en/sustainability/theme04/risk.html

3-3. Risks concerning human resources

<div>• Shortage of management personnel</div> <div>• Intensified competition for securing human resources</div>	Impact	We believe that growth of the Group can be attained by the development and contribution of each employee. If competition intensifies for the securing of human resources, an outflow of human resources occurs, and a consequent shortage in future management personnel becomes apparent, these may affect the evolution and continuity of our business.
	Countermeasures	<div>The Group emphasizes the importance of human resource investments to accumulate the intangible assets that are a wellspring of future corporate value, based on the culture where all of our employees can tackle new challenges. We are currently creating an environment where employees can fully realize personal growth and are highly motivated owing to our conducting of systematic human resource investments from a variety of angles. These investments include education and training programs based on open application, and the Groupwide project teams that engage in discussions on important topics for Group management. These efforts also include the establishment of the Co-Creation Management Academy (CMA) future leader development program, which cultivates human resources capable of promoting management reforms, as well as the secondment of employees to start-up companies.</div> <div>Please refer to "Future Leader Development Program" on page 85 for details.</div>



MARUI GROUP's 2050 Vision and Its Three Businesses  
www.0101maruigroup.co.jp/en/sustainability/vision2050/3business\_01.html



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

CASE STUDY

Initiatives Related to Climate Change and Endorsing the TCFD

Climate change should be considered as a climate crisis today. Recognizing climate change as one of its most important management priorities, MARUI GROUP aims to "limit the rise in the global temperature to below 1.5°C above pre-industrial levels," as presented in the Paris Agreement. The Group has strengthened its governance system to actively engage in creating a low-carbon society based on the long-term targets of the Paris Agreement in accordance with the MARUI GROUP Environmental Policy as revised in April 2020. At the same time, the Group has analyzed the potential impact of climate change on business, and is promoting initiatives in capturing opportunities for growth and responding appropriately to relevant risks resulting from climate change. The Group endorsed the recommendations of the TCFD, which was established by the Financial Stability Board, and disclosed information in its annual securities report for the fiscal year ended March 31, 2019, based on these recommendations. We conducted repeated analyses at this time to elaborate on opportunities and physical risks due to climate change. As we continue to focus on enhancing our information disclosure in the future, we will benchmark the appropriateness of the Group's responses to climate change using the TCFD recommendations to promote co-creation sustainability management.



**Governance**  
The Sustainability Committee was established in May 2019 as an advisory body to the Board of Directors, chaired by the Representative Director, for the purpose of examining and discussing the Group's basic policies and major items related to climate change. In addition, the Environment and CSR Committee was established as a subordinate of the Sustainability Committee for carrying out duties pertaining to the management of relevant risks and other matters based on its instructions. In formulating business strategies and implementing investment and financing, we will strengthen our governance related to climate change based on this system by comprehensively discussing and making decisions with considerations for the MARUI GROUP Environmental Policy and other major items related to climate change.

**Business strategies**  
(Business risks and opportunities)  
Recognizing that a 4°C rise in the global temperature resulting from climate change would have an enormous impact on society, we believe it is important to work together to contribute to the movement seeking to limit global warming to below 1.5°C above pre-industrial levels. In order to strengthen our ability to respond to scenarios below 2°C (with a target of 1.5°C), we will identify the impact of climate-related risks and opportunities on our business, and proceed to formulate relevant strategies.  
The Group aims to create a new business model integrating Retailing and FinTech with "Co-Creative Investment" that leads to mutual development, by investing in start-ups, etc., with which we can share our corporate philosophy or visions. Climate change would pose such risks as damages to stores, facilities, etc., from floods caused by typhoons and torrential rains, and an increase in costs due to the introduction of carbon taxes along with tightened regulations. On the other hand, we view the provision of goods and services responding to increased consumer environmental awareness and investing in eco-friendly companies as the Group's business opportunities.

(Analysis and calculation of financial impacts)  
Financial impacts on businesses are analyzed based on our climate change scenario, etc., and calculated by item as the amount of impact on income anticipated within the period through 2050. As physical risks, even if a rise in temperature is held below 1.5°C, we anticipate that flood damage will abruptly occur due to typhoons, torrential rains, etc. These risks are expected to affect rent revenues, etc., due to suspension of store operations (¥1.9 billion) and cause building damages (¥3.0 billion). We assessed the transition risks by estimating increases in future energy-related costs, which are expected to be renewable power procurement costs (¥0.8 billion) and the introduction of carbon taxes (¥2.2 billion). The relevant opportunities are expected to have an impact on store revenue as a result of proposing lifestyles to highly environmentally conscious consumers (¥1.9 billion), long-term revenue due to an increase in credit cardholders (¥2.6 billion), and return from investment in environmentally friendly companies (¥0.9 billion). We project long-term revenue owing to an increase in recurring payments due to credit cardholders using electrical power from renewable energy, leading to the conversion of cardholders to Gold cardholders (¥2.0 billion), a reduction of procurement costs resulting from entering the power retailing business (¥0.3 billion), and exemption from carbon taxes (¥2.2 billion). We will conduct analysis regularly based on various future trends, and continue to review our evaluations and disclose relevant information.

Assumptions	
Period covered	Present to 2050
Scope	All businesses of MARUI GROUP
Calculation requirements	<div>• Analyses based on climate change scenarios (IPCC, IEA, etc.)</div> <div>• Calculation of financial impacts assumed during the period by item</div> <div>• Calculation of risks in the amount of impact if an event occurs</div> <div>• Calculation of opportunities for lifetime value (LTV), in principle</div> <div>• Not considering infrastructure enhancements such as public works and technology advancements, etc.</div>





Please refer to the following website for information on recent activities (Japanese only).  
[www.0101maruigroup.co.jp/together/](http://www.0101maruigroup.co.jp/together/)

Response to COVID-19

With stakeholders' health and safety as a first priority, the Group is taking various measures. We would like to reflect on our relationships and further strengthen our partnerships in order to overcome the coronavirus crisis.

Customers

Marui and Modi stores shortened business hours and some of them temporarily closed for two days in March. After a state of emergency was declared, all stores were closed except for food corners and certain tenants. In the regions where the emergency declaration was lifted, stores gradually resumed operations by taking infection prevention measures, and all of the stores have resumed operations since June. With regard to EPOS cards, we determine any necessary changes to payment due dates, as well as inform customers using the card for rent settlement of the government's Housing Security Benefit system.

Business partners

Based on our co-creation philosophy aiming to enhance stakeholders' interests, the Group implemented measures for strengthening partnerships such as exemption of rent in its full amount during the stores' temporary closings. We will overcome this unprecedented crisis by strengthening partnerships with our business partners, and strive to enhance our corporate value over the medium-to-long term.

Shareholders and investors

The global situation is greatly changing and the outlook is uncertain due to the spread of COVID-19. We will, however, disclose information in a timely and appropriate manner. We will facilitate management trusted by shareholders and investors by securing business continuity and stability.

Employees

Employees placed on standby at home due to the temporary closing of stores were treated as taking special leave. At departments requiring employees to come to the office, such as call centers and logistics centers, we created an environment where staff can work with peace of mind by decentralizing offices and taking thorough measures to prevent droplet infection. At the head office, the implementation rate of teleworking has risen since laptop computers had been already introduced as part of work style reforms. A new work style has become common along with the infection prevention measures.

Initiatives for Building Stronger Relationships with Business Partners—Efforts to Overcome the Global COVID-19 Pandemic

10%–15% reduction of fixed rent and common area charges (for March)

Exemption of rent and common area charges in full amount for business partners' closing period

Removal of minimum guaranteed sales of business partners of consignment sales (for a period from March to August)

Return one to two months' worth of security deposits at their request (for business partners who had deposited for six months or longer)

Postponement of payments for a period from May to July by six months at their request

Assist customers in filing an "application for rent support grant"

### Crowdfunding Support through EPOS Cards

Epos Card Co., Ltd., started accepting donations to help combat the global COVID-19 pandemic in April 2020. These efforts were expanded upon in July 2020 through the establishment of a special website showcasing crowdfunding projects that customers can support on an individual basis. Through coordination with three crowdfunding companies, we allow customers to support crowdfunding through EPOS cards.

[www.to-mare.com/recent/2020/-action.html](http://www.to-mare.com/recent/2020/-action.html) (Japanese only)

Risks and opportunities associated with climate change				
	Changes in society	Risks faced by MARUI GROUP	Description of risks	Financial impacts
Physical risks	Flood damage due to typhoons, torrential rains, etc.*1	Suspension of store operations	Impact on rent revenues, etc., due to business suspension	Approx. ¥1.9 billion
			Building damages due to flooding (recovery of power supply facilities, etc.)	Approx. ¥3.0 billion
		Suspension of system centers	Groupwide suspension of business activities due to downed systems	Response completed*2
Transition risks	Increase in demand for renewable energy	Rise in renewable energy prices	Increase in energy costs due to renewable energy procurement	Approx. ¥0.8 billion (Annual)
	Tightening of government's environmental regulations	Introduction of carbon taxes	Tax increase due to carbon taxes	Approx. ¥2.2 billion (Annual)
	Changes in society	MARUI GROUP's opportunities	Description of opportunities	Financial impacts
Opportunities	Enhanced environmental consciousness and change in lifestyles	Propose sustainable lifecycles	Revenue from bringing in eco-friendly tenants, or other efforts	Approx. ¥1.9 billion*3
			Increase in sustainability-minded credit cardholders	Approx. ¥2.6 billion*4
			Returns from investments in eco-friendly companies	Approx. ¥0.9 billion
		Response to demand from general households for renewable energy	Revenue from credit cardholders using electrical power from renewable energy	Approx. ¥2.0 billion*5
	Diversification of electricity procurement	Entry into the power retailing business	Reduced intermediary costs due to direct procurement of electricity	Approx. ¥0.3 billion (Annual)
	Tightening of government's environmental regulations	Introduction of carbon taxes	Exemption from carbon taxes from achieving zero greenhouse gas emissions	Approx. ¥2.2 billion (Annual)

\*1 Assuming flooding of a river that will have the most significant effects based on hazard maps (Arakawa River) (three-month effect on two stores in the watershed areas)  
\*2 Assuming no financial impacts as a backup center has been established  
\*3 Increased rent revenues and credit card usage  
\*4 Calculated revenue from credit card admission and usage  
\*5 Calculated revenue from increased Gold cardholders due to recurring payments, etc.

Risk management

MARUI GROUP performs scenario analyses to track and assess 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. The content of deliberations by the Environment and CSR Committee, which comprises officers of Group companies (retailing, facility management, distribution, building management, etc.), is regularly reported and discussed at the Sustainability Committee, and 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.

Indicators and targets

- The Group has set environmental efficiency (ratio of operating income to CO<sub>2</sub> emissions) and the ratio of circular revenue (ratio of circular sales/transactions to total Retailing segment transactions) as indicators for green businesses.
- Our Groupwide greenhouse gas emission reduction targets are as follows: an 80% reduction in emissions attributable to Scope 1 and Scope 2 and a 35% reduction attributable to Scope 3 from the level in the fiscal year ended March 31, 2017 by 2030 (a 90% reduction in emissions attributable to Scope 1 and Scope 2 from the level in the fiscal year ended March 31, 2017 by 2050); and they were certified as "targeting 1.5°C" by the SBT initiative in September 2019.
- The Group has set a target of procuring 100% of the electricity used in its business activities from renewable power sources by 2030 (medium-term target: 70% by 2025) and became a member of RE100 in July 2018.



# VISION 2050

## MARUI GROUP's 2050 Vision

As part of the process of formulating a long-term vision for 2050, MARUI GROUP redefined the scope of the stakeholders to whose interests and happiness it looks to contribute to include both current generations and future generations. This move was a declaration of the ethical responsibility of current generations to future generations. Based on this responsibility, we established MARUI GROUP's 2050 Vision, which puts forth long-term targets for creating new value in a manner that transcends dichotomies between the interests of current and future generations and avoids overemphasizing either. Concrete action plans are being formulated and ongoing assessments and discussions of long-term targets are being conducted to further us toward the accomplishment of our vision.



Please refer to *VISION BOOK 2050* for more information on MARUI GROUP's 2050 Vision.  
[www.0101maruigroup.co.jp/en/sustainability/pdf/s\\_report/2018/s\\_report2018\\_10.pdf](http://www.0101maruigroup.co.jp/en/sustainability/pdf/s_report/2018/s_report2018_10.pdf)

### Process of Establishing MARUI GROUP's 2050 Vision

The background for our decision to establish a vision arose from requests for a long-term vision and long-term targets for accomplishing this vision from investors. A team of 50 Group employee volunteers was assembled to establish a vision. The team adopted a backcasting approach that started with our goals for 2050 to forge this vision over the course of a year through a process of ongoing discussion with Group employees, executive officers, and experts. This process culminated in the announcement of MARUI GROUP's 2050 Vision in December 2018.

#### STEP 1 Groupwide Sustainability Project Team

In 2018, we established the Sustainability Project Team, a Groupwide project team with volunteer members recruited through open application. After participating in workshops led by external experts, the members began discussing their vision for MARUI GROUP in 2050.



#### STEP 2 Direct Proposals to Executive Officers

After discussing their visions for MARUI GROUP in 2050 for roughly six months, the Sustainability Project Team members were divided into six groups, and each group proposed their vision for the world of the future directly to executive officers.



#### STEP 3 Intensive Vision Conference for Executive Officers

After receiving proposals from Sustainability Project Team members and engaging in discussions with external experts, all executives took part in an intensive vision conference to finalize MARUI GROUP's 2050 Vision before its announcement at the Co-Creation Sustainability Explanatory Forum held on December 10, 2018.

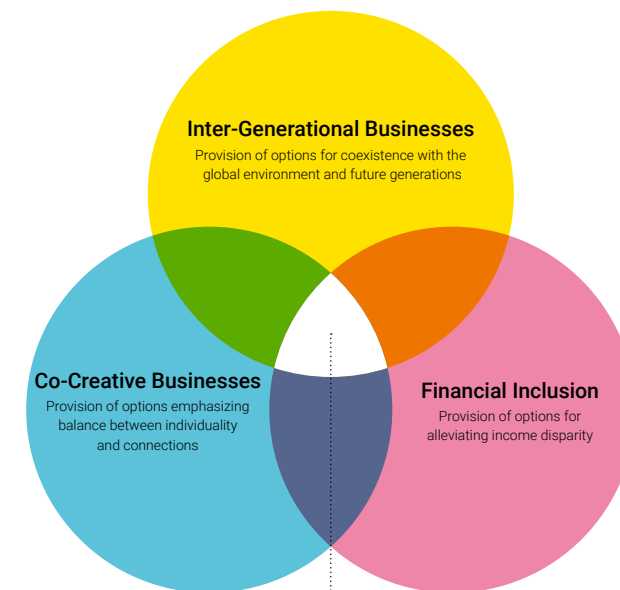


## Three Businesses Founded on Co-Creation for Generating Happiness

MARUI GROUP aims to help create a flourishing and inclusive society offering happiness to all. In 2019, we announced MARUI GROUP's 2050 Vision to serve as a roadmap for accomplishing this mission.

### MARUI GROUP's 2050 Vision Harnessing the power of business to build a world that transcends dichotomies

Three Businesses Founded on Co-Creation



## Happiness

By expanding the intersection between these three businesses and thereby generating happiness for all people, MARUI GROUP's 2050 Vision can be realized.

#### Inter-Generational Businesses

##### Provision of options for coexistence with the global environment and future generations

It is projected that the environment will eventually become unable to support the mass production and consumption seen thus far and, in the world of 2050, we expect only those businesses that coexist with the global environment will be able to survive. Moreover, forging a sustainable future in harmony with the global environment for future generations will require us to cultivate the younger generations that will shape society 30 years from now and engage in co-creation with them. Recognizing this fact, MARUI GROUP has subdivided its inter-generational businesses into green businesses and human businesses.

#### Co-Creative Businesses

##### Provision of options emphasizing balance between individuality and connections

The promotion of diversity is anticipated to make the world of 2050 one that finds value in connections that transcend the boundaries of country and race while allowing everyone, from senior citizens to members of the LGBT community, non-Japanese individuals, and people with disabilities, to exercise their individualism, thus eliminating the concept of a minority. MARUI GROUP functions as a platform to society, enabling it to provide spaces and services emphasizing balance between individuality and connections through co-creation with all of its stakeholders.

#### Financial Inclusion

##### Provision of options for alleviating income disparity

We predict that a massive global market will emerge in the world of 2050 in response to the needs of low- and middle-income individuals and the appearance of various business opportunities in the areas of education, healthcare, finance, and consumer services. MARUI GROUP intends to develop its financial inclusion initiatives, which involve supplying financial services for everyone, in markets around the world. Through this undertaking, we aim to provide options for alleviating income disparity and other concerns regarding money felt by people around the world.



Please refer to the following website for information on progress toward long-term targets.  
[www.0101maruigroup.co.jp/en/sustainability/vision2050/progress\\_01.html](http://www.0101maruigroup.co.jp/en/sustainability/vision2050/progress_01.html)



Revision of Policies

Revisions were instituted to the MARUI GROUP Code of Conduct and other policies to redefine the Company's relationship to its various stakeholders in order to guide us in accomplishing our long-term vision for 2050 and to facilitate the practice of co-creation sustainability management.

Key Points of Revision to the MARUI GROUP Code of Conduct

Phrasing was revised to incorporate the new stakeholder group of future generations, which was newly included among stakeholders in February 2019: In addition, the entirety of the code of conduct was reassessed and revised to better express our commitment toward stakeholders and toward enhancing our partnerships with these stakeholders.

Contents of the Revised MARUI GROUP Code of Conduct

MARUI GROUP envisions a world in which we have transcended all dichotomies to build a flourishing and inclusive society that offers happiness to all. Realizing this vision will require that we engage in co-creation with MARUI GROUP employees as well as with customers, investors, communities and society, business partners, and future generations. MARUI GROUP views every one of its stakeholders as a partner for co-creating a happier future.

The happiness to which we seek to contribute can only be realized through co-creation with all of these stakeholders. It is based on this belief that we promote compliance with laws and regulations as well as international rules and the principles embodied in these norms and that we have established and adhere to the MARUI GROUP Code of Conduct.

1. Customers

7. Environmental Preservation
2. Investors

8. Respect for Human Rights
3. Communities and Society

9. Fair and Transparent Transactions
4. Business Partners

10. Elimination of Antisocial Forces
5. Employees

11. Protection and Management of Information Assets
6. Future Generations

New Section on Future Generations

6. Future Generations  
MARUI GROUP views children and the people of the future, whom we refer to as “future generations,” as one group of stakeholders. We seek to create value for the future together with future generations in our quest to help build a sustainable society and global environment through our business and in all of our other activities.



Please refer to the following website for the entire MARUI GROUP Code of Conduct.  
www.0101maruigroup.co.jp/en/ci/action.html

Key Points of Revision to the MARUI GROUP Environmental Policy

The MARUI GROUP Environmental Policy was revised to more clearly define priority issues and action policies based on our future business model for promoting green businesses aimed at accomplishing MARUI GROUP's 2050 Vision. Segment initiatives and management structures were also reassessed and revised.

Contents of the Revised MARUI GROUP Environmental Policy

Basic Policy

1. Environmental Management

4. Stakeholder Engagement
2. Legal Compliance

5. Environmental Awareness Improvement
3. Environmental Due Diligence

6. Transparent Environmental Information Disclosure

Priority Issues and Action Policies

1. Climate Change

• Reduction of Greenhouse Gas Emissions

• Energy Conservation

• Renewable Energy Utilization
2. Resource Recycling

• Waste Reduction

• Sustainable Product Development

• Proper Waste Disposal

• Reduction of Container- and Packaging-Related Environmental Impacts

• Reduction of Food Loss and Waste

• Water Resource Management
3. Preservation of Sustainable Ecosystems

• Sustainable Procurement

• Harmony with Nature

Segment Initiatives (Retailing Segment, FinTech Segment, New Businesses)



Please refer to the following website for the entire MARUI GROUP Environmental Policy.  
www.0101maruigroup.co.jp/en/sustainability/theme03/environment\_01.html#environment1

Key Points of Revision to the MARUI GROUP Human Rights Policy

The MARUI GROUP Human Rights Policy was revised to better define the Company's basic human rights policies along with material human rights issues identified through assessments and mapping of risks related to the human rights of stakeholders. We also clearly indicated the human rights initiatives to be taken by MARUI GROUP.

Contents of the Revised MARUI GROUP Human Rights Policy

Basic Principles

1. Dedication to Respecting Human Rights
2. Commitment to Compliance with Laws and International Standards
3. Scope of Applicability

Human Rights Initiatives

1. Human Rights Due Diligence
2. Corrective Measures (Remedies)
3. Stakeholder Engagement
4. Human Rights Awareness Improvement
5. Human Rights Management
6. Information Disclosure

Material Human Rights Issues

- Respect for Rights of Individuals
- Respect for Rights of Workers
- Respect for Rights of Vulnerable People Affected by Business Activities and of Future Generations
- Protection of Privacy

Revision Process



Human Rights Risks in Business Activities and Potentially Impacted Parties

		Product Manufacturing and Distribution	MARUI GROUP's Activities	Collaboration Partners' Activities	Use by Customers and After-Sales Services	
Retailing	Targets	• Employees of business partners (domestic and overseas suppliers) • MARUI GROUP employees • Residents of communities surrounding factories	• Employees of business partners (tenants) • MARUI GROUP employees		• Customers	
	Activities	Manufacturing and distribution	Sales, e-commerce site operations, events		Purchase/use	
FinTech	Targets	• Employees of business partners (domestic suppliers)	• MARUI GROUP employees	• Business partners • Employees of collaboration partners	• Customers	• MARUI GROUP employees (call centers, tsumiki)
	Activities	Manufacturing	External marketing, sales, cardholder recruitment, credit, systems development	Sales, cardholder recruitment, application processing	Application, payment, donation, cumulative investment	Customer inquiries, threat response, payment request
Major anticipated risks		•Rights of business partners and MARUI GROUP employees> • Discrimination • Acceptance of diversity • Political involvement • Forced labor • Child labor • Low-wage labor • Excessive work hours • Occupational health and safety • Right to collective bargaining • Freedom of assembly • Right to breaks • Health promotion • Work style options • Discrimination in hiring and promotions • Harassment • Privacy •Residents of communities surrounding factories> • Lives of local residents • Land rights	•Rights of business partners and MARUI GROUP employees> • Discrimination • Acceptance of diversity • Rights of cultural, religious, and language minorities • Low-wage labor • Excessive work hours • Occupational health and safety • Right to collective bargaining • Freedom of assembly • Right to breaks • Health promotion • Work style options • Discrimination in hiring and promotions • Harassment • Privacy	•Rights of business partners and collaboration partners> • Discrimination • Acceptance of diversity • Rights of cultural, religious, and language minorities • Rights of cultural, religious, and language minorities • Lives of local residents • Excessive work hours • Occupational health and safety • Right to collective bargaining • Freedom of assembly • Right to breaks • Health promotion • Work style options • Discrimination in hiring and promotions • Harassment • Privacy	•Rights of customers> • Discrimination • Acceptance of diversity • Rights of cultural, religious, and language minorities • Occupational health and safety • Lives of local residents • Adverse impacts of products • Rights of vulnerable people • Land rights • Rights of children • Privacy	•Rights of MARUI GROUP employees> • Discrimination • Acceptance of diversity • Rights of cultural, religious, and language minorities • Excessive work hours • Occupational health and safety • Right to breaks • Health promotion • Work style options • Discrimination in hiring and promotions • Harassment • Land rights • Privacy

MESSAGE FROM AN EMPLOYEE

This is my fourth year at MARUI GROUP, and I hadn't even seen our human rights and other policies before I was placed in a position responsible for sustainability. I have come to understand the importance of such policies from researching companies engaged in sustainability initiatives and talking with external specialists. Policies are the needle of a company's compass, and we must keep sight of them as we go about our daily work. I too hope to digest MARUI GROUP's policies and enact them in my work in order to give form to their ideals.



Mariko Kuwae

Sustainability Department  
MARUI GROUP CO., LTD.



Please refer to the following website for the entire MARUI GROUP Human Rights Policy.  
www.0101maruigroup.co.jp/en/sustainability/overview/



Please refer to the following website for information on the process of defining material issues.  
www.0101maruigroup.co.jp/en/sustainability/pdf/matl\_issue/matl\_issue\_prg\_2020\_en.pdf