

Message from an External Director

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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.



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(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.