

MARUI GROUP's CO-CREATION PHILOSOPHY

Our Aspirations

MISSION

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

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

2050 VISION

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

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

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

Revised in February 2019

Our Principles

PHILOSOPHY

Continue evolving to better aid our customers

**Equate the development of our people
with the development of our company**

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

VALUES

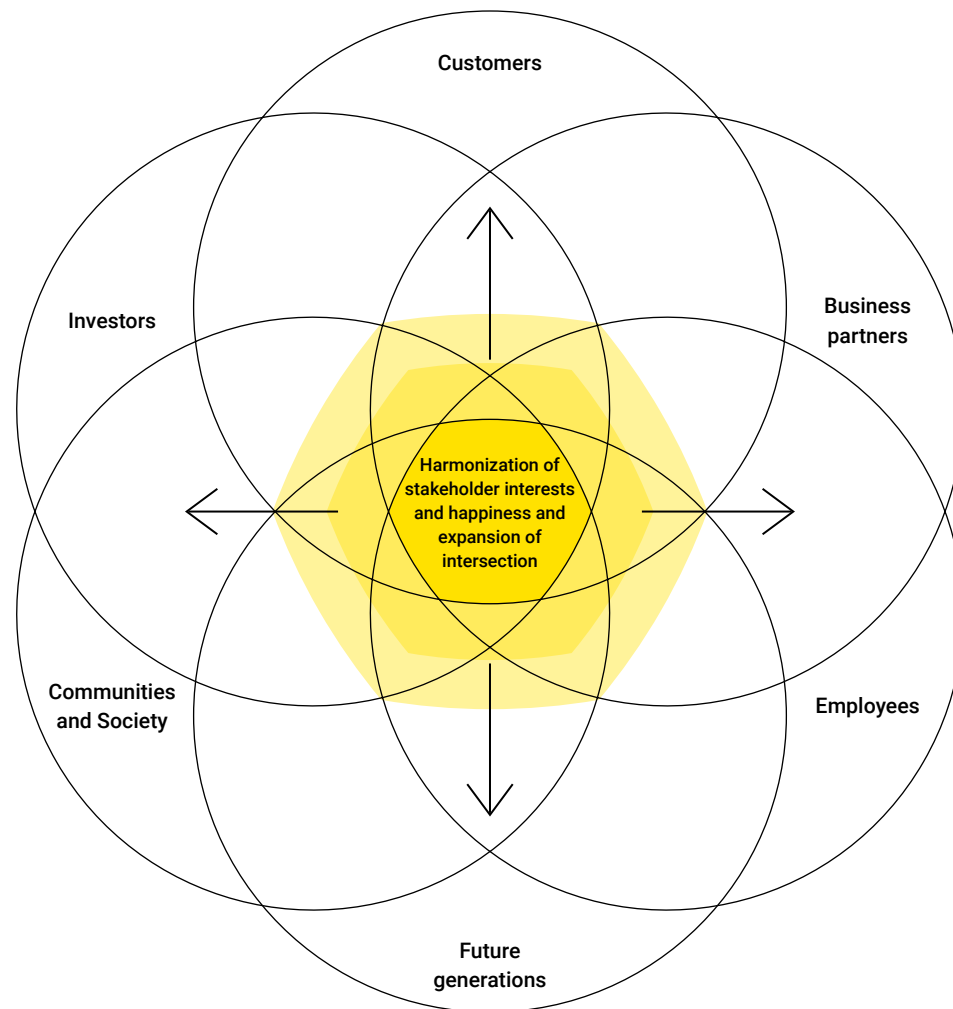
Creditability should be built together with customers

Pioneer spirit of creating opportunities

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

Definition of Corporate Value

MARUI GROUP practices co-creation management with the goal of co-creating happiness together with our stakeholders. MARUI GROUP's various stakeholders include customers, business partners, investors, communities and society, and employees. When formulating its long-term vision for 2050 in 2019, MARUI GROUP included "future generations" alongside the prior five rings of stakeholders it emphasized. The introduction of this sixth ring of stakeholders is a declaration of MARUI GROUP's belief that true corporate value entails looking beyond the short-term happiness of current generations to promote harmony and the expansion of the intersection between the interests and happiness of all stakeholders, including future generations.



Corporate value



Intersection of interests and happiness of all stakeholders

Harmonization and expansion of intersection



Improvement of corporate value

CO-CREATION

Vision of Co-Creation Management

MARUI GROUP's mission incorporates cherished values such as happiness and inclusion. Moreover, this mission is differentiated from that of our peers through the co-creation that is characteristic of MARUI GROUP. Our concept of co-creation originates from the co-creation of credibility that was advocated by our founder. We refer to the practice of shaping our business based on this spirit of co-creation as "co-creation management." MARUI GROUP is, of course, focused on the co-creation of happiness. At the same time, we seek to go further to share the burden of the COVID-19 pandemic with our stakeholders and strengthen our bonds as partners growing together. This is co-creation management in its truest form and is also the path we will take toward overcoming this crisis.

Interests and Happiness

The value sought by stakeholders includes interests that can be measured monetarily. Such interests include employee wages, shareholder dividends, product prices, and costs for business partners. These interests can sometimes appear to be in conflict when viewed from a short-term perspective. At the same time, stakeholders seek a value that cannot be measured monetarily—happiness. The types of value sought by stakeholders sometimes fall into conflict with one another. However, we are confident that it is possible to achieve harmony and expand the intersection between the interests and happiness of all stakeholders through dialogue and co-creation advanced over the medium-to-long term. As we move forward, we will formulate theories on types of interests and happiness desired by all groups of stakeholders to be incorporated into indicators for evaluating the effectiveness of management.

⇒ P18 Growth of Corporate Value through Harmony between the Interests and Happiness of All Stakeholders

PARTNERSHIP

View of Partnership

MARUI GROUP views its stakeholders as partners in its quest to co-create happiness for the future. In the face of the COVID-19 pandemic, we could not help but feel the strong interdependent relationship between people and society that was not previously apparent. Following the institution of a state of emergency declaration in Japan, we were forced to suddenly halt the operation of our stores. This placed the business partners that have set up shop in our stores in a difficult position, pressing us with the need to decide whether to prioritize contractual obligations, specifically rent payments, or partnerships. We quickly realized that it was our partnership with these business operators that supported MARUI GROUP. This intangible partnership founded on trust is what underpins co-creation at MARUI GROUP.

Innovation and Evolution of Business Model

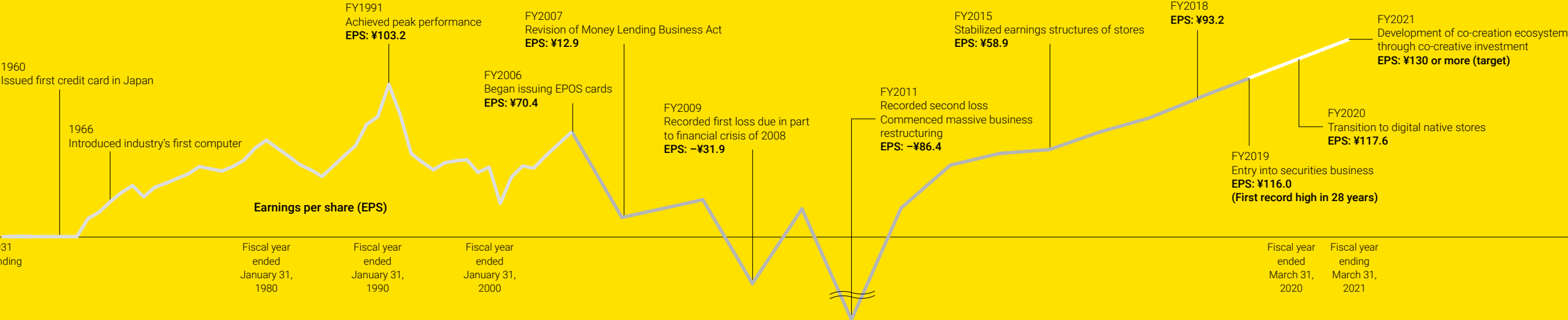
We have continued to evolve and innovate MARUI GROUP's distinctive business model, which merges retailing and finance, in response to changes in the times and customer needs. Looking back at this history of innovation and evolution, it is apparent that this was not a linear process. Rather, sudden innovation and evolution was achieved only after we had first abandoned the methods that had led us to success previously. The belief that creditability should be built together with customers and the pioneer spirit of creating opportunities advocated by MARUI GROUP's founder mirror the course of the evolution and innovation of MARUI GROUP's business model.

Intellectual Creation Business Driven by Co-Creative Investment (2019 ~)

Third president: Hiroshi Aoi (16 years of service)

As MARUI GROUP's capital-intensive fintech operations grew, the Company proceeded to invest in cultivating its IT staff while also directing investment toward D2C brands, start-up companies, and new business fields. This co-creative investment has come to stand alongside retailing and fintech as a third pillar of MARUI GROUP's business model. We have thus embarked on management aimed at developing an intellectual creation business through investment in intangible assets in order to create value that is greater than the sum of its constituents by pursuing synergies between these three pillars.

	1931 (founding) ~	2006 ~	2019 ~
Business model	Labor intensive Retailing driven	Capital intensive FinTech driven	Intellectual creation* Retailing, FinTech, and Co-Creative Investment
Assets	Fixed assets	Financial assets	Intangible assets
Investment	Investments in tangible assets	Treasury stock acquisitions	Investments in intangible assets



Labor-Intensive Retailing-Driven Business (1931–2005)



1931–1972
Founder: Chuji Aoi (41 years of service)

MARUI GROUP's business initially involved selling furniture through monthly installment payments. Furniture in those days was exceptionally expensive, meaning that some people lacked the on-hand funds necessary to purchase furniture. We sought to accommodate these customers by selling them furniture while at the same time providing them with credit. By lending money through monthly installment payments, we developed a business merging retailing and finance.

Customers	New families
Products	Furniture, consumer electronics, and other durable goods
Credit cards	Japan's first credit card
Stores	Monthly installment payment stores



1972–2005
Second president: Tadao Aoi (33 years of service)

Income levels in Japan rose during the period of the Japanese economic miracle, causing the need for credit sales of durable goods to decline in the 1980s and leading other stores using the monthly installment payment system to abandon retailing to focus on finance. MARUI GROUP, meanwhile, turned its attention to the growing field of fashion. By providing credit to younger generations, we were able to include this previously neglected demographic and to innovate our business model merging retailing and finance without abandoning the retail side.

Customers	Younger generations
Products	Fashion
Credit cards	Akai Card (Red Card) in-house credit card
Stores	Department stores

Capital-Intensive FinTech-Driven Business (2006–2018)



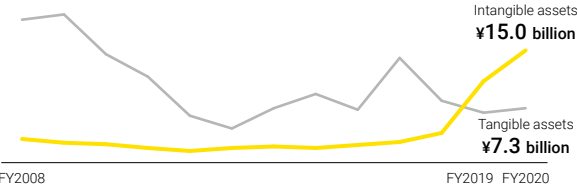
2005–Present
Third president: Hiroshi Aoi (16 years of service)

After partnering with Visa Inc. to transform its prior in-house credit cards into multipurpose EPOS cards usable anywhere in the world, MARUI GROUP continued to develop its business model merging retailing and finance, but with finance replacing retailing as the main proponent of growth. The Company would later redefine its credit card business as a fintech business with the goal of providing financial services for everyone in response to the diversification of payment methods that accompanied the trend toward cashless payments.

Customers	All ages (everyone)
Products	Lifestyle proposals
Credit cards	Multipurpose EPOS card
Stores	Shopping centers

* Investments in Intangible Assets Surpassing Investments in Tangible Assets

In the past, MARUI GROUP was primarily a retailer with financial functions with its credit cards serving to prop up its stores. Accordingly, tangible assets, such as the land and stores of its retailing operations, exceeded credit card operating receivables on the Company's balance sheet. However, this changed with the launch of EPOS cards in 2006. After this, card shopping transactions rose sharply, and credit card operating receivables came to surpass noncurrent assets in the fiscal year ended March 31, 2014. The transition to fixed-term rental contracts commenced in the fiscal year ended March 31, 2015, caused a decline in investments in stores and other tangible assets, while investments in fintech operations, co-creative investments in new businesses, and investments in human resources continued. As a result, investments in intangible assets surpassed investments in tangible assets in the fiscal year ended March 31, 2019.



Co-Creation Ecosystem

MARUI GROUP aspires to contribute to shaping a world that transcends dichotomies and thereby help build a flourishing and inclusive society that offers happiness to all. In this quest, we aim to develop a co-creation ecosystem through our business that extends across society and around the world. Having updated the business merging retailing and finance that we have advanced since the Company's founding to merge retailing, fintech, and co-creative investment centered on investments in intangible assets, we will go about developing this ecosystem through co-creation with our six groups of stakeholders, including future generations.

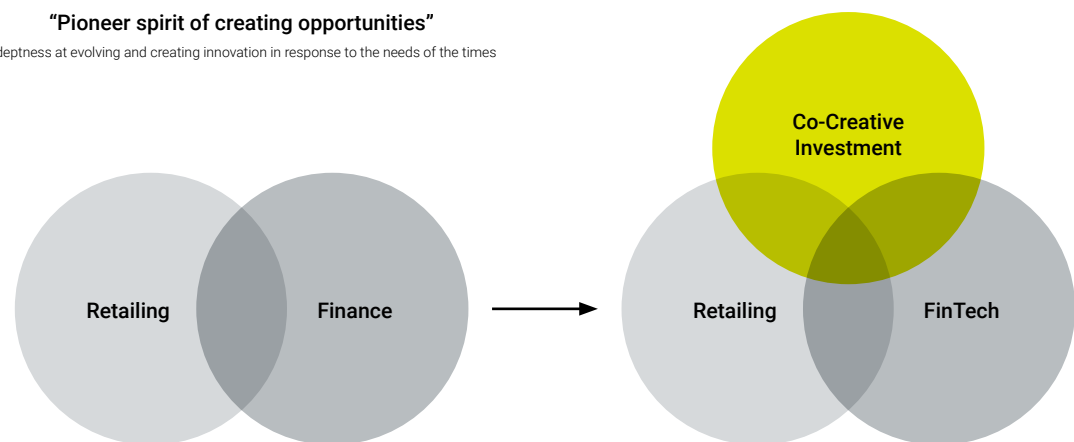
MARUI GROUP's Founding Spirit
Words of Founder Chuji Aoi

"Credibility should be built together with customers"

Unique business model merging retailing and finance

"Pioneer spirit of creating opportunities"

Adeptness at evolving and creating innovation in response to the needs of the times



Co-Creation of Credibility Merging of Retailing and Finance

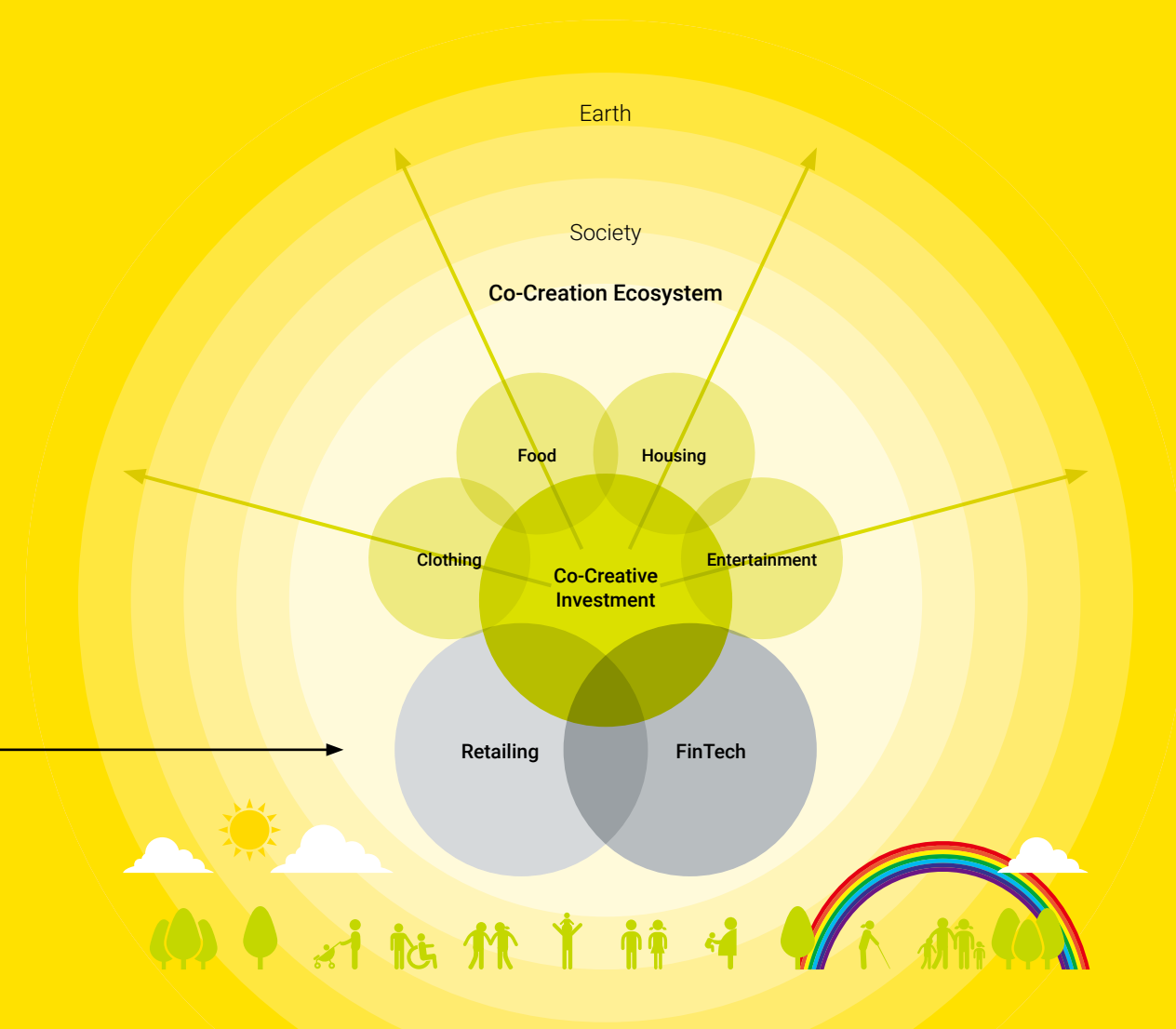
Put simply, what makes MARUI GROUP unique is its business model merging retailing and finance based on the concept of the co-creation of credibility. This fundamental business model has not changed since our roots in selling furniture on monthly installment payments. By setting credit limits lower than other companies, we have been able to provide financial services to a wider range of customers, enabling them to enjoy shopping as we build credibility together based on their usage patterns. Rather than being satisfied with the one-time relationships formed by cash transactions, we have sought to forge ongoing relationships through the co-creation of credibility.

Co-Creation of Credibility Encompassing Future Generations Merging of Retailing, FinTech, and Co-Creative Investment

The business model transformation undertaken in 2006 has enabled MARUI GROUP to build an earnings foundation grounded on consistent cash flows. The FinTech segment has continued to enjoy ongoing growth in EPOS card transactions while the Retailing segment shifted away from its prior consignment sales-based department store business model to a rent revenue-oriented real estate model. Given this grounding, we are confident that our new business model merging retailing, fintech, and co-creative investment, in D2C brands, start-up companies, and other candidates, is the model to which MARUI GROUP has aspired.

MARUI GROUP's Goal

A flourishing and inclusive society that offers happiness to all



Co-Creation Ecosystem Extending Across Society and Around the World

MARUI GROUP is working to develop a co-creation ecosystem through its business that extends across society and around the world by means of co-creative investment founded on the principles of co-creation management it has practiced thus far. This endeavor encapsulates our desire to create an inclusive ecosystem that offers happiness to all together with stakeholders. This ecosystem should go beyond simply supporting the growth of MARUI GROUP; it should encompass all aspects of our lifestyles, including clothing, food, housing, and entertainment. A society in which happiness is only available to certain people cannot be said to be flourishing. It is only when happiness is offered to everyone that a society can truly flourish.

The realization of the co-creation ecosystem we envision will require co-creation with MARUI GROUP employees as well as with customers, business partners, investors, communities and society, and future generations. We invite everyone who shares our ambition and whose values resonate with our vision to join hands with us to bridge the gap between current generations and future generations to shape a society in which future generations can soar.