

MARUI GROUP's BUSINESS MODEL

Co-Creation Ecosystem

BUSINESS

New Business Model Integrating Retailing, FinTech, and Co-Creative Investment

As a responsible member of society, MARUI GROUP takes steps to resolve social issues while improving corporate value. Our approach to this task entails identifying the social issues to be addressed from the perspective of inclusion and working toward resolutions in our business through co-creation with stakeholders. Efforts on this front going forward will be advanced under a new business model that includes the third pillar of co-creative investment along the prior pillars of retailing and fintech founded on our core value—the co-creation of creditability. By pursuing synergies through this business model, we aim to generate value that is greater than the sum of its constituents.

Co-creative investment: An experimental venue for creating new future-changing businesses based on MARUI GROUP's existing business platform



MARUI GROUP's **Three** Businesses

CO-CREATIVE INVESTMENT

Vinyl Record Structure with A-Side and B-Side

MARUI GROUP's view of investment differs from the standard venture capital approach, which targets investment returns and dividends. We rather seek to ally ourselves with comrades sharing our vision and to pool our strengths and generate synergies as partners for co-creating a happier future. Our co-creative investment is structured like a vinyl record, with an A-side and a B-side. The A-side is growth support investment, where we invest in venture companies that share our philosophy and vision and with which we can collaborate. On this side, we conduct investments as a form of support for providing the resources that future generations, who will be both digital natives and sustainability natives, will need to commercialize their passions. The B-side is investments that synergize with our main business. Here, we invest in companies and new businesses entailing superior intangible assets and pursue collaboration to grow the earnings of our respective businesses while resolving social issues.



Yurakucho Marui

Physical Stores That Do Not Sell in the Post-Digital World

MARUI GROUP views retailing as being more inclusive than the one-time transactional relationships that end with the sale of a product in a store. In our retailing business, we provide customers with experience value while forging ongoing relationships through a diverse range of contact points formed via the provision of services that address customer concerns and issues. The greatest strength of our retailing business is our network of 23 Marui and Modi stores that are visited by 200 million customers a year. We are currently in the process of increasing our number of tenants that position stores not as vessels for selling products but as venues for providing experience value and engaging with customers, such as D2C brands, content providers, and subscription service providers. We thereby aim to create stores that do not sell and are designed to provide value unique to physical stores in the post-digital world. Brands with business models centered on e-commerce are anticipated to be able to raise lifetime value by utilizing physical stores as venues for engagement.

RETAILING

FINTECH

Strategy of Maximizing Share of Household Finances for Improving Lifetime Value

MARUI GROUP sees fintech as a means of promoting financial inclusion to provide access to financial services, which were previously limited to wealthy individuals, to everyone, regardless of their age or income, so that they can use the services they need when they need them. This vision has inspired us to continue to practice the co-creation of creditability since our founding. Through this approach, we offer younger people who still have low income credit cards with low credit limits and proceed to build creditability with them as they continue to use their card and pay their bills. Currently, our FinTech segment is advancing a strategy of maximizing its share of household finances. Under this strategy, we provide services that allow customers to use their EPOS cards to make payments for rent, utilities, and even investment, which are usually performed through bank account transfers. The goal of this strategy is to improve lifetime value by increasing usage amounts while forging long-term relationships with customers.



Co-Creative Investment Philosophy

Over the four-year period beginning with 2016, MARUI GROUP conducted a wide variety of growth investments. These included investments for launching our anime and securities businesses, developing new businesses for accommodating sharing economies, and financing sustainability and financial inclusion companies to further us toward our long-term vision. Among these investments, we at last successfully commenced co-creative investments for financing and collaborating with venture companies after a rigorous process of investment for the purposes of acquiring investment expertise, fostering necessary human resources, and laying other foundations.

In January 2020, we established D2C & Co. Inc. to facilitate full-fledged co-creative investments. This company is coordinating with MARUI GROUP's Co-Creative Investment Department to advance the development of a co-creation ecosystem. The goal of co-creative investment goes beyond simple investment returns to target the generation of synergies with partners in co-creating a happier future. Investment candidates are selected based on criteria including vision feasibility, growth potential, and potential synergies.

Over the past four years, we have invested a total of ¥15.7 billion in new business domains. Of this, ¥7.1 billion was directed toward investments in 20 venture companies. Calculated based on recent market prices, the internal rate of return (IRR)*1 from these investments comes to 34%, despite the global COVID-19 pandemic, exceeding our internal hurdle rate of 10%.

*1 Rate calculated using recent procurement prices for applicable marketable securities and based on amounts if listed stocks were to be sold at the end of the respective fiscal year

New Business Field Investments

Fiscal Year Ended March 31, 2020

tsumiki Co., Ltd. D2C & Co. Inc.	¥1.9 billion ¥1.6 billion
Venture companies	¥7.1 billion
Funds	¥5.1 billion

Total ¥15.7 billion

20 Investees

Note: Figures represent rate of growth from stock prices at time of acquisition and at recent procurement timing.

More than 1.1 times

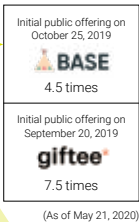
4 companies

More than 1.0 times

14 companies

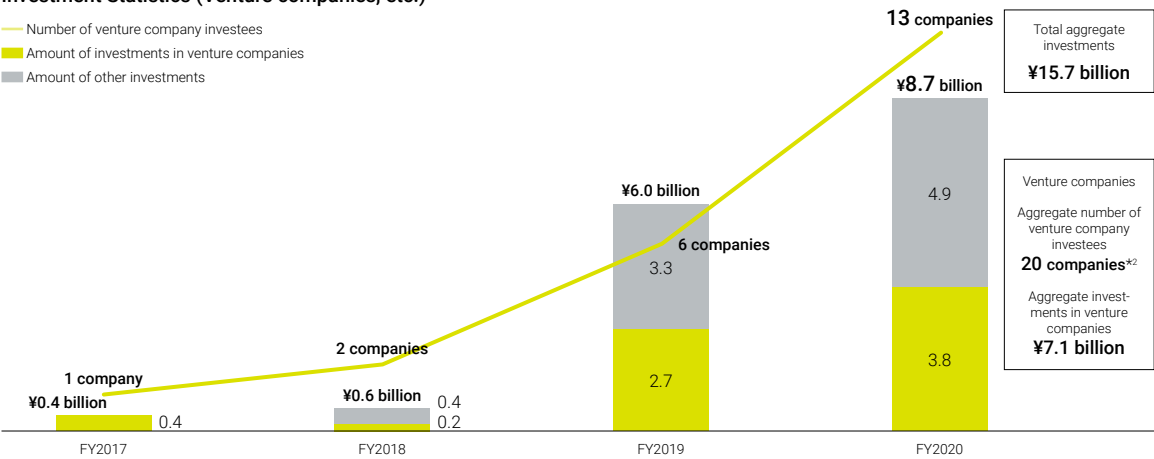
Less than 1.0 times

IRR 34%



Investment Statistics (Venture companies, etc.)

— Number of venture company investees
— Amount of investments in venture companies
— Amount of other investments



Retailing

Creation of New Businesses Aimed at Future Generations Together with D2C Brands

It is commonly thought that the retailing industry is currently facing an exceptionally challenging environment due to factors such as population decline and sluggish consumption. However, I do not agree. I cannot deny that demand for mass production and consumption of goods and services will decline and conventional retailing business models will cease to be effective. Regardless, demand for personalized offerings that allow individuals to express themselves is growing at an accelerated rate among younger people. I therefore feel that retailers can enjoy an incredibly prosperous future if they can develop business models that respond to this demand for living a fulfilling and happy life. A key ally in developing such a business model will be D2C brands. When negotiating store openings with Western D2C brands, I was struck by how perfectly they matched the sustainable worldview that future generations are projected to embrace. Conversely, these brands lacked experience in operating physical stores and offering customer service as they primarily operate online. MARUI is equipped to help compensate for this deficiency. I am confident that this partnership will be effective for creating new businesses for serving future generations.



Masahiro Aono

Senior Executive Officer
President and Representative Director, MARUI CO., LTD.
Director, AIM CREATE CO., LTD.

Co-Creative Investment

Start of Co-Creative Investment for Collaborating with Start-Up Companies and D2C Brands

The co-creation ecosystem we target will not be developed by MARUI GROUP alone. Rather, we will build an ecosystem that extends across society together with future generations to help ensure the happiness of all stakeholders. Our business model merging retailing, fintech, and co-creative investment will be integral to the realization of this ecosystem. Co-creative investment in start-up companies and D2C brands is a new pillar in this model alongside retailing and fintech. This form of investment employs a model in which we pursue synergies in our main business through collaboration with investees to grow as partners. We have set the goal of investing ¥30.0 billion in new business areas over the seven-year period leading up to the fiscal year ending March 31, 2023. Smooth progress is being made toward this goal with total investments currently at ¥15.7 billion. Venture capital investments by other companies are generally aimed purely at financial returns. MARUI GROUP's co-creative investments, meanwhile, are quite different in that they emphasize the extent to which we share the same vision and the feasibility of realizing this vision. We invite all those interested to join hands with us in growing and evolving while coordinating with MARUI GROUP's retailing and fintech operations.



Masahisa Aoki

Director and Senior Executive Officer
General Manager, Co-Creative Investment Department
Director, D2C & Co. Inc.

FinTech

Collaboration with Co-Creative Investees to Resolve Social Issues and Grow Business

In collaboration with co-creative investees, we believe it is important to focus on the growth of not only EPOS cards but also new fintech businesses. We recognize that we are collaborating with companies engaged in cutting-edge initiatives based on projected future trends. Even if the value gained through this collaboration seems small at first, we anticipate that it will grow and blossom in the future. Through our collaboration with Minna-denryoku, for example, we made application for renewable energy, something shown to be in high demand by EPOS cardholder surveys, much easier by allowing customers to register their card data for this purpose. By effectively promoting this service, we aim to help facilitate movements for drawing attention to environmental issues across Japan. These initiatives are not just aimed at contributing to society; we also expect massive returns in terms of profit as customers increasingly use their EPOS cards to make various payments. We will continue to develop services that are highly convenient for customers going forward from the perspective of resolving social issues while growing our business.



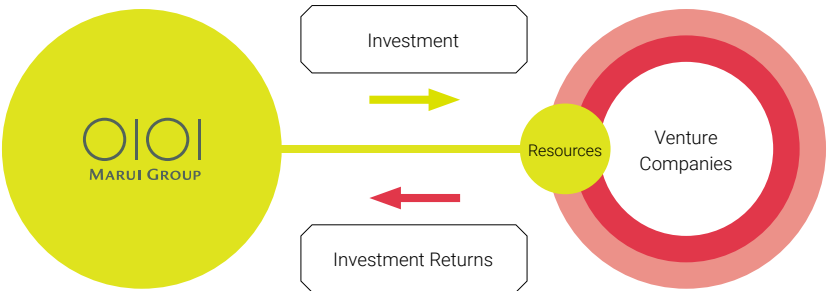
Yoshinori Saito

Managing Executive Officer
In charge of FinTech Business
President and Representative Director,
Epos Card Co., Ltd.
Director, MRI Co., Ltd.

Co-Creative Investment

A - S I D E G R O W T H S U P P O R T

Growth support investment is conducted in venture companies that share MARUI GROUP's philosophy and vision and with which collaboration can be pursued. Investees are provided access to MARUI GROUP's resources, including its Marui and Modi stores, which are visited by 200 million customers a year; its more than 7 million EPOS cardholders; and its seasoned retail staff. Arming investees with these resources, we collaborate to drive their growth and heighten our returns. Targets of these investments include e-commerce business operations, D2C brands, and financial inclusion companies.



MAJOR INVESTEES



TOPICS

Establishment of D2C & Co. Inc.

MARUI GROUP established D2C & Co. Inc. in January 2020 to carry out co-creative investments. This company will invest in and finance start-up companies developing D2C brands while capitalizing on MARUI GROUP's resources to support the growth of these companies through means such as customer referral. D2C & Co. will also advance a variety of initiatives across D2C-related fields spanning from physical store opening to operation. MARUI GROUP hopes to develop a D2C ecosystem through these efforts.



Press conference held on February 12, 2020



Please refer to D2C & Co.'s website for inquiries regarding investment or store openings (Japanese only).
www.d2c.company/

b8ta

Investment	Tenant store opening	Employee secondment
Store locations: Shinjuku Marui Main Building		

Japan Debut of Silicon Valley-Originating b8ta Experience-Oriented Store

Established in San Francisco in 2015, b8ta (read "beta") is an experience-oriented store that defines its mission as "retail designed for discovery." To expand upon its store network, which previously comprised 23 stores in the United States and one in the United Arab Emirates, b8ta opened two stores in Japan in August 2020, one in the Yurakucho Denki Building and one in Shinjuku Marui Main Building. These stores employ retail as a service business model with the aim of making retail more easily accessible to everyone. Partnering with b8ta, we hope to build the type of value that can only be provided by physical stores by injecting MARUI GROUP's resources.



Customer Behavioral Analyses Provided to Exhibitors

Numerous cameras and sensors have been installed at b8ta Tokyo-Shinjuku Marui to analyze customer behavior. We are thereby able to provide product exhibitors with information on the number of customers that stop in front of certain products and the questions posed to staff members for use in marketing and other strategies.



b8ta Tokyo-Shinjuku Marui (located on first floor of Shinjuku Marui Main Building)

At b8ta Tokyo-Shinjuku Marui, staff members receive direct training on all exhibited products from the exhibitor prior to the start of sales to enable them to communicate with customers based on a deeper understanding of these products. The store is staffed by eight individuals, six of whom are MARUI GROUP employees.



Exhibition Spaces Offered on a Subscription Basis

At b8ta Tokyo-Shinjuku Marui, 40cm x 60cm exhibition spaces are provided on a subscription basis with contracts as short as six months. These spaces are used to display gadgets, cosmetics, and other products from a variety of companies. Customers can even take these items in hand.

MESSAGE FROM AN EMPLOYEE

I have long had an interest in D2C brands and start-ups. I was therefore excited to volunteer to be among the initial staff members at b8ta Tokyo-Shinjuku Marui, the first store of its kind in Asia. The view of stores as sales floors necessarily leads one to focus on sales. In this store, however, we take the role of "b8ta testers," and it is our job to internalize the passion exhibitors have poured into their products and communicate this to customers so that they can make new discoveries and have new experiences. Customers' responses to the products on display are varied, so I work to collect data that cannot be extracted from the behavioral analyses performed by our cameras. The b8ta store provides an atmosphere that helps us remember the fundamental reason we enjoy shopping in a manner that is not emotionally stressful as we spend time with our loved ones amid the COVID-19 pandemic. I think that experience-oriented, digital native stores like this show us the appeal that brick-and-mortar stores can have in the future.



Kumiko Tanabe
 b8ta Tokyo-Shinjuku Marui
 MARUI CO., LTD.

MEDULLA

Investment

Tenant store opening

Employee secondment

Store locations: Yurakucho Marui

Japan's First Personalized Shampoo Brand

The D2C brand MEDULLA is the first brand in Japan to provide shampoo that can be personalized to address the concerns of individual customers, meaning that it can be customized to respond to the various hair-related issues that can arise based on weather, lifestyle, or age. A flagship store for this brand was opened in Yurakucho Marui in December 2019, and we are examining the possibility of engaging in EPOS card collaboration with this brand.



Approximately 30,000 Combinations for Personalized Proposals

By answering just nine questions on MEDULLA's website, customers can receive personalized proposals that select the products best for them from among approximately 30,000 combinations. Formulations are blended based on the individual customer's needs and shipped to them once every two months. This ease and the effectiveness of these products have led subscription numbers to climb past 200,000 (as of September 2020).



Content Experiences Unique to Physical Stores

Seeking to respond to customer demand to preview products and fragrances at stores, MEDULLA opened an experience-oriented store in Yurakucho Marui. This store allows customers to enjoy content experiences, such as scalp diagnosis and gift wrapping, that can only be offered at physical stores.



Hair and Scalp Data from More Than 100,000 Customers

MEDULLA's ever-expanding lineup encompasses shampoo as well as a wide range of other haircare products. This brand also offers custom hair oil that is prepared based on hair diagnoses calling upon a database of hair and scalp data collected from more than 100,000 customers.

MESSAGE FROM A BUSINESS PARTNER

Physical stores make it possible to solicit direct customer input that cannot be gained from the numerical data collected via e-commerce venues. They also provide a valuable opportunity for customers that would have not encountered the MEDULLA brand online to learn of us. I therefore see great potential for physical store openings. We see visits from numerous customers who want to undergo scalp diagnoses, preview the fragrance of our products, or experience our brand in some other way that is only possible offline. MARUI GROUP's staff is incredibly understanding of D2C brands, and they have supported us in a variety of ways. This is why we chose to set up shop in one of MARUI GROUP's stores. Their service is fast and courteous, even in the midst of the COVID-19 pandemic, and they even helped us set up live broadcasts from our store. In the future, I hope to expand our collaborative relationship beyond stores to include personnel exchanges and joint business development in order to co-create the ideal form for D2C brands and ultimately for digital native stores in Japan.



Yosuke Miyama
Representative Director
Sparty, Inc.



Investment	Tenant store opening	Employee secondment
Store locations: Shinjuku Marui Main Building, Shibuya Modi, Yurakucho Marui, Ikebukuro Marui, and Kobe Marui		

Made-to-Order Suits That Fit Your Life

Based on the concept of "Fit Your Life," FABRIC TOKYO provides made-to-order suits that match customers not only in terms of size but also in terms of their lifestyles and values. This company handles all aspects of this process spanning from taking customer measurements to production at affiliated factories and sales. Apparel products have long been associated with the issue of mass waste. However, this issue can be addressed through made-to-order options in which items are only made after an order has been received. This sustainable approach resonates with MARUI GROUP. Customer measurements are taken at FABRIC TOKYO's physical stores, and this size data can be used to order suits that perfectly fit each individual customer online.



Impeccable Quality at Affordable Prices

Online, FABRIC TOKYO customers are able to manage their favorite styles and size data while also ordering clothing that perfectly fits their bodies. In addition, FABRIC TOKYO uses a factory-to-customer scheme to directly link purchasers and producers so that it can deliver products with impeccable quality at affordable prices.

MESSAGE FROM A BUSINESS PARTNER

FABRIC TOKYO is a D2C brand that was born on the internet. However, the products we deal in require professional skills to measure customer bodies and adjust to make an appealing silhouette. We therefore have to develop stores with facilities for this purpose. Our first forays into physical stores took the form of the limited-time opening of a location in Yurakucho Marui. This store proved ideal given that its location and customer base matched our target demographic. We thus chose to expand our presence in Marui stores starting with Shinjuku Marui Main Building. We also felt that a 10% discount for EPOS cardholders would be an appealing way to gain new customers without discounting our brand. Sure enough, these discounts have been making large contributions to the growth of our business. Furthermore, MARUI GROUP employees have been dispatched to work together on our projects, and this has proven to be a good opportunity to deepen our understanding of each other's business.



Junichi Mukai
Store Development Specialist
FABRIC TOKYO Inc.



Personalized Coordination Support

Customers can visit FABRIC TOKYO stores at Shinjuku Marui Main Building and other locations to have their measurements taken by specialized coordinators with consideration paid to the characteristics of their body. These coordinators will also sit down with customers to discuss their concerns and the image they want to portray in order to offer personalized coordination support matched to their lifestyles.



Commitment to Quality Transmitted to the Future

FABRIC TOKYO cuts out intermediary distributors to form direct relationships with all of its affiliated producers with respect for openness and transparent traceability. These relationships allow it to make information on production sites and distribution openly available.

MESSAGE FROM AN EMPLOYEE

In the past, I had the opportunity to observe physical D2C brand stores in the United States through MARUI GROUP's overseas dispatch program, giving me a sense of the potential for stores that do not sell. I later volunteered to be seconded to FABRIC TOKYO based on the belief that MARUI GROUP needed to change how it operated its stores. FABRIC TOKYO has a corporate culture that aims to prevent situations in which specific jobs can only be performed by certain people, translating often unspoken customer service techniques into words that anyone can understand. This has resulted in a high level of customer service proficiency among its staff. In the future, I hope to utilize my secondment experience to create physical stores that offer a sense of excitement without being bound by preconceptions.



Yusuke Iwamoto
Seconded to FABRIC TOKYO Inc.
MARUI CO., LTD.
(As of August 2020)

Potential of D2C Brands as an Ecosystem

Direct-to-consumer (D2C) brands are brands that employ a new business model of forming relationships directly with consumers, via a directly operated e-commerce website or social media, without going through a retailer.

MARUI GROUP looks to support D2C start-up companies and develop a D2C ecosystem. D2C & Co. Inc. was established in January 2020 for this purpose. D2C brand operator Yuichiro Mori, who has opened physical stores for his brand at Marui stores, joined MARUI GROUP's Hirotosugu Kato for a discussion on the potential of D2C brands as an ecosystem.

Lack of Visibility of Brands Dependent Solely on E-Commerce

Kato: We first met, Mr. Mori, around three years ago if I recall correctly. I still remember how much everyone seemed to be enjoying their work when I visited your office. Despite this light-hearted atmosphere, questions about work were met with detailed, data-driven explanations using computer screens. I was shocked and amazed to get such a response from a start-up company. What made you think about launching your own business?

Mori: I have always loved fashion. When I was at university, I started up a fashion media outlet and even went to see fashion collection presentations in Paris and Milan. I believe that fashion has the power to fill you with positivity when you wear an outfit or items that you particularly like. Entering into the fashion industry after university, however, I felt that the industry was too tied up in past success stories, and was thus behind the times. I had previously thought that fashion was about proposing something new, so this experience was incredibly disheartening. Lost in this despair, I saw a new light in the IT industry and in venture companies and start-ups. I later took part in the early days of a real estate venture company and the marketplace app operator Mercari, Inc. This experience made me realize that I was more suited to the management style of start-ups, but I still couldn't shake my attachment to fashion.

Kato: During the bubble period, we were developing a business centered on fashion, which proved incredibly popular at the time. After that, however, we fell into a long period of stagnancy. I think our preoccupation with past successes was one reason for this fall. During this time, customer surveys brought scathing opinions, like how our stores were unsettling as they had nothing but clothes and how our customer service approach was a bit intimidating.

Mori: Apparently, my father bought his first suit at Marui, and I too strongly associated Marui stores with fashion. D2C brands are garnering attention at the moment. I feel that these brands

are founded less on the quality of their products and more on how much customers enjoy the overall experience of the brands, including their creative vision, the experience of purchasing items, and the sense of community they offer. I started a D2C fashion brand with the goal of creating a business model that combined my love of fashion with IT.

Kato: People who have been involved in traditional retailing operations tend to be highly conscious of sales targets. This consciousness often leads to interactions with customers ending in one-time transactions, and it can be quite difficult to shift to a perspective focusing on long-term relationships. I understand that you, Mr. Mori, keep up-to-date on your customers. It is amazing how much a difference effective quantitative analysis can make in the value of stores.

Mori: When I was at a real estate venture company, I learned that encouraging existing customers to continue to live in our properties was a better path to consistent earnings than trying to secure large numbers of new customers. Today, we refer to this idea with the term "lifetime value." If customers continue to buy our products over the decades to come, they will continue to shape our brand over the long term. You could even say that I embraced the concept of unit economics right from the start of FABRIC TOKYO.

Kato: Our ultimate goal is to make stores that do not sell. D2C brands like FABRIC TOKYO will be a core part of accomplishing this goal. As D2C brands can sell their product directly to customers through the internet, what value do you gain from physical stores?

Mori: Physical stores are a venue for soliciting the creative vision of our brand and for allowing prospective customers to experience our brand. They also serve a function similar to a media outlet. If we depend solely on e-commerce sites, we lack visibility, like opening a store in the middle of the desert. Physical stores, meanwhile, are a part of customers' everyday lives, making it much easier for customers to find us in them. Also, online advertising fees are skyrocketing. Accordingly, if we are able to make good use of both online and offline venues, we can



YUICHIRO MORI x HIROTSUGU KATO

Yuichiro Mori

CEO/Founder
FABRIC TOKYO Inc.

Hirotosugu Kato

Director, Managing Executive Officer, and CFO
MARUI GROUP CO., LTD.
President and Representative Director, D2C & Co. Inc.



D2C brands can provide their products on a nationwide or even global basis. Even niche brands can thus attract tens of thousands of customers if they grow their customer base on a global scale. This potential is one of the appeals of D2C brands.

Yuichiro Mori

CEO/Founder
FABRIC TOKYO Inc.

Born in Okayama Prefecture in 1986, Yuichiro Mori joined fashion event production company DRUMCAN inc. after graduating from university, where he took part in the planning and production of fashion shows and events. He later began joining venture companies, being involved in the early days of real estate venture Global Agents and the launch of the Mercari marketplace app. He used this experience to start up the FABRIC TOKYO (formerly LaFabric) made-to-order business wear brand in February 2014. Through FABRIC TOKYO, Mori aims to provide customers with suits that perfectly fit not just their bodies but also their lifestyles. FABRIC TOKYO stores can be found across Japan in locations such as Shinjuku Marui Main Building and Kobe Marui.

attract customers more affordably. I also like to use physical stores as a testing ground for new ideas before we implement them on our e-commerce site.

Kato: I think a lot of people would be surprised to hear what you just said, as it is commonly believed that attracting customers via the internet is cheaper. I want to spread understanding of such value to be gained from physical stores and to see other D2C brands set up more locations in our stores.

Consistent Sales During State of Emergency, Record Performance Thereafter

Kato: We had to close our stores for nearly two months due to the COVID-19 pandemic. This is the first time stores have been closed for this long since World War II. Was FABRIC TOKYO affected by the pandemic? I heard that the growth of e-commerce sites in the United States doubled as a result of the pandemic.

Mori: We too had to close our physical stores, which put a halt on the acquisition of new customers. Luckily though, existing customers continued to buy our products through our e-commerce site, and sales actually did not decline as a result. That is one of the advantages of a D2C brand. For us, the number of users with registered measurement data is our most important key performance indicator. We were able to post a record-breaking performance with regard to this indicator in the last week of July 2020, after stores were reopened following the lifting of Japan's state of emergency declaration. Size is more important for business suits than it is for other forms of clothing. We have thus seen a rise in demand for the option we provide to purchase made-to-order suits online, causing customers to flock to our physical stores.

Kato: That shows just how popular the FABRIC TOKYO brand is. What do you think inspires customers to become fans of FABRIC TOKYO?

Mori: We don't refer to our customers as "fans"; we call them loyal customers. This is because it's tough for fans to stay fans forever. We recognized the danger this truth represents, and thus started taking steps to monitor customer loyalty. We also value our concept of "Fit Your Life" above all else. By this, we mean that we want our suits to fit customers' lifestyles as well as their bodies. This concept is the common thread running throughout our website, store, and organizational measures. In fact, we often hear people raising the question "But does that 'Fit Your Life'?" at meetings.

Sustainability of the Made-to-Order Model

Kato: The concept of "Fit Your Life" is important to personalization, and personalization is in turn crucial to sustainability. A rather shocking data point from the apparel industry is that roughly half of what is made is not sold. That creates a lot of waste.

Mori: That is one of the reasons we adopted the made-to-order model. We are keenly aware of manufacturing-related issues, and we have thus defined technology, sustainability, and traceability as principles positioned under our concept of "Fit Your Life." In Japan, around 280,000 suits are put on the market every year, but only 130,000 of these were sold in 2019. Plus, 10% of the world's CO₂ and 20% of its wastewater are emitted by the apparel industry. This industry is polluting the earth to make products that it throws away. Our made-to-order model, meanwhile, is sustainable as we only make the products for which we receive orders.

Kato: It seems to me that a lot of start-up companies run businesses that address social issues. Could it be that the relative youth of their management is related to this high level of issue awareness?

Mori: That might be a factor. My generation witnessed a number of serious issues, including massive natural disasters, terrorist attacks, and the 2008 financial crisis, over the span of only two or three years. This experience could have sparked our awareness of such issues. People often talk of three types of value, but it would appear that this used to be two types: value for customers and value for business. The third type of value is new. This is value for society. The idea of developing a business targeting the intersection between these three types of values is commonly shared among younger entrepreneurs.

Kato: MARUI GROUP seeks to provide value that is shared by all stakeholders. In 2019, we newly identified future generations as the sixth group of stakeholders to which we aim to provide this value. Viewing future generations as stakeholders means that we have to consider environmental and food issues in our business. This has naturally led us to practice sustainability management.

Mori: That is quite admirable. I guess it was that thinking that led MARUI GROUP to invest in and collaborate with a sustainable power producer.

Growth of Quality Business and Brands After Acquisition of Necessary Management Resources

Kato: Many say that D2C brands are unlikely to show significant growth in terms of quantity. What factors do you think need to happen for D2C brands to grow in the future? If a brand were to come along that eliminated the issues faced by customers, would it grow?

Mori: We are only looking at the tip of the iceberg when it comes to D2C brands. These brands are currently in their infancy, and there are a lot more stages for them to go through their development. Those brands that are able to formulate a clear vision for the future stages of their development will likely be the market leaders of the future. FABRIC TOKYO's goal is to join the top 10 apparel companies within the next decade. I have the utmost confidence in our ability to accomplish this goal. After all, the products that see growth are those that are used every day and transform customer lifestyles, such as clothing, furniture, home electronics, food, and cosmetics.

Kato: The use of D2C brands is common among a younger demographic in the United States, and it can thus be assumed that millennials and younger generations in Japan will come to

increasingly embrace such brands. It is also likely that we will see an increase in the number of young people that aspire to set up their own D2C brand.

Mori: To increase such brands, we will need a healthy D2C ecosystem. Creating this system will require ambitious entrepreneurs followed by employees and other team members and eventually partner companies. When all of the necessary management resources have been acquired, including people, supplies, money, and information, we will see the growth of quality businesses and quality brands. D2C & Co. will have an incredibly important role to play in this ecosystem, and I truly hope that this company will come to be a leading force in the industry.

Kato: I too hope to work together with you, Mr. Mori, to build a co-creation ecosystem that includes D2C brands and contribute to society through this process.

Mori: D2C brands can provide their products on a nationwide or even global basis. Even niche brands can thus attract tens of thousands of customers if they grow their customer base on a global scale. This potential is one of the appeals of D2C brands.

Viewing future generations as stakeholders means that we have to consider environmental and food issues in our business. This has naturally led us to practice sustainability management.

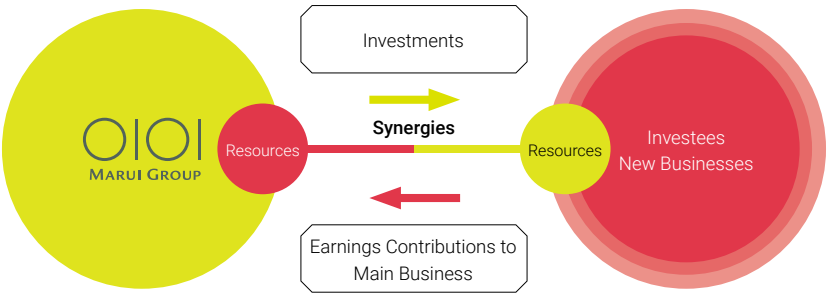
Hirotsugu Kato



Co-Creative Investment

B - S I D E
S Y N E R G I Z E

Investments that synergize with our main business are defined as investments in companies and new businesses that entail superior intangible assets. Through these investments, we aim to incorporate the unique expertise and other intangible assets of these companies into MARUI GROUP while generating synergies by means of collaboration to grow the earnings of our main business. In cases in which we can expect synergies with our main business, we will invest in venture companies not anticipated to make initial public offerings or in listed companies. This was the case with the anime business launched in the fiscal year ended March 31, 2016. We also invest in sustainability companies as well as in new businesses, such as the securities business of tsumiki Co., Ltd.



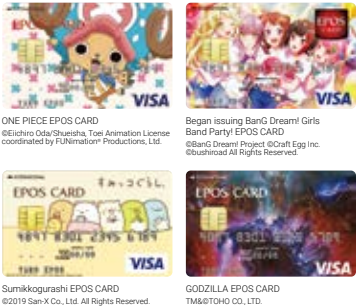
MAJOR INVESTEES



TOPICS

First B-Side Song—Anime Business

MARUI GROUP established the Anime Business Department in April 2016 to create a new business for contributing to earnings in our main business by facilitating the growth of our retailing and fintech businesses. Over the four-year period encompassing the fiscal years ended March 31, 2016–2020, we have invested a total of ¥120 million in anime movies. These investments have generated significant returns in the forms of synergies with our main business and contributions to consolidated operating income totaling ¥4.3 billion.



Investment

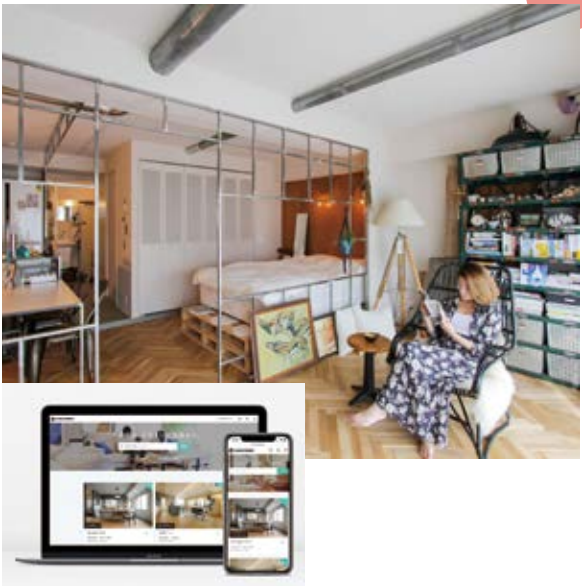
Pocket Marche offers a direct distribution platform that allows consumers to purchase ingredients directly from farmers and fishermen. This platform communicates not only the appeal of the items being offered but also the stories of their producers, providing consumers with the option to make purchases based on their values or a story they found particularly compelling while also emphasizing the value of direct communication between products and consumers. Through its business and capital alliance with this company, MARUI GROUP is examining possible initiatives for creating new value including in-store events and benefits for EPOS cardholders as it works to create new experience value.



TSUKURUBA

Investment

New business development



Shaping spaces through a combination of design, business, and technology is the business of TSUKURUBA Inc. Specific aspects of this business include providing living proposals matched to customers' individuality through development of offices for start-up and IT companies and the cowcamo service that lets users find their one-of-a-kind dream home from among a limited selection of secondhand and renovated properties. As our first collaborative venture, we will jointly develop a renovated rental condominium brand by pooling our resources and expertise. Through this collaboration, MARUI GROUP aims to ramp up its efforts in the area of housing, where we expect to be able to improve lifetime value through long-term relationships with customers.

MESSAGE FROM A BUSINESS PARTNER

At TSUKURUBA, co-creation has been an important theme in our corporate culture and in our business since the time of our founding. When looking for partners, we became aware of MARUI GROUP's co-creation management philosophy. Recognizing that this philosophy resonated with our own, we decided to join hands. It has been a number of years since the emergence of the buzzword "open innovation," but there are still only a few cases of true success in open innovation. Success in open innovation requires ongoing commitment, in both rhetoric and action, until it becomes an unwritten part of a company's corporate credo. This is, of course, easier said than done. Meanwhile, I see co-creation as an effective method of maximizing the value we provide to consumers and to society. The goal I envision for our partnership with MARUI GROUP is the maximization of the experience value we offer the consumers that are our customers. This partnership will begin with the development of a renovated rental condominium brand. We will take a broad perspective with regard to this initiative, seeking to evolve the experiences offered in the rental housing field to include digital experiences. I pledged with President Aoi to create an example of successful open innovation in Japan, and I am absolutely committed to ensuring the success of this undertaking.



Hiroki Murakami
CEO
TSUKURUBA Inc.

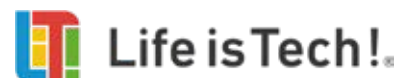


iKASA

Investment

Employee secondment

Nature Innovation Group Co., Ltd. is developing iKASA Japan's first umbrella sharing service. With iKASA, there is no need to rush to buy an umbrella in the event of sudden rainfall; customers can rent one for 24 hours for only ¥70 and then return it to the most convenient location, keeping them safe and dry from the rain. The iKASA service is being developed as a piece of infrastructure for ensuring mobility on rainy days by eliminating the restrictions placed on movement if one does not have an umbrella while freeing them from the discomfort of getting wet. This service also contributes to the sustainability of society by reducing the number of plastic umbrellas that are purchased and promptly thrown away. We are steadily introducing the iKASA service at Marui and Modi stores across Japan while engaging in other collaborative ventures with Nature Innovation Group.



Investment

New business development

Life is Tech, Inc. offers Life is Tech!, one of Japan's largest IT education programs for junior high school and high school students. This program is designed to foster creativity and allow students to learn about technologies for creation through the study of app development and other programming disciplines as well as cutting-edge technologies such as digital art. MARUI GROUP has formed a business and capital alliance with this company through which we aim to jointly create new businesses with an eye to future generations. Our participation is taking the form of support from employees for giving form to the ideas of students as we accelerate new business development and other co-creation activities. Life is Tech, Inc. is capitalizing on its expertise to contribute through overall planning, student recruitment, and mentoring to further expand co-creation activities oriented toward future generations.



MARUI GROUP wants to hear revolutionary ideas for changing the future from university and graduate school students. Application is open until mid-November 2020 (Japanese only).
www.0101maruigroup.co.jp/future/



SURUGAYA SPECIALTY STORE

Investment

Tenant store opening

Employee secondment

Collaboration cards

Store locations: Shinjuku Marui Annex, Marui City Yokohama, Hakata Marui

A-too inc. operates Suruga-Ya, a major e-commerce website specializing in secondhand hobby items centered on plastic models, figures, and other anime merchandise. Together with this company, we launched the SURUGAYA EPOS CARD in 2020. Moreover, A-too has opened Suruga-Ya stores in Marui stores. These stores see higher visitation from female customers than A-too's directly operated e-commerce site or physical locations in other stores. These locations are thus helping this company make contact with a new group of customers. We have also launched a new service in which shipments of items that customers wish to sell can be conducted at dedicated service counters in Marui and Modi stores. This option was previously only available through standard courier services or at Suruga-Ya locations. In the future, we look forward to further improving customer experiences through collaborative initiatives that take advantage of our stores and the distribution networks of subsidiary MOVING CO., LTD.



mercari

Service coordination

Tenant store opening

Operation contracting

Store locations: Shinjuku Marui Main Building



First Physical Mercari Station Location

In June 2020, Mercari, Inc., opened its first physical Mercari Station location in Shinjuku Marui Main Building. This shop offers offline experiences and services centered on digital technologies, making it highly compatible with MARUI GROUP's store development strategies. Mercari, Inc., has also set up a Mercari Station at the LaLa terrace MUSASHIKOSUGI shopping center (not associated with MARUI GROUP). Operation of both of these locations is outsourced to MARUI GROUP employees.

MESSAGE FROM A BUSINESS PARTNER

Customers visiting Mercari Station include both existing Mercari users and individuals who have yet to experience the app. These customers are all ages and even come from locations outside of Tokyo. Post-visit survey results have shown impressive satisfaction rates of nearly 90%. Customers who thought the Mercari app would be a hassle have expressed that their visit made them see how simple the app was and that they now want to list an item. MARUI GROUP provides us with support for operating our store while also proposing methods of recruiting customers and improving operating practices. Mercari Station provides numerous opportunities for making contact with customers, through Mercari experiences, workshops, events, and live broadcasts. Through this venue, we hope to communicate the appeal of the Mercari Group and increase our fan base.

Yukiko Ohdo

Business Development OMO & mercari Station Manager
Mercari, Inc.



More details can be found on the following website (Japanese only).
www.to-mare.com/news/2020/post-3.html

Co-Creation Ecosystem [Business]

MARUI GROUP is pursuing synergies with its main business through co-creation in forms other than co-creative investment.

New Global Marketplace for Creating New Value

"I want to circulate our limited resources to help society thrive." The Mercari marketplace app was born out of this realization by the founder of Mercari, Inc., as he traveled the world. This company aspires to harness the power of technology to make it easy for people around the world to link up and enjoy the experience of buying and selling with each other. Mercari, Inc., is expanding its range of online and offline touch points to allow prospective sellers with no previous experience to try out the Mercari experience while also making the app more familiar and convenient for current users.



Venue for Enjoying Learning About and Experiencing Mercari

Mercari, Inc., holds Mercari Workshops to teach people how to use the Mercari app. At these workshops, instructors guide students through the experience of finding and purchasing products and of listing unneeded items for sale while also teaching them other ways to enjoy Mercari. Support is also offered for sellers in such ways as booths for photographing products and consultation.



Easy and Convenient Shipping Using Unmanned "Mailboxes"

Mercari Post, an unmanned "mailbox" that allows sellers to ship sold items simply by dropping them in one of these boxes. These easy and convenient shipping kiosks provide services ranging from automated shipping label preparation to shipping. They are particularly appealing as sellers can perform all processes leading up to shipments while receiving support from staff members by just bringing in the sold items.

MESSAGE FROM AN EMPLOYEE

Our co-creation activities with Mercari, Inc., match up with MARUI GROUP's vision for digital native stores and stores that do not sell. We provide Mercari, Inc., with store operation expertise and employees skilled in customer service as well as a venue for allowing customers to experience the Mercari app. This venue helps to enhance this company's offline customer contact points and to increase engagement with Mercari. Those of us who have been entrusted to staff Mercari Station go about operating the store while emphasizing the importance of both customers and the needs of Mercari, Inc. We also realize that trust is indispensable to long-term co-creation partnerships. During the Mercari experiences offered at Mercari Station, we frequently see customers form a natural connection and begin to teach one another, making us aware of the potential for this store to foster a sense of community. In my own capacity, I hope to help develop a new model for Marui stores that will continue to be used for three decades.



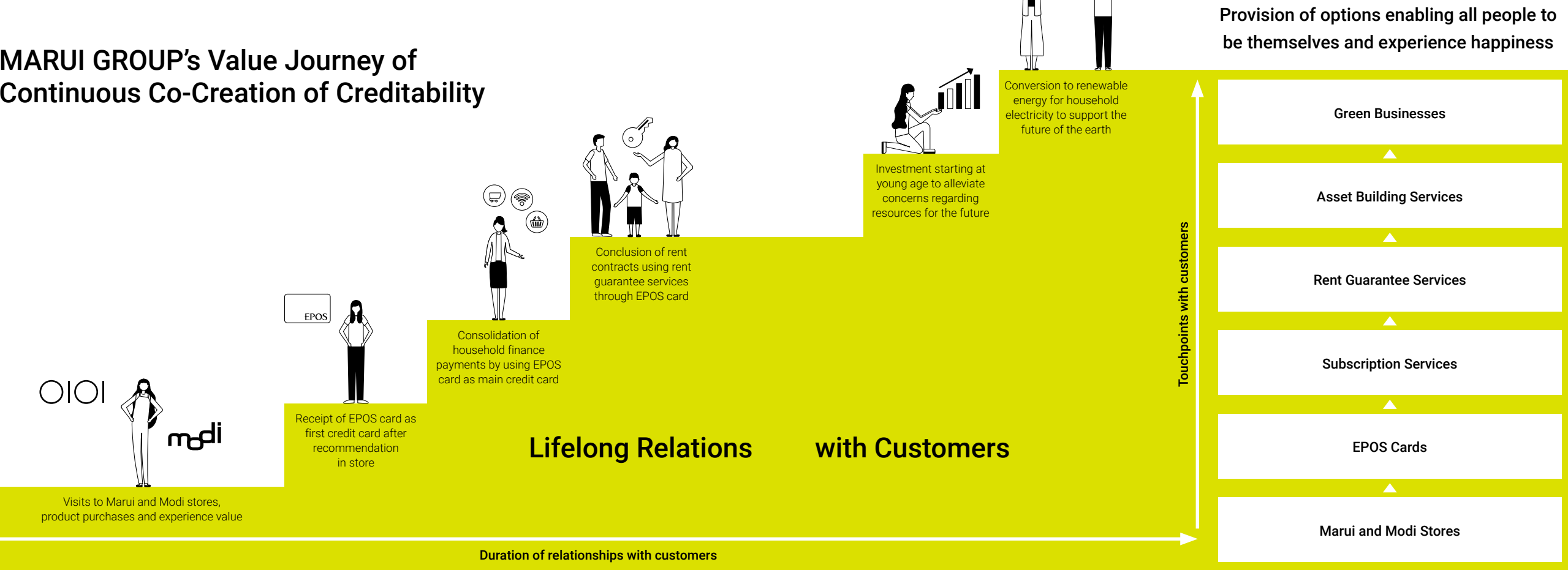
Ryo Matsumoto

Mercari Station
Shinjuku Marui Main Building
MARUI CO., LTD.

VALUE JOURNEY

Co-Creation Ecosystem [Business]

MARUI GROUP's Value Journey of Continuous Co-Creation of Creditability



Ongoing Relationships as Opposed to One-Time Transactions

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

Lifelong Relations

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

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

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

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

Co-Creation Ecosystem Built on Long-Term Relationships

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

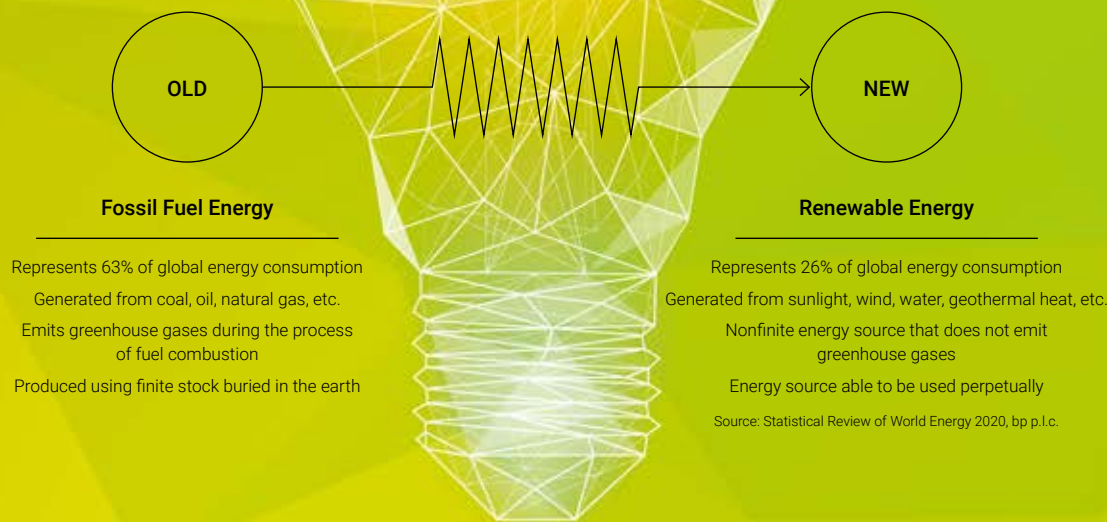
Looking ahead, we will encourage customers that resonate with our sustainability-based mind-set to partake of services such as switching to renewable sources for their household electricity in order to contribute to the resolution of social issues while bolstering medium-to-long-term profits. We thereby aim to build a co-creation ecosystem that extends across society together with our six groups of stakeholders, including future generations, and help shape a happier future.

VALUE JOURNEY

ACTION FOR THE FUTURE

CO-CREATION ECOSYSTEM

ACTION FOR THE FUTURE



01 Green Recovery Shaping the Future

We use energy every day, whether it be in the form of electricity, gas, or gasoline. A large portion of the energy used around the world is derived from fossil fuels, and generation of energy using these fuels entail emissions of massive quantities of CO₂ and other greenhouse gases, which are a cause of abnormal weather events and natural disasters. If we continue to use energy from fossil fuels at the current pace, it is estimated that the average global temperature will rise 4°C above pre-industrial levels by the end of the century, which would bring a destructive end to the environment as we know it. The global COVID-19 pandemic stimulated a movement to reset our economy. An important global keyword with regard to this movement is "green recovery," which signifies a switch to sustainable economic activities. There has thus been a spread in the idea of building resilient social and economic models by injecting initiatives for addressing environmental issues into efforts to reset the economy.

Renewable Clean Energy

As the world pursues a green recovery, the shift toward renewable energy is gaining attention on a global scale. Renewable energy is generated from sources including naturally occurring sunlight, wind, water, and geothermal heat. These energy sources can be used to keep social infrastructure functioning without concern for resource depletion or for greenhouse gas emissions. At the United Nations Climate Action Summit held in New York in 2019, 77 countries from around the world declared their commitment to pursuing carbon neutrality, effectively decreasing greenhouse gas emissions to zero, by 2050. Carbon taxes and restrictions as well as other measures are being implemented on a national level to work toward the realization of a carbon-free society. Against this backdrop, Japan's efforts have been limited to announcing a goal of sourcing between 22% and 24% of the country's energy from renewable energy by 2030.



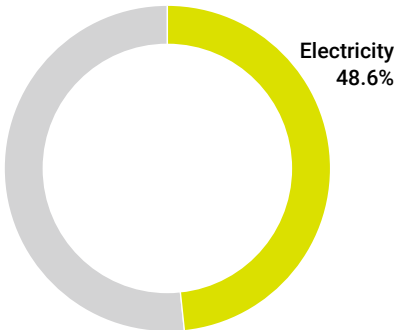
Era of Energy Choice

Global energy consumption in 2030 is estimated to be roughly twice the level of 1990. As the No. 5 global emitter of greenhouse gases, Japan currently generates 87.7% of its energy using fossil fuels, which come from finite stock developed within the earth over a period of hundreds of millions of years. The depletion of fossil fuel resources has been recognized as an issue since the 1970s, but we still have yet to escape from our dependence on the fuels. The future of the earth can only be saved if we all accept the truth of the crisis we face and choose to shift toward more renewable options.

Action by All Stakeholders

Roughly 20% of Japan's greenhouse gas emissions are attributable to households, of which 48.6% comes from electricity consumption. Here we see the potential that could be realized if people shift toward clean renewable energy. MARUI GROUP is working toward its goal of sourcing 100% of the electricity used in its business to renewable energy. By working toward this goal, we have become aware of the fact that customers too have great interest in renewable energy. MARUI GROUP thus chose to launch a project for commencing services that make it easier for customers to choose renewable energy (see pages 52–53). We recognize that substantial contributions to the realization of a sustainable society can be made if all of MARUI GROUP's stakeholders embrace renewable energy. We have thus embarked on actions for the future to promote the shift toward renewable energy together with customers.

Breakdown of Household Greenhouse Gas Emissions in Japan by Source



Source: Greenhouse Gas Inventory Office of Japan

Provision of Options for Creating a Brighter Future and
Preserving the Global Environment for Future Generations

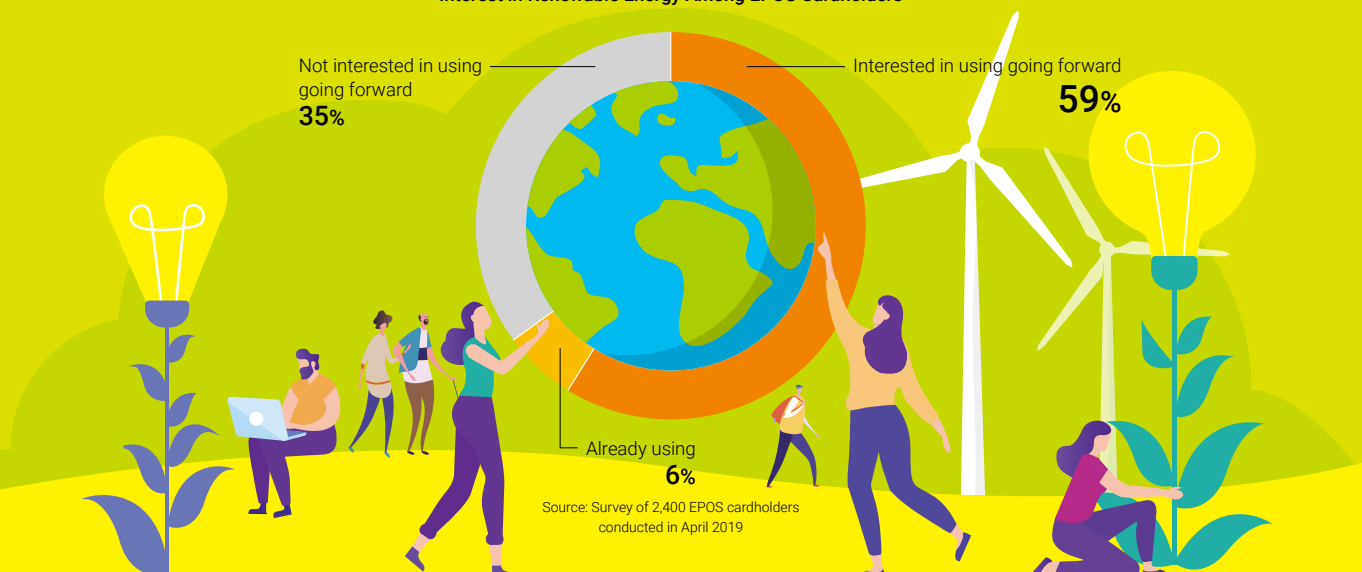
Start of Project for Promoting Shift to Renewable Energy!

MARUI GROUP has joined the RE100 international initiative, declaring its target of sourcing 100% of its electricity from renewable energy by 2030. We are shifting to renewable sources for power at Marui and Modi stores nationwide to further us toward the accomplishment of this goal. MARUI GROUP has begun supplying renewable energy with visibility of producers together with Minna-denryoku, Inc. In addition, we have launched a project aimed at reducing CO₂ emissions by promoting renewable energy use through collaborative efforts with both facilities and customers. Through these efforts, we are targeting reductions in CO₂ emissions of 1 million tons by the fiscal year ending March 31, 2025, to help address environmental issues together with customers through renewable energy.

Desire to Use Renewable Energy Indicated by 60% of EPOS Cardholders

A survey of EPOS cardholders conducted in 2019 indicated that approximately 60% of cardholders had a desire to use renewable energy. However, only around 25% of cardholders have actually switched to renewable energy due to the difficulties associated with changing power companies.

Interest in Renewable Energy Among EPOS Cardholders



MESSAGE FROM A SUSTAINABILITY EXPERT

I have high praise for MARUI GROUP's approach toward sustainability through co-creation management. There are a lot of companies for which the formulaic initiatives themselves, advocated by the Global Reporting Initiative (GRI),* the International Integrated Reporting Council, and the Sustainability Accounting Standards Board, become the primary goals. MARUI GROUP, meanwhile, is setting clear goals from a long-term sustainability perspective and working toward these goals. The Company has recently launched a project for promoting the shift to renewable energy. This project is one facet of its approach toward co-creation sustainability management. GRI and the other international standards were designed to serve as benchmarks for the initiatives of forward-looking companies. In other words, the second the standards are made, a precedent has already been set. I want to see MARUI GROUP going beyond simply complying with existing standards to advance unique initiatives and thereby set new precedents for businesses, ecosystems, and standards. Japanese companies are not known for setting new standards, but I hope that MARUI GROUP can become a leader in this regard.

* A nonprofit organization tasked with the mission of issuing international sustainability reporting disclosure standards



Hidemi Tomita

Representative Director
Lloyd's Register Japan K.K.

Easy Two-Step Application for Renewable Energy Services

Customers have expressed that changing to renewable energy is difficult and a bit of a hassle. To address this issue, MARUI GROUP has made it possible to apply for renewable energy services in two steps from a special page on its EPOS Net portal site for EPOS cardholders. This smooth application process is made possible by provision of basic customer information necessary for contracts between Minna-denryoku and Epos Card Co., Ltd.



Words of Encouragement from Minister of the Environment

In September 2020, a meeting was held with Minister of the Environment Shinjiro Koizumi (center in picture above) at the Ministry of the Environment. MARUI GROUP President Hiroshi Aoi (left in picture above) and Minna-denryoku Representative Director CEO Eiji Oishi (right in picture above) attended and led the minister through the two-step process of applying for Minna-denryoku's renewable energy services. Minister Koizumi offered us words of encouragement, stating that easy application systems are imperative for getting individuals to switch to renewable energy and expressing his desire to use this initiative as a door opener to encourage action by other companies and industries in our quest to realize a carbon-free society.



Please refer to the following website for details (Japanese only).
www.to-mare.com/news/2020/post-8.html

Application Requiring Only Smartphone and Billing Statement



みんぱ電力エポスプラン

Minna-denryoku EPOS Plan

Minna-denryoku EPOS Plan for EPOS Cardholders

In addition to the easy two-step application process for Minna-denryoku's renewable energy services, we also offer the Minna-denryoku EPOS Plan for EPOS cardholders. This plan has three characteristics.

Characteristic 1: 100% Renewable Energy*¹

The electricity provided through this plan is effectively 100% sourced from renewable energy through a combination of solar power, wind power, and hydropower as well as non-fossil fuel certificates with environmental value provided through feed-in tariff schemes.*²

*¹ Supplied electricity is effectively 100% sourced from renewable energy through use of non-fossil fuel certificates provided via feed-in tariff schemes (resulting in zero CO₂ emissions).

*² Schemes in which electricity generated from renewable sources, namely solar power, wind power, hydropower, geothermal power, and biomass power, is purchased by power companies.

Characteristic 2: Visibility of Contributions to CO₂ Reductions

Switching to the renewable energy through the Minna-denryoku EPOS Plan allows customers to reduce their CO₂ emissions to zero, meaning this plan has the potential to prevent global warming. Users of this plan are able to see their contributions to CO₂ reductions via our website.

Characteristic 3: Benefits Providing Tangible Connections

The Minna-denryoku EPOS Plan offers various benefits from users and generators of renewable energy. Moreover, 0.5% of electricity fees are used to fund forest preservation and reforestation activities in Japan.

These connections to resolving environmental issues are made more tangible through means such as allowing customers to view progress in tree planting activities online.



Launch of Minna-denryoku EPOS Card

In October 2020, we launched the Minna-denryoku EPOS Card as a symbol for renewable energy that can be used by eco-conscious customers. As an application benefit, ¥1,000 will be donated to renewable energy generators upon application. Moreover, we will transform the card itself into a sustainability initiative by replacing the prior disposable plastic cards with cards made from eco-friendly materials, a first for Japanese credit cards, in April 2020.



Please refer to the following website for fee estimates and application (Japanese only).
www.eposcard.co.jp/minden/index.html


Target of Sourcing 100% of Electricity from Renewable Energy by 2030

Approximately 80% of the CO₂ emissions from MARUI GROUP are associated with electricity use. To curb these emissions, the Company became a member of the RE100 international initiative and declared its target of sourcing 100% of its electricity from renewable energy by 2030. We began working toward this target by forming a business and capital alliance with Minna-denryoku in December 2018, after which we started converting to renewable sources for electricity at Marui and Modi stores, beginning with Shinjuku Marui Main Building. Furthermore, we completed registration of Group company MARUI FACILITIES Co., Ltd., as a power retailer in September 2019, making it possible to procure power directly from power producers. Direct procurement of renewable energy was commenced in April 2020, and we aim to source 50% of our power from renewable energy, including that procured from other power companies, in the fiscal year ending March 31, 2021.




EIJI OISHI

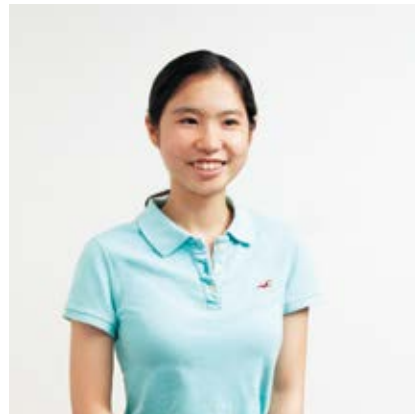







Eiji Oishi was born in Osaka in 1969. After graduating from Meiji Gakuin University, he joined advertisement production company Toppan Printing CO., LTD., where he took part in the establishment of digital content distribution, imaging, and fashion businesses before starting up Minna-denryoku in 2011. At this company, he developed an electricity traceability system using existing infrastructure, thereby giving visibility to power producers.




SAORI IWANO









Saori Iwano is a 16-year-old environmental activist. She first took an interest in climate change and other global environmental issues after watching a speech by Severn Cullis-Suzuki. Resonating with the message of Greta Thunberg, who organized a school strike to promote climate awareness, Iwano joined Fridays For Future Tokyo with the aim of taking such action herself.



ISAO SAKAI





Isao Sakai is a 19-year-old environmental activist. He first became aware of the crisis our planet faces from the environmental science curriculum he experienced while studying in the United States. This prompted him to join Fridays For Future Tokyo and take part in activities such as marches for encouraging the fight against climate change issues.



EMIKO SHIMBA





Emiko Shimba joined MARUI GROUP in 1999 before being transferred to MARUI FACILITIES in 2016. She has been promoting the use of renewable energy (green businesses) in her position responsible for power procurement and planning in this company's Eco Management Division since 2019.

Creation of Green Ecosystems through Power with Visibility of Producers

Climate change has recently come to be referred as a climate crisis, drawing attention to the efforts of companies to address this issue along with the idea of a green recovery aimed at preventing us from returning to the way things were before the COVID-19 pandemic. The following pages chronicle a discussion on the potential for a green ecosystem based on the conditions during the COVID-19 pandemic and projected after the pandemic by Eiji Oishi, who is promoting the idea of giving visibility to power producers; Saori Iwano and Isao Sakai, members of Fridays For Future Tokyo; and Emiko Shimba, who is responsible for renewable energy procurement at MARUI GROUP.

Stakeholder Connections formed through Visibility of Power Producers

Shimba: MARUI GROUP is working to source 100% of the electricity it uses from renewable energy. This goal extends to the power used in Marui and Modi stores as well as in the offices and at other business sites where we work. We have previously focused primarily on reducing electricity consumption and switching to energy-efficient equipment. However, the recent rise

in tenants dealing in food has made us realize that there is a limit to the extent to which we can curb electricity use, prompting us to shift toward using renewable energy. This undertaking led us to talk to Minna-denryoku and eventually to switch to using renewable energy in Shinjuku Marui Main Building in September 2018. We have been progressively introducing renewable energy at other stores since with the goal of having 50% of our power coming from renewable sources in the fiscal year ending March 31, 2021.

Oishi: Minna-denryoku is currently supplying Shinjuku Marui Main Building with electricity originating from wind power generated in Aomori, hydropower generated in Nagano, and solar power generated in Fukushima.

Shimba: What encouraged you, Mr. Oishi, to begin developing services for promoting the visibility of power producers?

Oishi: It all started when I was riding a commuter train. My mobile phone was running out of battery when I saw a woman with a solar panel keyholder hanging from her handbag. I thought to myself, "I wonder if I can buy some power from her?" This experience made me realize that we were now entering into an era in which electricity, a resource that was previously monopolized by a few oil and power companies, could be produced by anyone. The basic concept of our business is to alleviate wage gaps and reduce poverty. As anyone can produce electricity, I figured that we could break up the prior power monopoly if power producers could inject additional value into their electricity in the form of their personalities. I thus established Minna-denryoku in 2011 with the goal of providing visibility to power producers.

Sakai: Traceability is rare for food and other commodities used in our daily lives, making it increasingly difficult to see how one is

related to environmental and social issues. I therefore feel that your efforts to grant visibility to producers and business operators is something really impressive.

Oishi: It is not as though any company will do so as long as they are using renewable energy. This is especially true given the recent trend toward greenwashing, or using green ideas purely as a marketing ploy. There are some companies that destroy local mountains to develop large-scale solar power generation operations or cut down rain forests in the Philippines to build biomass plants so that they can sell "renewable" energy to Japan. This is why the visibility of producers is so important.

Shimba: We are grateful for the opportunity you provided to adopt renewable energy. I have spoken to many other companies on this subject, and Minna-denryoku frequently comes up in conversation, especially with regard to your impressive blockchain technologies. We have also invited Mr. Oishi to speak at MARUI GROUP meetings. These efforts have proved beneficial as we have seen a rise in employee awareness as well as in people switching to purchasing electricity from Minna-denryoku. MARUI GROUP is also currently engaged in joint projects with Minna-denryoku. For example, we are developing a scheme through which EPOS cardholders can help us popularize

renewable energy. I am thoroughly enjoying these projects, which only increases my desire to spread renewable energy.

Iwano: I am overjoyed to see companies commit to visions of the societies they want to shape or the future they want to protect and take steps to resolve the issues along these paths. It is not enough to look to increase the value of one's company through green initiatives. I have high praise for how Minna-denryoku goes further to promote a green supply chain and to encourage a wide range of companies to adopt renewable energy.

Sakai: Miss Iwano and I have come up with an idea that we want to propose to MARUI GROUP. I understand that you plan to switch to renewable energy for all of your offices to accomplish your goal of sourcing 100% of your electricity from renewable energy. Given that teleworking is becoming increasingly common amid the COVID-19 pandemic, how about extending the scope of this renewable energy target to include employees working at home?

Shimba: We are currently procuring high-voltage electricity for large-scale facilities. At the moment, we are not procuring the type of low-voltage electricity used in households. However, after we have converted our stores and offices to renewable energy, we would definitely consider using a scheme for selling electricity to standard households should such a scheme exist.

Need to Change Views of Consumers

Oishi: I believe that increasing consumer awareness is an important task to be tackled with regard to renewable energy. When selecting power suppliers, consumers tend to use price comparison sites to choose the most affordable option. I hear that you, Mr. Sakai and Miss Iwano, are using our services. What prompted you to do so?

Sakai: In my case, I heard about you during the shooting of an online program I was invited to take part in. My mother watched the program and decided to switch to your services.

Iwano: Last year, I took part in some activities together with activists promoting carbon-free approaches. They told me that climate change and energy issues were intimately connected and that nationwide measures are being implemented to address these issues. This caused me to modify my own energy use. When researching options for adopting renewable energy, I happened upon Minna-denryoku, and my decision was made.

Oishi: Thank you for your patronage. When consumers become aware of climate change issues and start to adopt renewable energy, it will have an impact on companies as well.

Shimba: MARUI GROUP is developing a system in which the customer information stored by Epos Card is transferred to Minna-denryoku to allow for easy application for their services. We look to engage in full-fledged initiatives beginning in fall 2020 to accelerate the move toward renewable energy by capitalizing on this system, the desire of our customers to switch to renewable energy, and our co-creation activities with various stakeholders. If our more than 7 million EPOS cardholders were to all embrace renewable energy, it would definitely help transform the world.

Sakai: A lot of people are convinced that renewable energy is expensive. Currently, the primary users of renewable energy are companies. So, changing the views of consumers across society in this regard will require companies to increase their use of renewable energy, demonstrating that it is an affordable and viable option.

Potential for Individual Action to Grow into Larger Movements

Oishi: I understand that you both sent a proposal regarding renewable energy to the Ministry of the Environment. How did that go?

Iwano: At first, the minister stated that it was not the place of the Ministry of the Environment to become overly involved in energy policy, but that it would do what it could. When we pushed back saying that it was indeed Japan's energy policy that we wanted to change, he responded by saying that recognition of the need for cross-organization, government-wide action in this regard is spreading.

Oishi: That is very powerful. When advocates for future generations, for which my generation is creating an increasing burden, speak up in objection, it is greatly persuasive.

Sakai: I think it is important to shape the new normal to be more friendly toward the environment, rather than allowing us to return to the way things were before the COVID-19 pandemic after it ends. The recent rise in meteorological disasters makes it painfully clear that we are approaching our time limit for addressing environmental issues. We therefore must act immediately, banding together with others from our generation to present a unified voice.

Shimba: Did you see any changes in the people around you as a result of your activism?

Iwano: My family has changed the most. I think it is rare to talk about social issues with your family, despite how you are always together. I, however, was persistent in talking about climate



change and renewable energy. I continued to participate in marches and other activities, and in September 2019, my mother chose to take time off from work to join me in a march. We were also able to switch to renewable energy thanks to the approval of my mother. A lot has changed. Today, we are even working to reduce animal products in our diet.

Oishi: I am amazed. Hearing about how our services have sparked family discussion and eventually action, leading you to adopt renewable energy, has truly made my efforts thus far worthwhile. I am sure that my employees will feel the same.

Sakai: If everyone does what they can, I am sure that those around them will take notice. It is enough for everyone to do just what they are able to. In fact, I think that lowering the barrier to action to allow for more widespread action is important. Our mission is not to judge the intent of others; it is to continue to advocate our ideals. It is crucial for us to remain free of unneeded worries so that we can keep broadcasting how we think the future needs to change.

Oishi: I completely agree. I expect that we will remove various barriers going forward, allowing people to live more creatively. One of these barriers is a lack of visibility of the involved parties. This is why I think that building relationships in which both parties are visible to one another is the most important theme when it comes to shaping the world after the COVID-19 pandemic. I was amazed to see how deeply you two have thought about these issues. I did not practice anywhere near this deep a level of introspection when I was in school. I hope that you will maintain this confidence to communicate how you think we should shape the future and your belief that it is your generation who should shape this future while also turning those words into actions. I have no doubt that your efforts will help guide society in a positive direction.



ACTION FOR THE FUTURE

CO-CREATION ECOSYSTEM

ACTION FOR THE FUTURE



Diverse Options for the Future of Food

Food is indispensable to our daily lives, and globalization and technological progress are making food more abundant and convenient. In Japan, people are now able to purchase their favorite types of food whenever they like. Moreover, they can choose consumption styles for these foods based on their needs at a given time, including making meals by hand, using kits for home preparation, eating in restaurants, or buying pre-prepared food. However, this convenience is also contributing to food loss as well as emissions of greenhouse gases that damage the global environment.



Ability to Purchase Quality Foods Matched to One's Body in the Appropriate Portions

In the past, ingredients and food were prepared in a manner that was designed to accommodate large families and preparation at home. However, nuclear families, two-income households, and people living alone have become commonplace in Japan, resulting in a rise in instances of people eating alone. At the same time, younger generations, for whom fast food has been a familiar option since a young age, are coming to embrace organic goods out of a desire to eat foods that are better for their health. These trends are generating anticipation for food products that can be customized and personalized so that every customer can purchase quality foods matched to their bodies in appropriate portions. The emergence of such options will give rise to a new circular food economy that makes mealtime more enjoyable while reducing food loss. MARUI GROUP recognizes that there are immediate actions we can take to help realize such an economy.



Logical Conclusion of Pursuit of Abundance and Convenience of Food

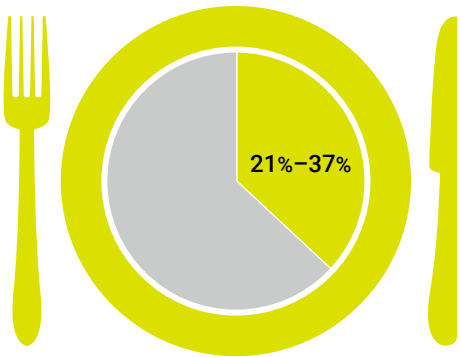
The foods we purchase and eat as a matter of habit are provided to us through a supply chain encompassing production, import or export, processing preparation, consumption, and disposal. In fact, 1.3 billion tons of food waste are produced around the world each year, meaning that roughly one-third of all of the food produced for human consumption is thrown away.*1 This amount refers to the excess food and ingredients that are produced and disposed of before they pass into consumer hands and the food that we throw away after purchase. This waste is referred to as food loss and is becoming a serious social issue. Everyone, whether a producer, seller, or consumer, needs to be cognizant of the food issues to which they contribute.

*1 Source: *Global Food Losses and Food Waste*, Food and Agriculture Organization of the United Nations, 2011

Sustainable Food Options for Shaping the Future

It is estimated that between 21% and 37% of the total amount of greenhouse gases emitted by society is attributable to the production and distribution of food. A large portion of these gases come from livestock. Cows, for example, emit methane gas, which is 28 times more effective than CO₂ at trapping heat in the atmosphere, while also consuming massive amounts of water and grains. Accordingly, such livestock threatens to damage the global environment. This reality has directed attention toward vegan foods, which do not use animal-derived ingredients, instead replacing them with soy and other alternatives. This type of meat substitute is also gaining attention in Japan. Eating is an essential part of living. Accordingly, if everyone were to replace just one meal a week with a vegan alternative, it could have a significant benefit toward limiting global warming. We are now pressed with the need to reassess our daily meals and the amount of food we waste to consider the possibility of sustainable food options in our actions.

Portion of Global Greenhouse Gas Emissions Attributable to Food Production and Distribution*2



*2 Represents greenhouse gas emissions associated with human activities
Source: *Special Report on Climate Change and Land*, Intergovernmental Panel on Climate Change, 2019



Potential of Vegan Lifestyles

Veganism, which entails avoiding the eating or using of animal-derived products, is gaining attention as a sustainable lifestyle. Vegan consultant Alex Derycz stresses that veganism is not a hard lifestyle to adopt. After appearing on MARUI GROUP's community site in June 2016, Derycz once again joins us to discuss the potential of veganism with two MARUI GROUP employees.



Various Paths to Veganism

Ishii: Mr. Derycz, you are promoting veganism under your brand, Vegan Prince, in Japan. Is your family also vegan?

Derycz: My family is not completely vegan. I became a vegan at age 17, when I was in high school, because I wanted to help preserve the environment and protect animals. My father and little brother recently embraced veganism while my little sister and her boyfriend are vegetarians. My big brother and mother are neither vegan nor vegetarian, but their refrigerators are mainly stocked with vegan food. However, if someone who is unfamiliar with vegan food were to open their refrigerators, they would not know that their contents were vegan. They would see things that look like meat and cheese without realizing that these "meats," "cheeses," and even "ice creams" were all made entirely from plants. In fact, the foods I eat now do not really taste that different from those I ate before I became a vegan.

Uezono: Did your mother learn to cook vegan food for your father?

Derycz: I think my father cooks for himself. The reason he became a vegan was to prepare for triathlons. When he turned 50, he suddenly decided to take part in the Ironman race, the longest of all triathlon events. He needed to get in shape to participate in this race. When researching the diet that would provide the best nutritional balance, he found that it was a diet consisting primarily of vegetables, with the only meat being a little bit of chicken. This is when he realized that his ideal diet was essentially a vegan diet.

Ishii: What was your path to veganism, Ms. Uezono?

Uezono: My path traces back to my 10-year-old daughter's elementary school homework assignment. She brought home a survey on the degree of eco-friendliness of our lifestyles. All members of my family checked the actions we did and didn't do and then tallied the results. One of the actions was "eat fresh and seasonal vegetables." I was surprised that this was considered "eco-friendly." I mean, when you think of eco-friendliness, you tend to think of turning off lights and not leaving water running, right? When my daughter asked why this was eco-friendly, I could only reply "because it is good for the environment." However, I could not help but be curious. Committed to finding the answer, I studied the matter with my daughter and came to realize that the issue was my lack of environmental awareness.

Ishii: It is not often that you see a homework assignment teach both children and their parents. I was not aware of these kinds of issues when I was in elementary school. There are a lot of different paths to veganism, like that of Mr. Derycz's father or your path, Ms. Uezono. I love meat. However, my big sister became a vegan about a year ago. Her path to veganism was a concern for animal welfare and issues surrounding clothing made from animals. I didn't know anything about veganism at the time, but one day my sister and I went to a vegan restaurant. I was shocked at how good the vegan hamburger I ate there was. You wouldn't have guessed that it was vegan if no one told you. I was also amazed at how good the custard pudding tasted,



Using eco-friendly materials to make clothing, belts, and accessories is a way to enjoy fashion while contributing to the environment, feeding two birds with one scone, if you will.

Alex Derycz

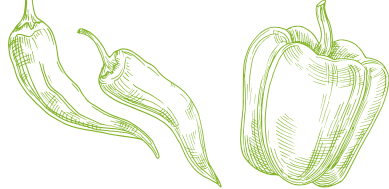
Model, Entertainer

Born in 1996, Alex Derycz comes from a multicultural background, with his father being from the United States and his mother being from France, and speaks five languages—English, French, Spanish, Japanese, and German. Adopting a vegan lifestyle at age 17, Derycz moved to Japan after graduating from the University of California, Los Angeles in 2017 to promote veganism. While working as a model and entertainer, he also provides information on vegan products, stores, and lifestyles via social media under his brand, Vegan Prince. After being named Ocean Ambassador in 2019, he leveraged the personal networks he had established in Japan's entertainment industry to launch a vegan consulting business in 2020. Employing more than 100 vegan influencers and 100 non-Japanese social media influencers, Derycz is developing a business that includes public relations and vegan-related consulting and collaborative product planning and development with influencers.



Please refer to the following website for Alex Derycz's appearance in June 2016 (Japanese only).
www.to-mare.com/tf/2020/s001.html





A vegan diet is great for your health as it lets you eat plenty of vegetables while offering satisfactory substitutes for meat. I don't think that there is any other way to contribute to the environment that is so enjoyable.


Hiroko Uezono
Soka Call Center
Epos Card Co., Ltd. (joined in 2004)

despite not using eggs. I think that the taste of vegan food is a simple yet legitimate path to veganism.

Derycz: It looks like everyone has their own path to veganism.

Ishii: We have launched a new section on the MARUI GROUP community site in which employees are able to post YouTube-style views based on the theme of the United Nations Sustainable Development Goals. A call went out asking people to submit videos, and I volunteered out of my desire to spread awareness of the appeal of eco-friendly vegan food. I was chosen and was able to talk about veganism as part of the first wave of videos!

Derycz: That is wonderful. I think that such efforts have a lot of meaning because there are so many people who are uninformed or misinformed about veganism.



Please refer to the following website for community site videos (Japanese only).

www.to-mare.com/ytube/

Option of Veganism Available to Future Generations

Ishii: Veganism is primarily thought of in terms of food, but it is actually a lifestyle that rejects all animal-derived products, whether they be clothing or other items. Mr. Derycz, how does your veganism influence your life in areas other than food.

Derycz: If we look at fashion, for example, the majority of items, such as leather coats, shoes, and belts, are made from animals. Wool and silk also come from animals. Lately, sustainable vegan

fashion, or fashion that does not use animal materials, is gaining popularity. One example would be the shoes I am wearing right now—they are made of cork.

Ishii: Cork? You mean like a wine cork?

Derycz: The very same. My belt too is made of cork, even though it looks like leather.

Uezono: I never would have thought that was cork. It looks very fashionable.

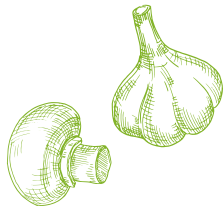
Derycz: Using eco-friendly materials to make clothing, belts, and accessories is a way to enjoy fashion while contributing to the environment, feeding two birds with one scone, if you will.

Uezono: Speaking of fashion, back when furs were in style, I remember collecting a number of animal products, ranging from fox, to raccoon dog, and even alligator. I wish I had recognized these issues earlier as I now regret how I contributed to the problem back then.

Ishii: A lot of people in their 20s are actually using vegan products in ways that might not always be apparent. For example, I use vegan cosmetics. Recently, using cosmetics that are not tested on animals is coming to be seen as something fashionable.

Derycz: It is just as you say. Cruelty-free products* are coming to be regarded as fashionable while also having less adverse impacts on the environment, meaning that they can be purchased with peace of mind.

* Products and their source materials that were not tested on animals during the development or manufacturing processes



Diverse Lifestyles

Ishii: MARUI GROUP began charging for shopping bags in July 2020. I think it was the rise in environmental awareness that prompted this move. Vegan foods also started appearing in supermarkets around that time. I hope that we are able to involve more people in the drive to spread awareness regarding veganism through venues such as the videos posted on our community site.

Derycz: I suspect that there are many people within MARUI GROUP who are interested in veganism like you two. Do you have any plans to launch vegan-related initiatives within the Company?

Ishii: We are planning vegan-related initiatives as part of our business. Personally, though, I want to introduce vegan meals into the menus of company cafeterias. Even meat lovers like me can help preserve the environment by eating vegan once a day, or even just once a week. If everyone at MARUI GROUP were to do this, the benefits would be massive.


Derycz: When considering embracing veganism, some people think they need to take an “all or nothing” approach. However, I believe your approach, Ms. Ishii, is just fine. You can just eat vegan more often or maybe make one day a week a vegan day. It is okay to adapt the lifestyle to meet your needs. There are actually a lot of people who don't eat vegan at work, but are fully vegan at home.



Even meat lovers like me can help preserve the environment by eating vegan once a day, or even just once a week.

Rie Ishii
Bag Sales Floor, Shinjuku Marui Main Building
MARUI CO., LTD. (joined in 2019)
(As of August 2020)





A video of this conversation is available on MARUI GROUP's community site (Japanese only).

www.to-mare.com/tf/2020/i001.html



Development of Autonomous Organizations That Continuously Produce Innovation

MARUI GROUP's corporate philosophy of striving to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company" inspires us to view companies as a platform for the growth of their employees. We are therefore fostering human resources who are accepting toward one another, regardless of their age, gender, lifestyle, or sexual preference, and who can support our business model of co-creating happiness. We adopted a unique pure holding company system in 2007, granting our more than 5,000 employees access to shared Groupwide human resource systems. This move made it possible to realize such systems as intra-Group company profession changes and Groupwide project teams open to voluntary participation. To accelerate its business merging retailing, fintech, and now co-creative investment, MARUI GROUP is transforming its corporate culture based on three points. Through these transformations, we aim to develop autonomous human resources and a corporate culture founded on communication that can facilitate the continuous production of innovation via means such as co-creation with start-up companies.

Corporate Culture Transformations Enabling New Business Strategies

Ongoing growth by today's companies requires them to be able to respond to sudden operating environment changes by constantly evolving their business models and structures after they have become obsolete. However, changes in business strategies will prove ineffectual if the corporate culture that drives those strategies remains the same. Corporate cultures should not be built on the commitment of management but should rather be shaped from the bottom up by the autonomous action

of employees. The shaping of such corporate cultures takes place naturally over long periods of time, and this process requires creativity. Accordingly, there is no order or instruction that can stimulate this process. For this reason, we feel that corporate culture transformations should be spurred in conjunction with business strategies after having taken the time to cultivate the necessary foundations.

Mathematical Relationship Between "Corporate Cultures" and "Business Strategies"

New Business Strategies



Improvement of Corporate Value

New Corporate Cultures

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

MARUI GROUP's profession change system is a unique human resource system that is shared throughout the Group and that allows for relocations between the Company and 12 Group companies. This system enables employees to experience a wide range of businesses, including retail at stores, IT, logistics, and credit card services through a program that is almost like changing one's profession. We have been promoting this system since April 2013, and 2,626 employees, or 61% of our entire employee base, had undergone profession changes as of April 1, 2020. A survey of employees that had undergone profession changes conducted in November 2016 revealed that 86% of such employees felt they had experienced personal growth after the change, indicating that this system is contributing to the cultivation of highly resilient employees.

The longer one works in the same position, the more they will be susceptible to being trapped in the preconceptions of that position. Being placed in a new profession, however, can enable employees to escape preconceptions. Such transitions thus contribute to the growth of the employees undergoing profession changes as well as to transformations in the new workplaces in which they are placed. Moreover, cross-Group relocations form connections throughout the Group, contributing to the enhancement of integrated Group management.

Going forward, we will complement these relocations by ramping up the secondment of employees to co-creative investees and other companies. We thereby aim to foster human resources that are adept at responding to change along with a corporate culture founded on open communication that is a fertile ground for innovation.

Number of Employees Changing Positions Between Group Companies

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees changing positions (aggregate)	1,418	1,833	2,210	2,541	2,626
Ratio of employees changing positions (aggregate)	25%	34%	43%	52%	61%

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

Number of Employees Undergoing Secondment to Co-Creative Investees and Other Companies

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees undergoing secondment (aggregate)	0	1	9	19	35
Number of companies receiving seconded employees (aggregate)	0	1	6	12	17

MESSAGE FROM AN EMPLOYEE

One of the human resource policies under MARUI GROUP's business model merging retailing, fintech, and co-creative investment is the cultivation of co-creative human resources. We therefore must develop frameworks for fostering human resources who, armed with a deep understanding of our core values, are able to create new businesses. Our ultimate goal is to develop a corporate culture in which co-creative human resources influence those around them, generating a virtuous cycle in which their actions lead to the development of new co-creative human resources, who in turn stimulate the growth of additional co-creative human resources. We began seconding employees to D2C brand and other strategic companies in 2018, and approximately 40 employees have undergone secondment over the roughly three years that followed. When these employees return to the Company, they actively apply the lessons learned through their secondment from the perspectives of both business and corporate culture. Some employees are seconded primarily to facilitate co-creation activities. By positioning these employees in divisions in fields relevant to their secondment upon their return, they can continue to promote co-creation from within the organization to accelerate our co-creation initiatives. Furthermore, the venture company perspectives these employees bring back with them are being incorporated into organizational management to co-create a new work communication culture.



Masami Endoh

Chief Manager
Human Resources Section
Human Resources Department
MARUI GROUP CO., LTD.

POINT | 2

Autonomous Organization Founded on Voluntary Employee Participation

Over the more than a decade since the Company underwent a management crisis in 2007, we have continued to promote a culture of voluntary participation by employees. Undertaking a new endeavor or creating something completely new can place a great burden on employees. The potential to create innovation is much greater when an employee has chosen to tackle such a challenge of their own volition, as opposed to being ordered to do so by supervisors. It is for this reason that MARUI GROUP has established Groupwide project teams and the Medium-Term Management Visionary Committee, which function as forums

for discussion of important management themes. Employees, who are the main driving force behind our business, can participate regardless of their age and rank. With each iteration, the number of applicants greatly exceeds the number of available slots, and we have thus chosen to select members based on essays. Furthermore, as all Group employees are provided access to the same human resource systems, employees from across the Group can apply, and those selected can participate in meetings during workhours from wherever they work in Japan.

Groupwide Project Teams Encouraging Autonomous Thought and Action

Members selected for Groupwide project teams discuss the given themes together with their colleagues and propose ideas over a period of one year, and take the knowledge and ideas learned while on the project teams back to their workplaces. This insight is used to formulate and implement action plans for shaping the business and work styles of their workplaces. Project members are changed on an annual basis, producing a new set of autonomous employees with increased knowledge and awareness each year and fostering a corporate culture that is conducive to business innovation. In the fiscal year ending March 31, 2021, project team activities will include a combination of online and offline events.



Please refer to the following website for details.
www.0101maruigroup.co.jp/en/sustainability/theme02/development_01.html



Diversity & Inclusion Project Team

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



Wellbeing Promotion Project Team

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



Masaki Kimoto

Wellbeing Promotion Project Team Member
 MARUI Fulfillment Department
 Solutions Business Division
 MOVING CO., LTD.

MESSAGE FROM AN EMPLOYEE

I applied for the Wellbeing Promotion Project Team because the Misato Web Sales Distribution Center, where I work, ranked among the worst 10 in the Group in the stress check conducted in 2019. I volunteered because I figured that involvement in the project team would give me insights into how we could reform our organization. In the project team activities, Dr. Reiko Kojima, a company physician and general manager of the Wellbeing Promotion Department, held a lecture teaching us how to manage energy related to the body, mood, mental state, and thinking. This lecture was easy to understand and very interesting, and I learned a lot. Apparently, Dr. Kojima has been giving this lecture since the inception of the Wellbeing Promotion Project Team, which is probably why wellness management is such an entrenched concept at MARUI GROUP. This lecture made me more committed to fully engaging with both my work and my family and enabled me to respond more positively to challenges. I am currently focusing my efforts on future generations. I want children to be able to learn and experience the fun and motivation of working so that they will have big dreams for the future.



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

The Medium-Term Management Visionary Committee is an internal forum for discussing various topics that will be important to the future of Group management. Discussions are not limited to in-house personnel as external experts are also called to give lectures. At both online and offline events, active discussion is conducted among the roughly 300 members that are selected from the 1,000–1,500 applications received from employees of various ranks and divisions for each iteration.



Future View by kono yubi to-mare

MARUI GROUP posts summaries of the lectures by external lecturers conducted at meetings of the Medium-Term Management Visionary Committee

on its community site. We invite you to learn about the future course of MARUI GROUP through the maxims of experts shaping the future.



Please refer to the following website for summaries of the lectures by external lecturers (Japanese only).
www.to-mare.com/fv/

Committee Meeting Discussion Topics in 2019

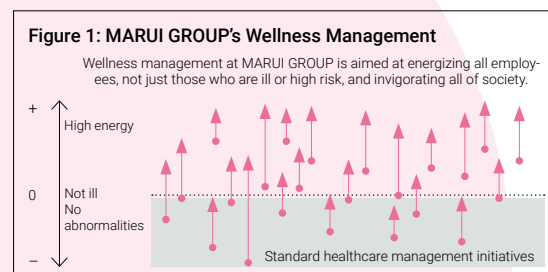
Feb.	Happiness x AI—Lecture by Dr. Kazuo Yano, Fellow and Director and Happiness Project Leader of Future Investment Division of Hitachi, Ltd.
Mar.	Venture Companies and New Businesses Viewed from the Perspective of Venture Capital—Lecture by Soichi Tajima, CEO and General Partner of Genesia Ventures, Inc.
Jun.	Financial Inclusion through Insurance—Lecture by Tooru Ushiroda, Representative of Office Baton Insurance Consultation Office
Jul.	Background for Direct-to-Consumer Brands, Physical Stores in a Digital Society, and Retail as a Service—Lecture by Yuichiro Mori, CEO/Founder of FABRIC TOKYO Inc.
Oct.	Japan's First Employee-Driven Effort to Source 100% of Electricity from Renewable Power with Visibility of Producers: Familiarity with the SDGs through the World's First Venture Combining Power and Blockchain—Eiji Oishi, Representative Director CEO of Minna-denryoku, Inc.
Nov.	Equal Opportunities Offered through Financial Access—Lecture by Taejun Shin, Co-Founder, Representative Director & CEO of Gojo & Company, Inc.
Dec.	Activity report by ultralong-term management research committee—Report by Yutaka Matsuo, Professor from the Department of Technology Management for Innovation; Artifacts, Center for Engineering; Graduate School of Engineering, Tokyo University; and Yoshiaki Ishikawa, Co-Founder and Executive Vice President of Campus for H Inc.
	Development of a Comfortable Society That Bridges the Gap Between Ideals and Reality—Lecture by Shoji Marukawa, Representative Director of Nature Innovation Group Co., Ltd.
	Panel discussion by employees having undergone profession changes or secondment

Committee Meeting Discussion Topics in 2020

Feb.	Businesses That Contribute to Sustainable Societies—Lecture by Akihiko Nagata, Executive Vice President and Head of the Healthcare Company at euglena Co., Ltd.
Mar.	Forum for sharing information on activities of the Wellbeing Promotion Project Team
Jun.	Life After the COVID-19 Pandemic: How to Realize Ideals and Happy Living—Lecture by Yoshiki Ishikawa, Representative Director of Well-being for Planet Earth Foundation
Jul.	Panel discussion by employees having undergone profession changes or secondment and work forum
Aug.	D2C Brands Shaping the Future—Lecture by Yasuhiro Sasaki, Director and Business Designer of Takram Inc. and Yuichiro Mori, CEO/Founder of FABRIC TOKYO Inc.
Sep.	Co-Creation with the Future Generations That Will Shape the Future—Lecture by Yusuke Mizuno, Representative Director and CEO of Life is Tech, Inc.
	Investor relations information sharing forum

Wellness Management Energizing Employees and Improving Happiness

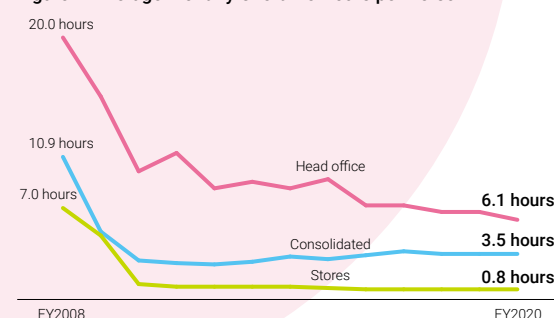
The goal of MARUI GROUP's wellness management is not just ensuring that all of our employees are healthy; we aim to make all of society a happier place by creating new value from the perspectives of wellness and well-being. Wellness management has been positioned as an important element of our strategies under the medium-term management plan and is thus being practiced on a Groupwide scale through coordination between the Wellbeing Promotion Department and MARUI GROUP's health insurance union (see Figure 1).



Work Style Reforms Creating a Venue for Contributions of All Employees

Recognizing that healthcare management is one facet of work style reforms, MARUI GROUP has been advancing reforms pertaining to work hour management and work system diversification since 2008. As a result, average annual overtime hours decreased to 42 and average monthly overtime decreased to 3.5 hours in the fiscal year ended March 31, 2020, representing notable increases in productivity (see Figure 2).

Figure 2: Average Monthly Overtime Hours per Person

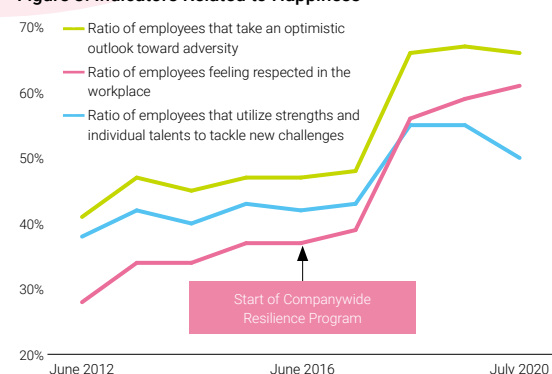


Wellbeing Promotion Project Team and Resilience Program

Established in 2016 as an official Groupwide project team, the Wellbeing Promotion Project Team is now in its fourth year. In the first and second years of its activities, this project team primarily focused on spreading awareness and understanding of wellness management. In its third year, this project team extended its activities to outside of the Company. The fourth year of this project team's activities kicked off in the midst of the COVID-19 pandemic. Members are thus highly motivated to make contributions from the perspective of wellness and well-being, and they continue to pursue this goal through a process of trial and error together with various stakeholders. The project team members received strong support from senior managers who have participated in the Resilience Program, which targets officers and managers. These managers are incredibly understanding of the autonomous activities of project team members, and they offer proactive support. As of September 2020, approximately 100 officers and managers had taken part in the Resilience Program, enabling them to better support internal wellness and well-being activities.

As a result of these activities, we have since seen massive improvements in self-efficacy and other indicators related to happiness in Companywide surveys. Specific items for which scores have improved include "I take an optimistic outlook toward adversity," "I feel as though I am respected in the workplace," and "I utilize my strengths and individual talents to tackle new challenges" (see Figure 3).

Figure 3: Indicators Related to Happiness



Members of Fourth Wellbeing Promotion Project Team

Self-Care Training

MARUI GROUP conducts a variety of self-care training programs, including one that stresses the diverse thought patterns of people and how awareness of this fact and different perspectives can prevent mental health issues. A characteristic of this program is how workplace supervisors play a central role while employees teach one another. To date, a total of 5,400 employees have taken part in these programs, representing more than 80% of all full-time employees (see Figure 4).

Improvement of Organizational Engagement through Stress Checks

The results of organization analyses via stress checks are being used to institute targeted measures aimed at items identified as important for specific workplaces (items that will contribute to improve work engagement). Committees are assembled to examine the results at individual workplaces so that each workplace can take proactive measures to address any issues. These efforts have led to four consecutive years of improvements in stress and work engagement scores (see Figure 5). In addition, 24 workplaces have volunteered to conduct two stress checks a year. Almost all of these workplaces showed improvements in the second check, with lower stress and higher work engagement (see Figure 6). Successful measures will be shared throughout the Company in the future to energize other workplaces.

Translation of Psychological Capital into Corporate Value

Energizing employees is of utmost importance to improving corporate value. One facet of MARUI GROUP's efforts for energizing employees is to track employee happiness. With the help of Hitachi, Ltd., we began measuring data on the movements of employees' bodies using the sensors installed in their smartphones to measure their degree of happiness. Employees use this data to change their behavior while assessing the types of work styles that contribute to improved scores. After a three-week experiment on raising the happiness score of employee teams, we administered surveys to employees to measure their psychological capital.*² These surveys showed a 0.27 percentage point increase in psychological capital. Analyses based on massive quantities of data have found that this improvement translates to a rise of 5.3% in operating income (approximately ¥2.1 billion).

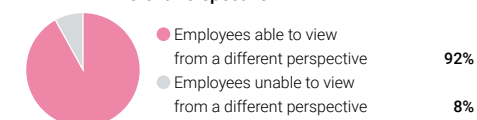


Members of happiness tracking project

These wellness management initiatives have been highly evaluated, resulting in MARUI GROUP being included in the Health & Productivity Stock Selection arranged by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years. In addition, the Company has received the highest rank of A in Development Bank of Japan Inc.'s DBJ Employees' Health Management Rated Loan Program.

*² Indicator proposed by U.S. management researcher Fred Luthans that represents employees' work confidence and overall positivity and that correlates with business profitability

Figure 4: Employees Able to View Their Thought Patterns from a Different Perspective

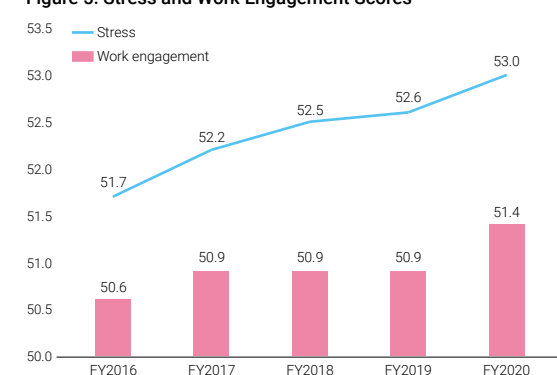


Employees Deepening Their Understanding Regarding Self-Care



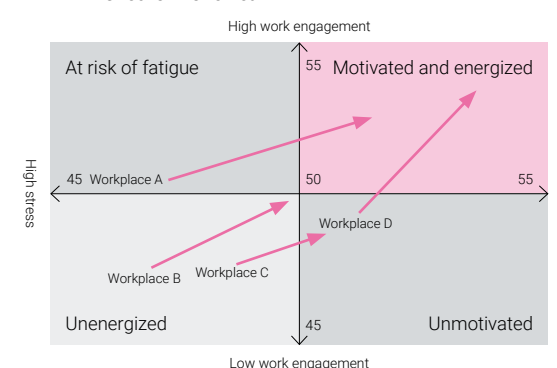
Note: Based on September 2020 employee survey

Figure 5: Stress and Work Engagement Scores*¹



*¹ The nationwide average is 50.0. Larger figures represent more favorable results.

Figure 6: Changes at Workplaces After Conducting Two Stress Checks in One Year

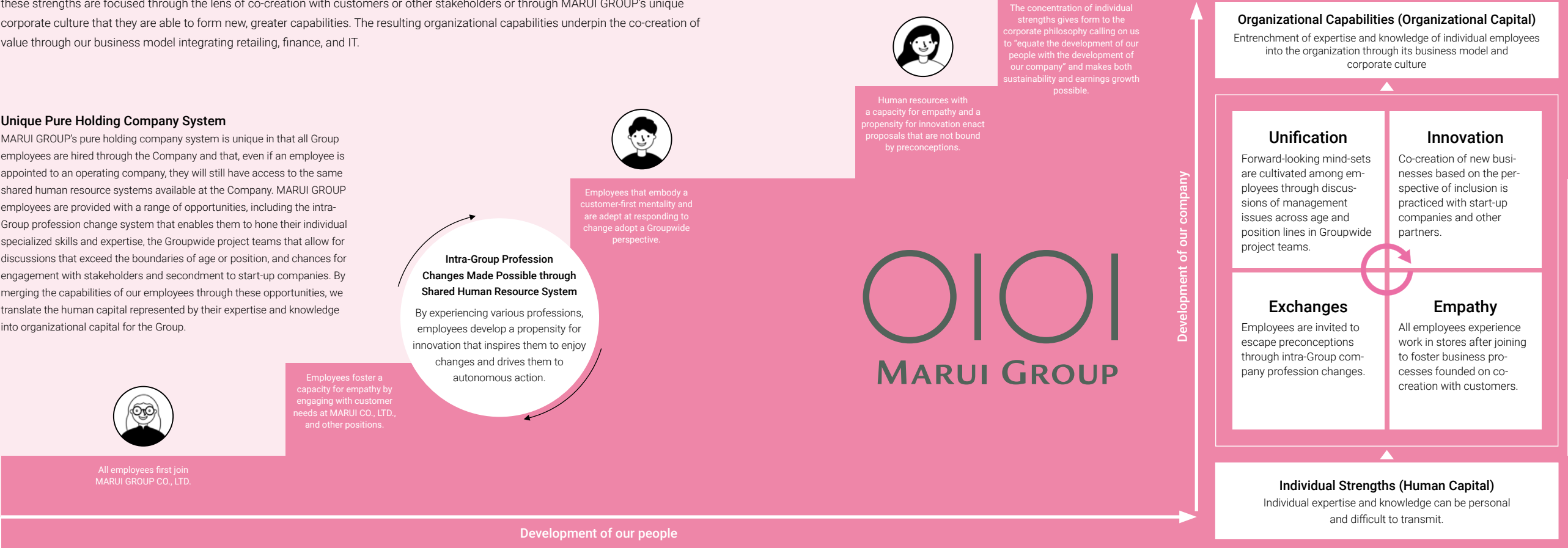


Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction

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

Unique Pure Holding Company System

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



EMPATHY

Capacity for Empathy

Ability to comprehend the position of others and build shared understanding to be more sympathetic to them

- Love of people and bringing joy to them
- Drive to understand the thoughts and pain of others
- Desire to work for the benefit of others

INNOVATION

Propensity for Innovation

Drive to autonomous thought and action

- Ambition to continue growing by setting goals and learning
- Aspiration of tackling unprecedented challenges

Ability to find joy in changes and differences

- Positivity required to detect changes in society and the environment and to change oneself in response
- Receptiveness toward diverse perspectives and opinions



REIKO
KOJIMA



YOSHIKI
ISHIKAWA

HIROSHI
AOI



Happiness Arising from Well-being Amid the COVID-19 Pandemic

The idea that physical and mental health is intrinsically linked to happiness is at the heart of the concept of well-being. As we are pressed to reassess our values amid the global COVID-19 pandemic, the concept of well-being is gathering attention. In July 2020, President Hiroshi Aoi and MARUI GROUP's own Dr. Reiko Kojima spoke with Yoshiki Ishikawa, a leading well-being researcher and an advisor at the Company, on the topic of how to achieve happiness in the new era.

Values Spreading Among Millennials

Aoi: A lot of talk of stakeholder capitalism has been taking place since 2019, representing the rise of a new sense of value that prioritizes contributions to the interests of all stakeholders, a shift from the approach of solely focusing on shareholder interests. During the process of examining the interests of stakeholders, we couldn't help but wonder just how many people are satisfied purely by having their monetary interests accommodated. Monetary interests are, of course, something we need to address. However, we are also expected to provide value that cannot be measured monetarily. This statement is backed by data showing that around 60% of millennials expect companies to place the resolution of social issues above the pursuit of profit. This belief, which is antithetical to the prior approach of shareholder capitalism, has been spreading rapidly in recent years. This trend serves as the backdrop for the recent focus on well-being.

Ishikawa: I have only been promoting well-being in Japan for just about two years. At first, this idea was met with question marks, but it has since spread rapidly. This is perhaps due to younger generations coming into power. For example, the presence of millennials is increasing among shareholders and venture capital firms. In fact, it is likely that millennials will become the main proponent driving society by around 2025. Sustainability, diversity, and, yes, well-being are all values that millennials have grown up with.

Aoi: Ah, so the value that we had noticed, but previously been unable to name, was well-being.

Ishikawa: In the past, society has stressed a single path to success, underscored by the idea that good lives come from working at good companies and going to good schools. My generation grew up amid the last breaths of this view. People younger than me, on the other hand, are more interested in finding the lifestyle that they personally think is best. Hardly any of them are obsessed with becoming rich at all costs. This is understandable considering you don't need to be rich these days to be happy. People can afford most things.

Aoi: I think that people who have fully sated the desires for physical things that can be satisfied with money will find themselves starved for things money can't buy. This hunger arises from a sense of external pressure that restricts and prevents one from feeling free. This pressure could be seen as associated with the desires of younger generations for things like diversity, sustainability, and well-being.

Ishikawa: Up until now, the idea of capitalism was seen as absolute. The children of today, however, probably do not agree. We cannot help but wonder what the right way to live is. In the past, people wanted expensive things. Today, they are seeking something more pragmatic. One company I am looking at in this regard is HAIR O'RIGHT INTERNATIONAL CORPORATION.

Aoi: We have one of their stores in Yurakucho Marui.

Ishikawa: One tube of O'right toothpaste costs about ¥3,200. People might initially be put off by the price, but they will soon realize the value as this toothpaste is made from 100% recyclable materials and is good for their health in addition to the environment. In fact, it is made entirely from food. Considering that, we could almost say that ¥3,200 was the right price for



Well-being could be seen as an indicator that hints at the possibility of future social unrest. Well-being is therefore of utmost importance to ensuring medium-to-long-term stability in management.

Yoshiki Ishikawa, PhD

Representative Director
Well-being for Planet Earth Foundation
Advisor
MARUI GROUP CO., LTD.

Born in Hiroshima in 1981, Yoshiki Ishikawa is a preventative medicine researcher with a Doctor of Medicine, which he received from Jichi Medical University after graduating first from the School of Integrated Health Sciences in the Faculty of Medicine at the University of Tokyo and then from the Harvard School of Public Health. He is now the representative director of the Well-being for Planet Earth Foundation and is engaged in interdisciplinary research on what constitutes a good life together with companies and universities. He specializes in fields such as preventative medicine, behavioral science, computational creativity, and conceptual engineering and has written books on the subject of fulfilling lives.

toothpaste and that the stuff we have been using up until now has been too cheap. I suspect that the people of the future will be drawn to more sustainable and virtuous options.

Aoi: You touch on something incredibly important there. On the subject of sustainability, the biggest topic of late has been France's Danone S.A., which rewrote its articles of incorporation to define the company as an *entreprise à mission* (company with a mission). French corporate laws apparently are also changing to require companies to do more than just generate profit. Danone's rewriting of its articles of incorporation was a response to this regulatory change. It also looks like Danone has established a Mission Committee with a positioning similar to that of the board of directors at a standard company. If the company wants to do something that goes against the interests of shareholders, they have to get approval from the Mission Committee.

Importance of Well-being for Both Society and Companies

Kojima: You mentioned younger generations coming into power a little bit ago, Mr. Ishikawa. One change I have noticed is that, in the past two years, we have had three employees join who cited their reason for joining as a desire to participate in the Wellbeing Promotion Project Team.

Ishikawa: That is amazing. A little while ago there was a company in which employees were forced to telework for a period. When deciding the approach to be taken going forward, a younger employee suggested, to the president no less, that they only go to the office if there was a reason warranting a visit. This statement was founded on the belief that it should be the employee, not the company, that chooses the work style best for them. This story made me realize that we are entering into an era where people have more power than companies.

Kojima: The members of the 2020 Wellbeing Promotion Project Team helped plan an online school festival at a high school located near our head office in place of the regular school festival that they were unable to hold because of the COVID-19 pandemic. Rooted in this project was the belief that happiness comes from bringing joy to someone else, whether they be from within or outside of the Company. In other words, what these employees craved was not some expensive car, for example; it was to bring joy to as many people as possible. Regardless, when I talk about MARUI GROUP's wellness and well-being management practices at times such as when giving lectures at other companies, I still have people ask me how these efforts improve profits.



We were also concerned that the restrictions imposed in response to the COVID-19 pandemic would diminish employees' passion for work, but the result was the exact opposite.

Reiko Kojima
Executive Officer
Company Physician
General Manager, Wellbeing Promotion Department
MARUI GROUP CO., LTD.

Ishikawa: One way I can think of is cost reductions, as such efforts would have a large impact by lowering recruitment and branding costs. Moreover, chronically "low happiness" can cause political and social unrest after enough years. The fall of the Soviet Union is one example of this, as is the United Kingdom's decision to leave the European Union. For this reason, well-being could be seen as an indicator that hints at the possibility of future social unrest. Such unrest does not result in decreased happiness. It is the decreases in happiness that leads to this unrest. The same can be said of companies. If we look at individual departments in a company, a department where well-being and happiness continue to decrease is incredibly likely to have some issue down the line. Well-being is therefore of utmost importance to ensuring medium-to-long-term stability in management.

Changing Use of Time and Money Stemming from the COVID-19 Pandemic

Ishikawa: An important element of well-being is how people spend their time and money. When comparing different decades, we will see a clear change in how money is used.

Aoi: I definitely agree that the way people spend their time and money is changing. This is probably mostly due to the change in how time is used, which is giving rise to new ways of using money.

Ishikawa: Some people talk about how they allocate their money based on how they use their time.

Aoi: Like how people who spend a lot of time at home also spend a lot of money on their home.

Ishikawa: Exactly. It was suggested that, if you spend one-tenth of your time awake in transit, you should spend one-tenth of your money on transportation. This idea clicked with me. Whether time or money is well spent may depend on the values of the spender, but I think that this approach toward spending is in line with the times.

Kojima: You mean they should spend their money on well-being.

Ishikawa: The COVID-19 pandemic has changed people's values. People are now focusing on how best to spend their money in their more limited life spaces. In this regard, I would like to



This belief, which is antithetical to the prior approach of shareholder capitalism, has been spreading rapidly in recent years. This trend serves as the backdrop for the recent focus on well-being.

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

talk about the weekly well-being surveys conducted in the United Kingdom. Every week, the United Kingdom polls 2,000 randomly selected individuals on their levels of happiness and satisfaction. The results of recent surveys have been incredibly interesting. Happiness and satisfaction have been falling for the past decade, but for some reason they jumped up following the lockdowns. I am sure that there are some people who are suffering under these conditions, but, on the whole, the people are happier and more satisfied. The reason is still unclear, but I think it might have something to do with the fact that capitalism has long brainwashed us into believing that money would buy us more free time. However, with their living spaces greatly restricted, when it came to doing something, the people of the United Kingdom were forced to reevaluate what was truly important to them.

Kojima: We were also concerned that the restrictions imposed in response to the COVID-19 pandemic would diminish employees' passion for work, but the result was the exact opposite. Scores related to work engagement and stress have improved over last year in the stress checks that are taken by almost all employees.

Ishikawa: This is just a theory, but I think the restrictions have made it easier for people to focus on the moment. Up until now, it was easy to be preoccupied with the future, always seeking more. This "more is better" mentality may have been replaced with "less is more."

Aoi: If we look at that idea in a slightly more abstract way, it could be seen as a form of harmony. The prior preoccupation with more, after all, did not allow for harmony.

Ishikawa: Happiness is an incredibly abstract notion. However, I think it boils down to how much joy you can find in your daily routine. For example, I used to hate washing dishes. My hands got chapped and it was boring. Realizing this was a problem, I put a portable speaker in the kitchen. When I first tried washing dishes while listening to music, I could not help but wonder why I did not think of listening to music in the kitchen much earlier.

Kojima: It is often said if you change your mind, your behavior will change; if you change your behavior, your habits will change; if you change your habits, your personality will change; and if you change your personality, your life will change. The current era might be the timing at which people decide to undertake such changes.