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# CO- CREATION

*with you*

CO-CREATION MANAGEMENT REPORT 2020

MARUI GROUP CO., LTD.

The Number of Forward Days for Future Generations

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THE WORLD IS CHANGING

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## Once-in-a-Millennium Paradigm Shift

We are currently in the midst of a once-in-a-millennium paradigm shift. The economic growth sparked by the industrial revolution has created great physical wealth. At the same time, the era that followed the industrial revolution has been characterized by mass production and consumption, which in turn has led to a myriad of issues on a global scale. These issues include rampant waste; resource depletion; global warming and other forms of climate change, which is being accompanied by increasingly frequent extreme weather events; and rapid global demographic changes. Meanwhile, technology is developing in a manner that is subdividing the landscape into various specializations, fueling swift progress in digital technology fields such as artificial intelligence (AI) and the Internet of Things (IoT). A diverse range of options are being made available to society as a result of this progress, and these options are driving the diversification of the values of people and the types of happiness they seek. Furthermore, the global COVID-19 pandemic has created a situation in which conventional business models presuming stability and predictability have ceased to be effective. Amid this great upheaval, humanity is faced with the need to update its way of thinking.

Placed now at the crossroads of history, MARUI GROUP continues to emphasize its commitment to promoting harmony and the expansion of the intersection between the interests and happiness of six groups of stakeholders, which include future generations. We are motivated by our mission of contributing to co-creating a flourishing and inclusive society that offers happiness to all, which prompted us to put forth a long-term vision of harnessing the power of business to build a world that transcends dichotomies. This vision, however, cannot be realized by MARUI GROUP alone; we will need to pursue this vision through co-creation with all of our stakeholders. MARUI GROUP invites all who agreed with its aims to join hands with us in shaping a happier future.

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Richard Buckminster Fuller, one of the 20th century's leading engineers, proposed a unique resolution to the global-scale issues we face. In his book, *Operating Manual for Spaceship Earth*, which was written roughly 50 years ago, Fuller relates the earth to a spaceship with finite resources. This book could be seen as a gift, a letter so to speak, to us, the members of humanity living half a century after its publication. From this manual, we can glean hints on how to effectively pilot this "Spaceship Earth" in a manner that will enable us to sustain life on board.

Fuller, in his book, states that "living only on our energy savings by burning up the fossil fuels which took billions of years to impound from the Sun or living on our capital by burning up our Earth's atoms is lethally ignorant and also utterly irresponsible to our coming generations and their forward days." His words cast light on the ignorance people have demonstrated toward the limitless energy of the sun and wind, berating this ignorant humanity as being irresponsible toward future generations. Fuller's eyes were always turned toward the future. His idea for the actions we should take is clear in his definition of "wealth," which is as follows:

# The Number of for Future

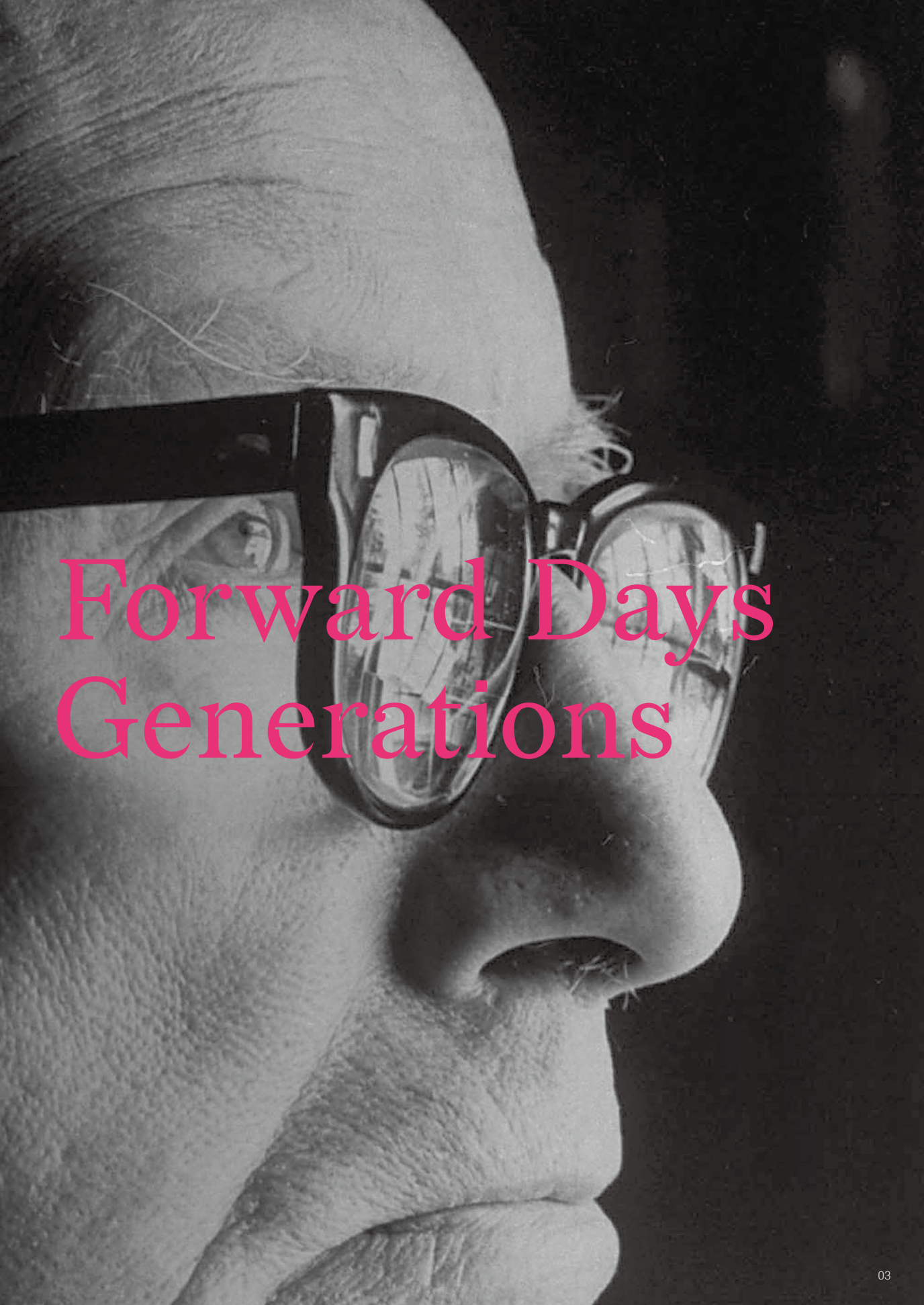
Wealth is the number of forward days we are physically prepared to sustain for future generations.

"Now we can account wealth more precisely as the number of forward days for a specific number of people we are physically prepared to sustain at a physically stated time and space liberating level of metabolic and metaphysical regeneration."

**Richard Buckminster Fuller**

*Operating Manual for Spaceship Earth*





# Forward Days Generations



R I C H A R D


B U C K M I N S T E R

F U L L E R ' S L E T T E R

T O F U T U R E

G E N E R A T I O N S





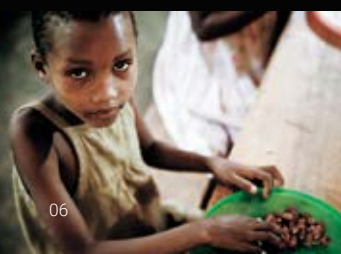
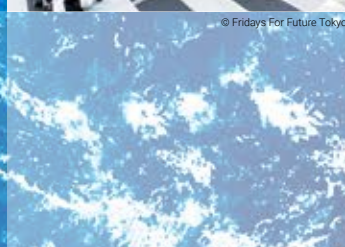
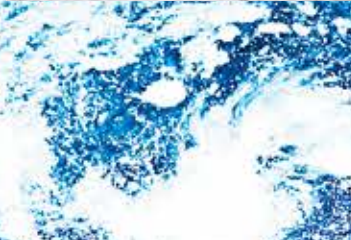
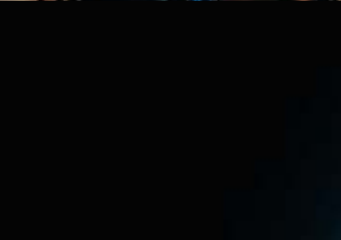
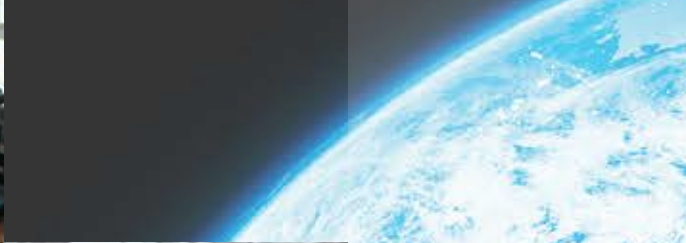
## Metaphysical Wealth for Increasing the Number of Forward Days for Future Generations

Having defined wealth as the number of forward days we are physically prepared to sustain for future generations, Fuller goes on to divide the concept of wealth into two constituents, the physical, or finite resources, and the metaphysical, or the knowledge and know-how of people. Metaphysical wealth expands the more it is used, through the experiments and experiences of people, and reciprocal stimulus effect generated through this process leads to explosive growth. Fuller used the word “synergy” to refer to this reciprocal stimulus effect. He also stated that we can increase our number of forward days by investing not only in our physical wealth but also in our metaphysical wealth, or our knowledge and know-how. These investments in metaphysical wealth translate to investments in intangible assets under today’s lexicon.

## Reemployment of Humanity’s Innately Comprehensive Capabilities

Another key part of Fuller’s message was the importance of humanity’s innately comprehensive capabilities. All animals, ranging from the birds of the sky to the organisms of the sea, are equipped with special capability-functioning tools. The superior creativity and imagination of humanity is its unique tool. These comprehensive capabilities are something that AI cannot mimic, no matter how much it may evolve. While AI may be able to beat a world champion at chess, it cannot create a unique game like chess. It is therefore important for humanity to reemploy its comprehensive capabilities, while borrowing the specialized capabilities of AI, to unlock the potential of metaphysical wealth. This message seems specifically aimed at the people of today, who are rushing to invest in intangible assets and resolve social issues through the use of digital technologies.







## POWER TO SHAPE THE FUTURE

# New Era for Society

With the move to transitioning to a low-carbon society and the advent of a digital society, the prior economic structure, which was focused on physical commodities and presumed mass production and consumption, is undergoing a massive transformation.

At the same time, as millennials are increasingly coming into positions in which they can shape society, we are seeing the birth of new businesses aimed at resolving various issues by harnessing the power of technology. Truly, we are entering into a new era of society.

### Ethical Responsibility Toward Protecting the Wealth of Future Generations

It is estimated that 1.7 earths would be required to accommodate the current pace of humanity's consumption of natural resources. In other words, the people of today are devouring the resources that will be needed by future generations, effectively robbing them of their future.

This overconsumption is accelerating global warming, creating a global crisis that is recognized by people across the planet, even managers and major financial institutions. Addressing this climate crisis is a matter of utmost importance.

The adoption of the Paris Agreement in 2015 represented a move in the opposite direction of the prior trend, signaling the start of movement to transitioning to a low-carbon society.

This movement gained momentum when young Swedish environmental activist Greta Thunberg stood before adult leaders from around the world to say figuratively that "our house is on fire." This message was underscored by literal forest fires in Australia and California. Forward-looking individuals across the globe were moved to action by Thunberg's words, which launched a global movement to combat climate change through demonstrations and other forms of activism. We, the people of today, have an ethical responsibility to protect the tomorrows of our children and to pass the shared wealth of Spaceship Earth onto future generations.



**Greta Thunberg**

Swedish Environmental Activist (currently 17)

"Since the climate crisis has never once been treated as a crisis, people are simply not aware of the full consequences on our everyday life... I want you to act as you would in a crisis. I want you to act as if our house is on fire. Because it is."

### Power of Digital Technologies to Empower Individuals

Technological innovations, such as IoT, big data, robots, and AI, are creating a society in which things, experiences, and actions are intrinsically linked, freeing us from some of the limitations that could not be lifted in the previous society focused on mass production and consumption. For example, previously idle assets, such as unused clothing and houses, can be put to effective use by utilizing data to match holders with prospective users. Meanwhile, blockchain technologies have made transactions of solar power and other forms of renewable energy even easier. A particularly impressive feat of technology was accomplished by Taiwan Digital Minister Audrey Tang. Together with a team of private-citizen engineers, Tang developed a map program that displayed locations at which masks could be purchased in a mere three days, providing peace of mind to the people of Taiwan amid the COVID-19 pandemic.

While there are some concerns regarding the digitization trend, we cannot deny that this trend is also providing us with a diverse range of options and that these technologies have the power to empower individuals. Digital technologies make it possible for people to fulfill their needs precisely and in a cost-efficient manner while also driving the creation of new businesses that cross industry lines to seek resolutions to the issues we face. Millennials are the largest proponents of the birth of such businesses. Engaging with the flexible thinking of this and future generations will no doubt be key to the transformation of society.



**Audrey Tang**

Digital Minister of Taiwan

"When we see 'Internet of Things', let's make it an internet of beings. When we see 'virtual reality', let's make it a shared reality."



# THE GREAT RESET

Around the time that Fuller published *Operating Manual for Spaceship Earth*, economist Klaus Schwab was advocating ideas that would form the basis for the concept of stakeholder capitalism.

This concept is garnering renewed attention in the midst of the COVID-19 pandemic, prompting us to question the best course as we are currently pressed to take swift action.

## Origin Traceable to Stakeholder Capitalism

Recently, the concept of stakeholder capitalism has been gaining traction in Japan. This concept was first advocated by German-born economist Klaus Schwab some 50 years ago. It was Schwab who founded the World Economic Forum in 1971, at a time when the world was divided into east and west by the Cold War. Schwab was also involved in the creation of the first Davos Manifesto, which, published in 1973, expresses that the goal of managers should be to "harmonize the different interests of the stakeholders" while also stating of management that "It must assume the role of a trustee of the material universe for future generations. It has to use the immaterial and material resources at its disposal in an optimal way. It has to continuously expand the frontiers of knowledge in management and technology." Up until then, prioritizing shareholders was the most common approach toward management. Schwab, however, proposed a different view of management that encompassed such concepts as stakeholder interests, future generations, immaterial and material resources, and knowledge. His view could be seen as representing the origin of the common perspective of today.

The 2020 Davos Manifesto, released at a time when the world was clamoring for a new definition of capitalism, called back to the 1973 manifesto by once again casting the spotlight on stakeholder capitalism.

## Start of the Great Reset

The outbreak of the COVID-19 pandemic accelerated the speed at which our lives are changing. The pandemic is showing no signs of decline, creating an ever-present sense of social and economic anxiety. U.K. Prime Minister Boris Johnson, having survived infection by the virus himself, expressed his appreciation toward the essential workers that are supporting healthcare infrastructure while exposing themselves to the risk of infection with the words "there really is such a thing as society." Johnson's words stress how we are all supported by our connections to society.

Realizing the need to rethink the world's socio-economic system, Schwab has set "The Great Reset" as the theme of the 2021 World Economic Forum summit. This decision highlights how we must think about how the economy can be redesigned around the happiness of people. This sentiment was echoed in the decision of Emmanuel Faber, chairman and CEO of major France-based food company Danone S.A., to make this company the world's first *entreprise à mission* (company with a mission), a new model for companies aimed at accomplishing goals other than just generating profit. Faber has expressed his desire to create a case study on how to strike a balance between creating value for shareholders and for other stakeholders. With the goal of moving our economy and society into a new phase, we are searching for a means of enacting a Great Reset.



"We have to see how we can create a world which is more cohesive, more inclusive, provide jobs for tomorrow, and create the necessary infrastructure, particularly for the next generations."

**Klaus Schwab**  
Swiss Economist  
Chairman of the World Economic Forum



## CONTENTS

# MARUI GROUP CO-CREATION MANAGEMENT REPORT 2020

- 12 Message from the President
- 20 **DIALOGUE 01**  
New Normal for Companies and Society Amid  
the COVID-19 Pandemic
- 24 MARUI GROUP's Vision
  - 24 MARUI GROUP's Co-Creation Philosophy
  - 26 Definition of Corporate Value
  - 28 Innovation and Evolution of Business Model
  - 30 Co-Creation Ecosystem
- 32 Co-Creation Ecosystem—Business
  - 32 New Business Model Integrating Retailing,  
FinTech, and Co-Creative Investment
  - 34 Co-Creative Investment Philosophy
  - 36 Co-Creative Investment—A-Side
  - 40 **DIALOGUE 02**  
Potential of D2C Brands as an Ecosystem
  - 44 Co-Creative Investment—B-Side
  - 48 MARUI GROUP's Value Journey of Continuous  
Co-Creation of Creditability
- 50 Co-Creation Ecosystem—Action for the Future
  - 50 **ACTION 01**  
Green Recovery Shaping the Future
  - 54 **DIALOGUE 03**  
Creation of Green Ecosystems through  
Power with Visibility of Producers
  - 58 **ACTION 02**  
Diverse Options for the Future of Food
  - 60 **DIALOGUE 04**  
Potential of Vegan Lifestyles





64	Co-Creation Ecosystem—Corporate Culture
64	Development of Autonomous Organizations That Continuously Produce Innovation
70	Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction
72	<b>DIALOGUE 05</b> Happiness Arising from Well-being Amid the COVID-19 Pandemic
76	Co-Creation Sustainability Management
78	Message from an External Director
80	Corporate Governance for Co-Creating Corporate Value
87	Risk Management
94	MARUI GROUP's 2050 Vision
96	Revision of Policies
98	Message from the CFO
100	Financial and Non-Financial Analysis by the CFO
104	11-Year Financial and Non-Financial Summary
106	Directors, Audit & Supervisory Board Members, and Executive Officers
116	Top 10 Characteristic Qualities of MARUI GROUP Officers
118	Overview of MARUI GROUP
120	MARUI GROUP Store Network
122	Ratings, Awards, and Recognition
124	Editorial Policy

Cautionary Notice regarding Forward-Looking Statements  
Performance forecasts and other forward-looking statements contained in this report represent the Group's best judgments based on information available at the time of this report's publication and therefore contain a degree of uncertainty. It is possible that actual performance could differ materially from these forecasts due to a variety of factors. Economic conditions, foreign exchange rates, and stock price movements are among the factors that could have a major impact on performance.

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

Stakeholders' desires include both interests that can be measured in monetary value and happiness, a form of value that cannot be measured monetarily. MARUI GROUP believes that there is an intersection between stakeholder interests and happiness that can be harmonized and expanded through an ongoing process of dialogue and co-creation advanced over the medium-to-long term. We therefore seek to contribute to both interests and happiness, as opposed to sacrificing one for the other.

⇒ Page 18

Theoretical Radar Chart of Interest and Happiness Value Sought by Stakeholders

### Inter-Company Co-Creation Ecosystem

MARUI GROUP is changing the course of its management to evolve into an intellectual creation company through investment in intangible assets. Our new business model integrating retail, fintech, and now co-creative investment is aimed at developing a co-creation ecosystem that contributes to happiness in all areas of our lifestyles, including clothing, food, housing, and entertainment. For details, please refer to "Co-Creation Ecosystem" on page 30.

⇒ Page 32

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

### New Initiative for Highlighting Diversity of Strengths and Sentiments of MARUI GROUP Officers

All of MARUI GROUP's 26 internal and external officers took the CliftonStrengths® assessment, which evaluated their qualitative characteristics, painting a picture of their strengths and diversity. A total of 20 of these officers were found to have the Maximizer® quality. Please refer to "Directors, Audit & Supervisory Board Members, and Executive Officers" on page 106 for information on this assessment as well as self-written introductions by officers and explanations of their personalities and sentiments.

⇒ Page 116

Top 10 Characteristic Qualities of MARUI GROUP Officers

# MESSAGE FROM THE PRESIDENT

**We seek to contribute to both interests  
and happiness, as opposed to sacrificing  
one for the other.**

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**Hiroshi Aoi**

President and Representative Director  
Representative Executive Officer, CEO

The global COVID-19 pandemic has been ravaging the world throughout 2020. Please let me extend my thoughts and prayers to everyone who has fallen victim to this virus or had their lives otherwise affected. We still do not have a vaccine or adequate treatments, and it is said that it could take anywhere from between 18 months and three years for this crisis to come to an end. The pandemic is already changing our lives, and the longer it continues, the greater the impact that it will have on society and the economy.

The world after the COVID-19 pandemic is not something we must predict, but rather something that will be shaped by our intentions today. Will we try to revive the world seen before the pandemic? Or, will we try to shape a new economy and society by rethinking our approach toward capitalism, which was

showing its limitations even before the pandemic? We are being urged to seize the opportunity created by the pandemic to undertake a Great Reset and formulate a new vision for the period after the pandemic.

MARUI GROUP is practicing management from a long-term perspective with the goal of promoting harmony between the interests and happiness of all of its stakeholders. We are therefore pressed to formulate a vision for how we will respond to the COVID-19 pandemic and for how we will approach the period thereafter.

Today, I would like to talk about the current impacts of the COVID-19 pandemic and our future outlook in this regard and our long-term course for after the conclusion of the pandemic.

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## COVID-19 Impacts and Future Outlook

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In the fiscal year ended March 31, 2020, revenue declined 2% year on year as the COVID-19 pandemic forced us to shorten store hours and drove down credit card use. Operating income, meanwhile, rose 2%, making for our 11th consecutive year of growth in operating income. Net income attributable to owners of parent also rose, for the ninth consecutive year, despite extraordinary losses incurred due to expenses associated with the pandemic. Moving on to the fiscal year ending March 31, 2021, our operations have been heavily impacted so far as Japan's state of emergency declaration, which was issued in April 2020, forced us to close nearly all of our stores for a period of roughly two months.

Closing stores for two months is quite unprecedented, with the only comparable instances in the nearly 90-year history of MARUI GROUP coming during and immediately after World War II. Accordingly, we are projecting year-on-year declines of 20% in revenue and 72% in net income attributable to owners of parent.

This outlook caused the Company's stock price to temporary drop by nearly 45% compared to six months prior. I apologize for the concern this volatility has caused for our shareholders and other investors. I would thus like to take a moment to explain our efforts toward stakeholders in relation to the pandemic and our future performance forecasts.



## Efforts Toward Stakeholders

When the Japanese government issued its state of emergency declaration in early April 2020, we made the decision to close all of our stores in a move to ensure the safety of our customers and employees. At the head office, we have been preparing for a transition to teleworking since 2019, and a teleworking system was thus immediately deployed throughout the office. We were thereby able to protect the safety of our customers and employees, but we at the same time found ourselves in a difficult situation with regard to how to accommodate our business partners. It was us who decided to close our stores. While our tenants cooperated with this decision, it meant that they too could not open their stores. This situation was compounded by the fact that around 80% of our tenants are small to medium-sized companies.

MARUI GROUP's officers were assembled to discuss what we could do for these business partners. We recognized the trouble they faced as the sudden state of emergency declaration had forced them to close their stores with no clear indication of when they could be opened again, no doubt creating issues in terms of funding. The idea of lowering rent was proposed, but we had no prior experience or standards based on which to determine the amount by which to reduce this rent. The possibility to halve rent, to share the burden of the situation equally with our partners, was put forth. However, as their income was zero over this period, it did not seem fair for us to receive even half of rent payments. Discussions were at a deadlock.

It was then that we were reminded of the importance of exercising the co-creation advocated by MARUI GROUP (see pages 24–27), especially given these difficult times. We thus decided to roll out a partnership enhancement campaign for overcoming the COVID-19 pandemic together (see page 93). One facet of this campaign was a complete cancellation of rent payments during the period of the store closures. However, this campaign was not without its concerns. Rent at MARUI GROUP differs from other commercial facilities, where rent is often tied to sales; the vast majority of our stores employ fixed rent fees, which are decided by contracts. Accordingly, a rent cancellation was tantamount to debt forgiveness. Such an act thus brought with it the risk of upsetting shareholders as, giving up on the rent revenues promised in contracts, would adversely impact their interests.

However, even though this move would result in large short-term losses, the stronger ties with our business partners had anticipated economic benefits over the medium-to-long term. We therefore endeavored to explain this fact to shareholders and other investors and to gain their understanding. Putting forth this idea at the Ordinary General Meeting of Shareholders, we were successful in earning the understanding of shareholders, and this understanding enabled us to cancel rent to the joy of stakeholders.

This measure had unexpected results, namely words of admiration being levied at employees. Apparently, our decision prompted

words of understanding and encouragement for our employees from family members, friends, associates, and customers. We were thereby able to foster a sense of solidarity and raise morale to propel us forward as we seek to overcome the pandemic.

This experience taught us how, in times of crisis, we are pressed to exhibit the true value of the principles we espouse and to demonstrate our commitment to these principles. We are now poised to enter the stage of full-fledged co-creation. With these important lessons at heart, we are fully committed to co-creating value together with stakeholders.

## Future Outlook

In the three months ended June 30, 2020, net income attributable to owners of parent dropped by more than 70% year on year. The primary reason behind this drop was the aforementioned cancellation of rent payments during the period of store closures. Conversely, operating income was up 1%. This outcome was due in part to relegating certain expenses to extraordinary loss. However, there were also two other factors that contributed to this increase in operating income.

The first was a rise in operating income in the FinTech segment. This rise does not mean that the FinTech segment is performing well. Quite the contrary, transaction volumes were down 10% due to the COVID-19 pandemic. However, the FinTech segment operates a business in which variable costs outweigh fixed costs. We were thus able to reduce costs to an extent that exceeded the drop in revenue, thereby securing a nearly 20% increase in operating income. This structure is the exact opposite of retailing operations, which have high fixed costs and low variable costs. MARUI GROUP was thus able to overcome this adversity by offsetting the negative impacts of the adverse situation with the positive benefits thanks to its business model integrating retailing and fintech. This model is a major difference between MARUI GROUP and companies that are devoted purely to retailing (see pages 100–101 for information on the earnings structure of the FinTech segment).

The second factor is the new earnings structure that we had built through the business structure reforms advanced thus far. In explaining this structure, I would like to elaborate on two new indicators for which we began disclosing figures in the six months ended September 30, 2019: recurring gross profit and contracted future recurring gross profit.\* Let me begin with the background that led to the disclosure of this information. MARUI GROUP began offering EPOS cards in 2006, causing fintech to replace retailing as the driver of its growth. Later, we embarked on a five-year venture to transition to a business model focused on fixed-term rental contracts in the Retailing segment in the fiscal year ended March 31, 2015. This transition entailed moving away from conventional department stores to operate shopping centers that primarily generated income in the form of rent revenues. These business structure reforms were aimed at



departing from short-term-perspective management focused on earnings on a single fiscal year basis to long-term-perspective management emphasizing lifetime value. Through this transaction, we were able to grow recurring revenue, a form of long-term earnings generated through ongoing transactions with customers and business partners.

Specifically, this recurring revenue took the form of store real estate rent revenues as well as commissions from recurring payments for rent guarantees, communications fees, and utilities and revolving and installment payments in the FinTech segment. Recurring revenue has seen a sharp rise since the transition to fixed-term rental contracts in the fiscal year ended March 31, 2015. As a result, the portion of gross profit represented by recurring gross profit grew from 34% in the fiscal year ended March 31, 2014, to 65% in the fiscal year ended March 31, 2020, and the amount of this recurring gross profit increased by 2.5 times. This means that more than 60% of the gross profit generated in the fiscal year ended March 31, 2020, can be expected to recur in subsequent fiscal years.

The new second indicator is contracted future recurring gross profit, which represents the gross profit to be generated in fiscal years after the one in which a recurring gross profit transaction is conducted. For example, if a customer were to conclude a five-year contract in a given fiscal year, we would only record the revenue incurred in that given year. Accordingly, there would remain four years' worth of outstanding revenue that is not recorded on the financial statements. We began disclosing contracted future recurring gross profit with the aim of making this four years' worth of outstanding revenue readily apparent (see Figure 1). The amount of contracted future recurring gross profit from transactions concluded in the fiscal year ended March 31, 2020, to be recorded in subsequent fiscal years was 2.7 times

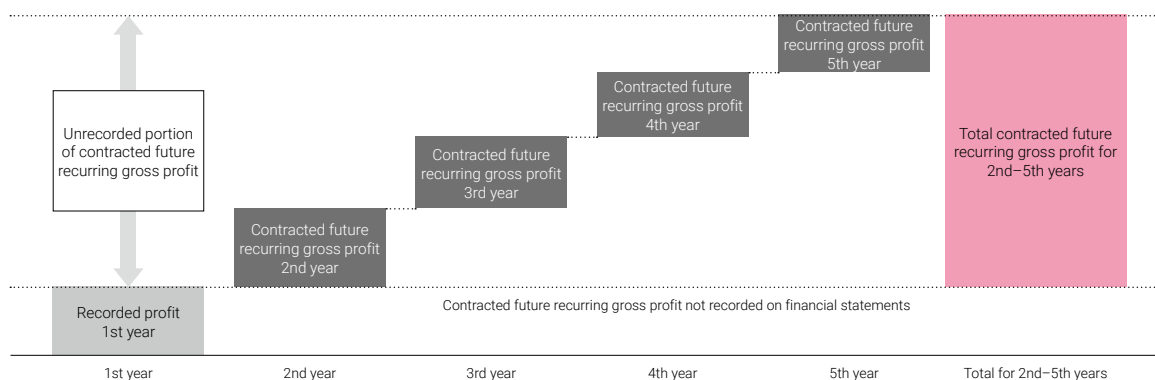
greater than the amount of recurring gross profit recorded in this year. In other words, we can still anticipate gross profit in an amount 2.7 times greater than the figure in the fiscal year ended March 31, 2020, to be incurred in the future. To put it more bluntly, even if we are unable to resume our operations for an extended period of time due to the COVID-19 pandemic, we could still look forward to nearly three years' worth of gross profit thanks to our business activities thus far (see pages 101–102).

In this manner, our efforts to shift toward management emphasizing lifetime value has granted us a more robust earnings structure than ever before while also increasing our confidence in our future cash flows. This confidence is apparent in our decision to disclose a dividend forecast projecting higher dividend payments, despite performance forecasts being left undecided. As for performance forecasts, there are causes for both pessimism and optimism when it comes to performance in the fiscal year ending March 31, 2021, and this performance will be heavily impacted by the COVID-19 pandemic. Although we cannot rationally estimate performance at this moment in time, we are so confident in our future cash flows that we believe it will be possible to raise dividend payments even based on the most pessimistic outlook.

We have continued to communicate our policy of placing ongoing, long-term dividend increases as a top priority to our shareholders. Nevertheless, we received a question regarding the decision to forecast higher dividend payments despite the lack of full-year performance forecasts at a financial results briefing. We responded that the decision was founded on our commitment to live up to the expectations of shareholders regardless of the profit losses stemming from the COVID-19 pandemic.

\* Referred to as "contracted future recurring revenue" until the fiscal year ended March 31, 2020, to reflect future recurring revenue based on revenue as displayed on financial statements; referred to as "contracted future recurring gross profit" in this report to reflect future recurring revenue based on gross profit

**Figure 1: Concept of Contracted Future Recurring Gross Profit Underlying Long-Term Management**



## Long-Term Course for After the COVID-19 Pandemic

In the face of a crisis, our long-term perspective prompts us to view the crisis as an opportunity to reflect on our founding spirit, reexamine the essence of the value we provide, and redefine this essence based on the changes in the opportune environment. We take this proactive approach in place of passive approaches such as waiting for the crisis to pass or drafting policies for minimizing its impacts. MARUI GROUP was faced with a management crisis that persisted from 2007 to 2014, and we continued to redefine the Company throughout this period.

I would now like to discuss how we redefined MARUI GROUP and the company we aim to become in the face of the unprecedented crisis of the COVID-19 pandemic. This vision can be consolidated into two ideas: evolution into an intellectual creation company and growth of corporate value through harmony between the interests and happiness of stakeholders.

### Evolution into an Intellectual Creation Company

One of the megatrends to which MARUI GROUP is paying the greatest attention as it charts its future course is the shift from tangible assets to intangible assets. Intangible asset holdings grew to surpass tangible asset holdings in the mid-1990s in the United States and in the United Kingdom in the early 2000s. Intangible asset holdings are set to exceed tangible asset holdings in Sweden and Finland as well. In Japan, meanwhile, intangible asset holdings are only around half of tangible asset holdings, a level similar to that seen in Italy and Germany. Moreover, the combined market capitalization of intangible asset leaders Alphabet Inc.; Amazon.com, Inc.; Facebook, Inc.; Apple Inc.; and Microsoft Corporation is estimated to be higher than the GDP of Japan.

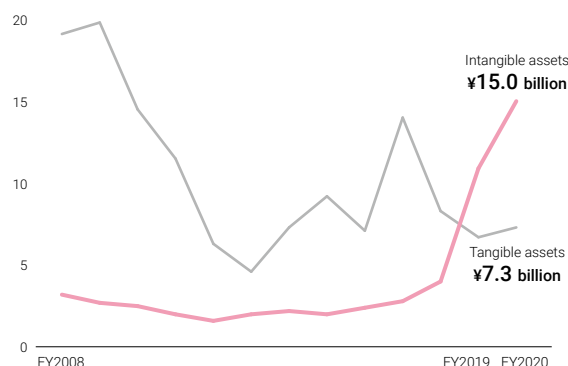
MARUI GROUP is leaning toward the intangible asset side. At the financial results briefing for the fiscal year ended March 31, 2016, which coincided with the launch of our medium-term management plan four years ago, we showed a graph describing MARUI GROUP's business structure reforms. This graph showed

intangible operating receivables in the FinTech segment moving to surpass land, stores, and other tangible assets in the Retailing segment. As such, the graph represented the FinTech segment replacing the Retailing segment, which had been our growth driver since our founding, as the new primary growth driver.

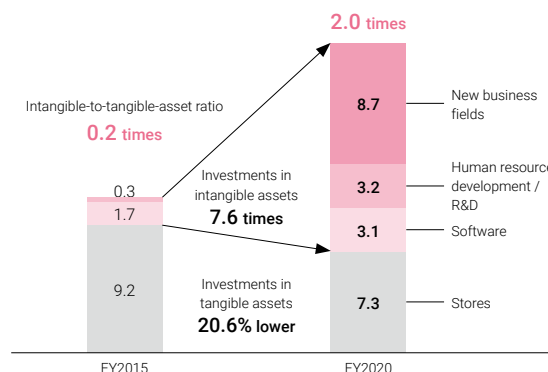
Total intangible assets exceeded total tangible assets in the fiscal year ended March 31, 2019 (see Figure 2). Moreover, the amount of intangible assets on March 31, 2020, was 7.6 times higher than five years earlier and double the amount of tangible assets (see Figure 3). These figures are a result of investments in stores declining following the shift to fixed-term rental contracts while we ramped up investments in software, human resource development, research and development, and new business fields. Software investment is rising in conjunction with the growth of the FinTech segment. We have continued to increase investments in human resource development and research and development, although these investments are not clearly apparent on our financial statements as they are treated as expenses. Human resource investments are an area of particular focus, especially when it comes to fostering IT staff, seconding employees to venture company investees, and cultivating future leaders. As for investments in new business fields, we have invested a total of ¥15.7 billion, primarily in venture companies, over the past four years.

Based on these factors, I would now like to discuss the course we will be taking going forward. Since its founding, MARUI GROUP has continued to grow through a business model driven by retailing. Retailing is a labor-intensive business centered around tangible assets and investments in said assets. However, this all changed with the launch of EPOS cards in 2006, after which our fintech operations became the main proponent behind our growth. Fintech is a capital-intensive business in which fund procurement is primarily performed through debt. Going forward, we intend to further promote the shift to intangible assets to evolve into an intellectual creation company and heighten our corporate value (see Figure 4).

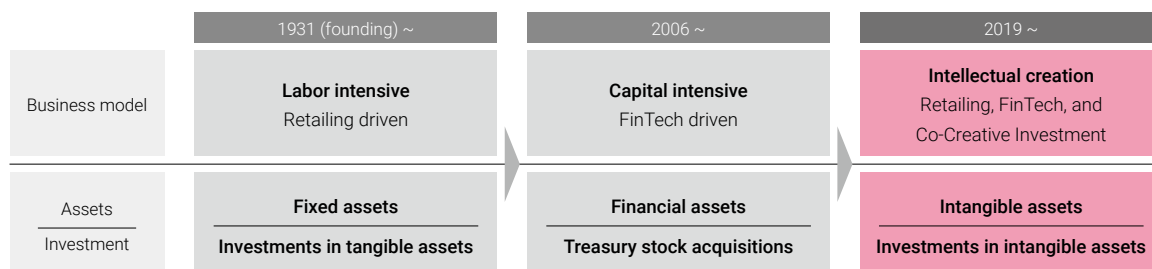
**Figure 2: Amounts of Investment in Tangible and Intangible Assets**  
(Billions of yen)



**Figure 3: Breakdown of Investments**  
(Billions of yen)



**Figure 4: Accumulation of Intangible Assets to Evolve into an Intellectual Creation Company**



To this end, we are developing a new business model integrating retailing, fintech, and now co-creative investment (see pages 32–47) and seeking to generate synergies between these areas to create value that is greater than the sum of its individual constituents. To MARUI GROUP, co-creative investment is like a vinyl record, having an A-side and a B-side. The A-side is growth support investment, which entails investing in venture companies that share our philosophy and vision and with which we can collaborate. To these venture companies, we provide access to MARUI GROUP's resources, namely its stores, staff, and EPOS cardholder base, and pursue collaboration to drive growth at the investee and in our investment returns.

Specific investees include e-commerce companies like BASE, Inc.; direct-to-consumer (D2C) brands such as FABRIC TOKYO Inc. and BULK HOMME Co., Ltd.; and financial inclusion companies Gojo & Company, Inc., and CROWD CREDIT, Inc. The internal hurdle rate for investment decisions in venture companies is to maintain an overall internal rate of return (IRR)\* of 10% or more. Currently, we are seeing IRR of 30% on an individual investee basis, and our success rate in these investments is around 30%. We aim to raise this success rate through co-creation to achieve an overall IRR for all investments of more than 10%.

\* 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

The B-side of co-creative investments is investments that synergize with our main business. By investing in companies and new businesses entailing superior intangible assets, we aim to incorporate these assets into MARUI GROUP. We will also pursue synergies through collaboration with such investees. Returns on these investments are anticipated to come in the form of earnings contributions to our main business.

The first B-side "song" has already been released: our anime business. This new business was launched four years ago when we participated in the production committee for a major anime movie, which led to investment and various collaborative ventures. Over the period from encompassing the fiscal years ended March 31, 2016 to 2020, we invested a total of ¥120 million in

anime movies, and these investments contributed ¥4.3 billion to consolidated operating income. Based on these results, we recognize that these efforts have generated significant returns through synergies with our main business.

Other B-side investees include anime-related e-commerce retailer A-too inc., sustainability companies Minna-denryoku, Inc., and Nature Innovation Group Co., Ltd., and new business company tsumiki Co., Ltd. We intend to conduct investments in venture companies that are not anticipated to make an initial public offering and in listed companies in cases in which synergies can be expected. As one specific new investment, we commenced a capital and business alliance with TSUKURUBA Inc., a renovated housing distribution platform holder, in July 2020.

Our projection for overall investments going forward given the current situation is that investments in existing businesses will decline while co-creative investments nearly double (see Figure 5). This projection is based on the assumption that core operating cash flow will increase by roughly 20% over the five-year period beginning with the fiscal year ending March 31, 2022. As for shareholder returns, share buybacks will be cut roughly in half while dividends double. We have already achieved the goals of the medium-term management plan of posting return on invested capital (ROIC) exceeding weighted average cost of

**Figure 5: Future Investment Projects**

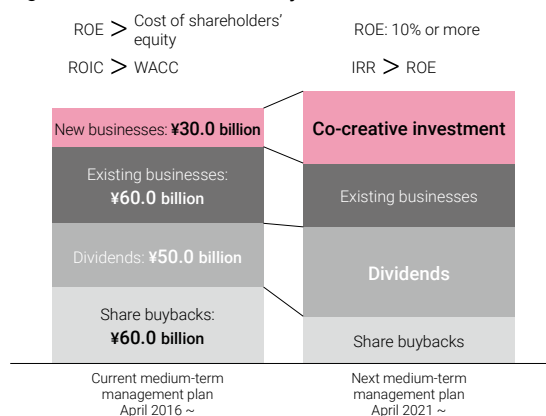
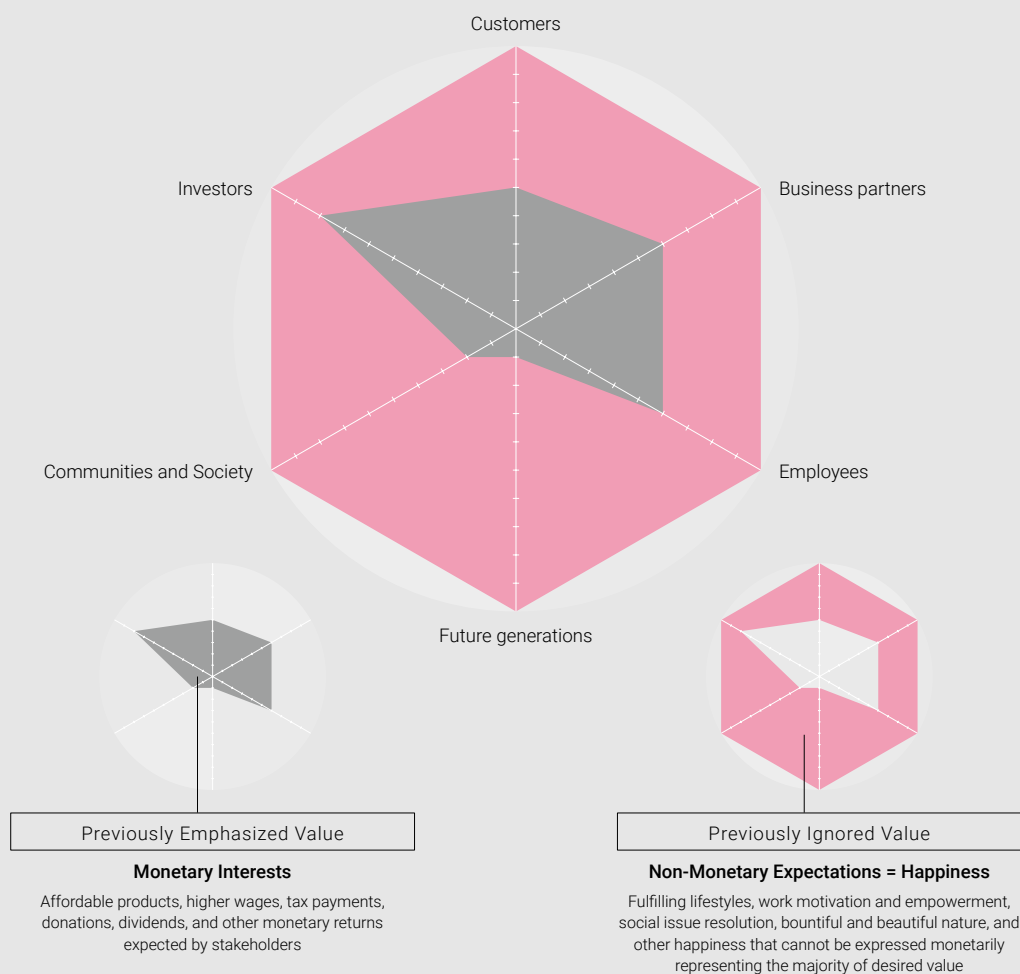


Figure 6: Theoretical Radar Chart of Interest and Happiness Value Sought by Stakeholders



capital (WACC) and return on equity (ROE) surpassing cost of shareholders' equity. Accordingly, we will be working toward increased corporate value going forward by targeting ROE of 10% or more and an IRR that is above that level.



More information can be found in the video explaining the financial results briefing for the fiscal year ended March 31, 2020. For details, please refer to "3. Future Developments."

[www.0101maruigroup.co.jp/en/ir/lib/result.html](http://www.0101maruigroup.co.jp/en/ir/lib/result.html)

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

Stakeholder capitalism is gaining attention as a new approach to corporate management to replace the conventional approach of shareholder capitalism. The definition of corporate value MARUI GROUP put forth in its *Co-Creation Management Report 2016* constituted a declaration of our commitment to stakeholder capitalism. At the time, we only defined five groups of

stakeholders: customers, investors, business partners, communities and society, and employees. Later, "future generations" was added to this scope as a sixth group of stakeholders in conjunction with the publication of *VISION BOOK 2050* in 2019.

The realization that future generations was also an important group of stakeholders arose when examining potential initiatives for addressing environmental issues. It was the work of 20th-century U.S. genius Richard Buckminster Fuller that led me in this direction. Fuller defined wealth as the number of forward days we are physically prepared to sustain for future generations. This definition made me aware of the fact that future generations were indeed the stakeholders we served by addressing environmental issues.



Reading Lounge—Engaging with Books  
(Book Recommendations by President Aoi)  
#001 Operating Manual for Spaceship Earth  
[www.0101maruigroup.co.jp/en/ir/lib/book/001.html](http://www.0101maruigroup.co.jp/en/ir/lib/book/001.html)



Another change that was made was to our definition of corporate value. Specifically, we added one word to the definition of corporate value put forth in *Co-Creation Management Report 2017*. This word was "happiness." We have previously defined corporate value as "harmony between the interests of all stakeholders," but this definition was revised to be "harmony between the interests and happiness of all stakeholders." The idea of focusing on both interests and happiness came to mind as we sought means of co-creation with stakeholders.

On the topic of stakeholder capitalism, for example, polls have that roughly 60% of millennials expect companies to prioritize the resolution of social issues above the pursuit of profit. The desire for companies to focus on resolving social issues as opposed to just generating profit is probably shared around the world. In the background of this desire, no doubt, lies the fact that shareholder capitalism, which urges companies to maximize shareholder returns, widens income gaps, destroys the global environment, and causes indescribable senses of suffering and isolation to the people in developed nations who are supposed to be receiving the benefits of this approach.

Looking back at our six groups of stakeholders from this perspective, we could not help but feel that the monetary returns expected by shareholders were likely to be almost inconsequential to other groups of stakeholders. We therefore formulated a theory to be used in discussing this matter with stakeholders. Along with this theory, we prepared a radar chart that indicated the expected degree of concern for monetary interests among each of the six groups of stakeholders (see Figure 6). I would now like to discuss our interpretation of this chart.

Investors, of course, expect monetary returns. However, the recent rise of investment focusing on environmental, social, and governance (ESG) factors tells us that investors are not solely concerned with monetary returns. Therefore, if we seek to fully meet the expectations of investors, we will be unable to do so if we focus only on monetary interests.

Customers, similarly, do not only want quality products and services that can be bought at more affordable prices. They also have an increasing desire for these products and services to provide experiences that enrich their lives. Employees are the same; they don't just want higher wages, but also to be motivated in their work. For business partners, transaction conditions are important. However, they also seek partnerships in which both parties help each other in times of need and grow by tackling challenges together. For communities and society, it is not enough to simply pay taxes or make donations; people want companies that help resolve community and social issues. Future generations, meanwhile, primarily need us to leave them

a rich, pristine natural environment. There is almost no concern for monetary interests with regard to this stakeholder group.

Based on this view, we came to realize that a focus on responding to stakeholder expectations through monetary interest would overemphasize shareholders and that other stakeholder groups could be thought to be largely concerned with value other than monetary interests. We dubbed this value "happiness." However, I do not believe that the interests and happiness of stakeholders are disconnected. At MARUI GROUP, we seek to contribute to both interests and happiness, as opposed to sacrificing one for the other. This is because the two are actually connected.

Let's look at it this way: if we can contribute to customer happiness through the provision of experiences that enrich their lives, it will increase the lifetime value of our business and in turn heighten the motivation of employees. When these motivated employees work to tackle social and environmental issues through our business, it will boost the happiness of communities and society and future generations while also contributing to the interests of the business partners that are our co-creation partners. This process will also improve our scorecard when it comes to ESG factors, which are linked to the interests of shareholders.

In this manner, stakeholder interests and happiness are linked. If we so desire, we can strengthen this link to make further contributions to the interests and happiness of stakeholders.

With this, I would like to conclude this discussion of how we will pursue the growth of corporate value through harmony between the interests and happiness of all stakeholders. I look forward to co-creating with you as we march toward this long-term target.

September 2020



**Hiroshi Aoi**

President and Representative Director  
Representative Executive Officer, CEO

The president's message from *Co-Creation Management Report 2019* can be found below.



MARUI GROUP's Desire to Join Hands in Co-Creating Value for the Future  
(fiscal year ended March 31, 2019)  
[www.0101maruigroup.co.jp/en/ir/message/ceo/2019.html](http://www.0101maruigroup.co.jp/en/ir/message/ceo/2019.html)

## New Normal for Companies and Society Amid the COVID-19 Pandemic

The global COVID-19 pandemic is causing massive change the likes of which we have not seen before. This upheaval has given rise to the concept of a Great Reset, which would signify the start of a new chapter for our economy. MARUI GROUP President Hiroshi Aoi sat down with Taejun Shin, who was selected to be a Young Global Leader 2018 by the World Economic Forum, to discuss what should be the new normal for companies and society after this Great Reset.

### Resilience of Microfinance Industry

**Aoi:** You announced a scenario analysis pertaining to the COVID-19 pandemic back in March 2020. It was amazing how you were able to accurately assess and analyze the situation and create a forecast scenario back at that time. How did you go about doing this?

**Shin:** I turned my ear to the experts I trusted to have the information I needed. First, I talked to infectious disease specialists and read their reports to form an estimate about how long the current situation would continue.

Then, I spoke with economists and business operators and considered what actions should be taken. So far, almost everything has progressed in line with the scenario I envisioned, which is an incredibly lucky turn of events from the perspective of management.

**Aoi:** I see. I am surprised to hear that you spoke with infectious disease specialists first, as opposed to economists. It would appear that your approach toward gathering information differs from that of other people.

**Shin:** I figured it would be pointless to talk to economists before they had time to formulate their own projections. I am involved in the World Economic Forum and various other organizations, and I am constantly reading English-language materials from around the world. Accordingly, I was able to guess, to a certain degree, what the key points regarding this issue would be. Also, it would appear that I am strong under pressure. In February and March 2020, while other start-ups around the world were wrought with concern, I was hurriedly preparing projections.

**Aoi:** Being strong under pressure is a common trait among entrepreneurs. What were you most concerned about back in February and March?

**Shin:** My first priority was to secure three years' worth of capital. I was somehow able to procure an additional ¥2.0 billion during the first month, but this period was wrought with anxiety. I guess the pressure brought out my true strength.

**Aoi:** I also suspect that you had concern for the credit risks of

the local people you were financing through your business.

**Shin:** The traditional customers for microfinance services are generally not affected by natural disasters or other disruptions. In Japan, supermarkets and convenience stores were not significantly impacted when the government issued its state of emergency declaration. Similarly, microfinance customers tend to operate businesses providing items indispensable to daily life in their respective economic spheres, and I therefore figured that they would be fine. However, the lockdowns were an unprecedented occurrence, and the outlook was initially quite opaque accordingly.

**Aoi:** People who have been in microfinance for a long time, of course, understand how to think about their customer base and risks, but these matters are difficult to comprehend for laypeople.

**Shin:** You are right. One of our directors is a world-renowned microfinance researcher. At a meeting shortly after the start of the pandemic, I remember them saying that we had nothing to worry about because microfinance was a resilient industry.

### Interpersonal Connections Prerequisite to the Meaningfulness of Data

**Aoi:** We had a similar episode at MARUI GROUP. At the financial results briefing for the fiscal year ended March 31, 2020, investors voiced concern that, as our customer base was relatively young, we were at risk of many of these customers defaulting on their accounts. This concern was based on the preconception that younger people are inherently riskier and that low-income individuals have less creditability. The fact of the matter, however, is that the ratio of delinquent debt for customers in their 20s and 30s is slightly lower than that for customers in their 40s and 50s. Under Japan's state of emergency declaration, people could not leave their homes much, meaning that they had less opportunities to spend money. However, even under these circumstances, we predicted that younger people would be unable to live without borrowing money. MARUI GROUP's business takes place in a corner of the financial sector that differs



# TAEJUN SHIN

# HIROSHI AOI

**Taejun Shin**

Co-Founder, Representative Director & CEO  
Gojo & Company, Inc.



**Hiroshi Aoi**

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



TAEJU

**I think the microfinance sector is currently in the best place it will be for the next decade. I am confident that we will not see the emergence of a strain of microfinance in which everything is digitized and there are no interactions between real people.**

### Taejun Shin

Co-Founder, Representative Director & CEO  
Gojo & Company, Inc.

Born in Tokyo in 1981, Taejun Shin worked in private equity investment at Morgan Stanley Capital K.K. and Unison Capital, Inc., for eight years before co-founding Gojo & Company, Inc., in 2014. At this company, he is responsible for corporate management, fund procurement, investment, and other areas of general operation. While working in the financial sector, Shin founded Living in Peace in 2007 (he retired from the position of director of this organization in 2017). Through Living in Peace, he conducted microfinance surveys and support and offered aid to children receiving social welfare and to refugees in Japan. He has graduated from the School of Law at Korea University and the Graduate School of Finance, Accounting and Law at Waseda University and has also been chosen as one of the Global Shapers of the World Economic Forum.

from conventional businesses. This experience thus made me aware of the need to further promote understanding of this fact.

**Shin:** Japan tends to evaluate people primarily based on how long they have been at a company, and this view can make younger people seem risky.

**Aoi:** Seeking to assign credit ratings based on outward characteristics is a bad habit of the traditional financial sector. Younger people generally only lack income and assets because they are still young, and that situation will thus change with time. The idea that younger people lack creditability is an oversimplification. Creditability is not something to be bestowed on people; it is something to be built together with them over a long period of time. That is an approach to finance that I hope to spread.

**Shin:** That is the reason why, in the microfinancing field, we also start with low amounts. As we have no past transaction histories to go by, we start by basing finance on interpersonal relations, such as extending finance to associates of the village mayor. We realize that there are a lot of people who are unable to receive financing due to outward characteristics. Accordingly, we look to build trust through a cycle of financing and repayment over an extended period.

**Aoi:** If you watch someone over time, data will begin to take on meaning through their actions. It is only when combined with such intangible factors as interpersonal relationships that data can exhibit its true meaning.

### Undefeatable Desire to Gather

**Aoi:** The COVID-19 pandemic led to the theme of the 2021 World Economic Forum summit to be set as "The Great Reset." It can therefore be expected that many things will or must change. How do you view this situation, Mr. Shin?

**Shin:** That is a difficult question. When the Plague spread during the Middle Ages, there were some areas where theaters were shut down for a decade. However, even after the disease had claimed the lives of one-third of the population, these theaters still eventually reopened their doors. I see this as indicative of people's undefeatable desire to gather. This inherent desire to gather and engage with other people is strong, and I suspect there are some areas that will not change as a result. Conversely, I anticipate that even large, very traditional companies will embrace change to improve efficiency through means such as holding all meetings online.

**Aoi:** The spread of digital transformation should allow pretty much everything to be done online. One cannot help but wonder what exactly will remain purely in the offline sector. We might consider how attendance at outdoor events has continued to grow over the past decade. What is your view on the meaningfulness of offline engagements?

**Shin:** Currently, digital technologies can only stimulate two of our five senses: sight and hearing. We cannot experience smell, touch, or taste through online undertakings. Personally, I have attended the FUJI ROCK FESTIVAL, an outdoor music event, for nine straight years. There are two reasons why I attend. The first is that, as people, I think we are only able to fully immerse ourselves in something when given a space in which to do so. The second is that I am able to immediately share my likes with other people. Until digital technologies are able to stimulate our senses of smell and touch, offline engagements will continue to have their purpose.

**Aoi:** Being truly moved by something and sharing the experience requires our five senses and a physical dimension. Offline venues might be ideal for fulfilling this need.

HIRONS

**Shin:** I think the microfinance sector is currently in the best place it will be for the next decade. I am confident that we will not see the emergence of a strain of microfinance in which everything is digitized and there are no interactions between real people. At the moment, one-third of people in developing countries are illiterate. The same goes for our customer base. For this reason, we cannot simply tell a customer to go download a smartphone app; they need someone to sit down next to them and explain things. What microfinance needs are services that effectively combine the value that only people can provide with the processes for which technological substitutes exist.

**Aoi:** That is an interesting take. We cannot rely on technology for everything, but if we do everything by hand, we will not be able to stay in business. What we need to do is find the best way to combine the two.

## New Economy and Society to be Shaped by Future Generations

**Aoi:** The COVID-19 pandemic could be said to have given us a chance to reset our current society. If start-up companies and future generations take the lead going forward, I think we can shape a new economy and society.

**Shin:** I anticipate that we will be seeing changes that have been needed previously but have not yet occurred. These changes, however, cannot be achieved purely by start-ups; we will need help from larger companies.

**Aoi:** I hope to help build a world in which there is no need to separate one's hobbies from one's work. In this world, it will be possible for what you love to become your job and for that to become a feasible business if you can connect with a fan base around the world via the internet. If we can build such a world, it will no doubt help countless people realize self-actualization. Large companies in Japan tend to feel strongly that they need to drive innovation themselves. For this reason, it is not uncommon for their open innovation efforts to end in investment and fail to produce anything substantive.

**Shin:** It is true that there are few companies that are able to effectively engage in open innovation. At Gojo & Company, we are looking to transform ourselves into a tech company. To this end, we invested in other tech companies and had the management of those companies help us conduct interviews when we sought to recruit a chief technology officer. Changes in a company are driven by changes in its people. Recognizing this, we invested in finding human resources that existed outside of the networks for our current staff.

**Aoi:** That story makes things easy to understand. We began

investing in start-up companies four years ago. From this experience, I realized that the divide between large companies and start-up companies is even more clear than I had imagined. It took some time before we were able to fully enter into the start-up community.

**Shin:** Empathy is essential to providing customers with quality services, and also, I believe, to the co-creation management of MARUI GROUP advocates, and is therefore imperative to the prosperity of companies. One's empathy is linked to their experiences and imagination. There is a lot we can learn from experience. I think it is important to share experiences with the people whom we do business with. For this reason, I have stayed at the houses of customers in developing countries and at child welfare institutions in Japan. There is a lot of valuable insight to be gained in this manner.

**Aoi:** Imagination is, of course, important. But I think it is the real tactile aspects of experiences—the sights, smells, touch, how people breathe, the temperature—that really make an experience stick.



Parts of this conversation that were not included in this report are available on MARUI GROUP's community site (Japanese only).  
[www.to-mare.com/tf/](http://www.to-mare.com/tf/)

**In this world, it will be possible for what you love to become your job and for that to become a feasible business if you can connect with a fan base around the world via the internet.**

Hiroshi Aoi



# MARUI GROUP's CO-CREATION PHILOSOPHY

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## Our Aspirations

### MISSION

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

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

### 2050 VISION

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

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

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

Revised in February 2019

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## **Our Principles**

### **PHILOSOPHY**

**Continue evolving to better aid our customers**

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

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

### **VALUES**

**Creditability should be built together with customers**

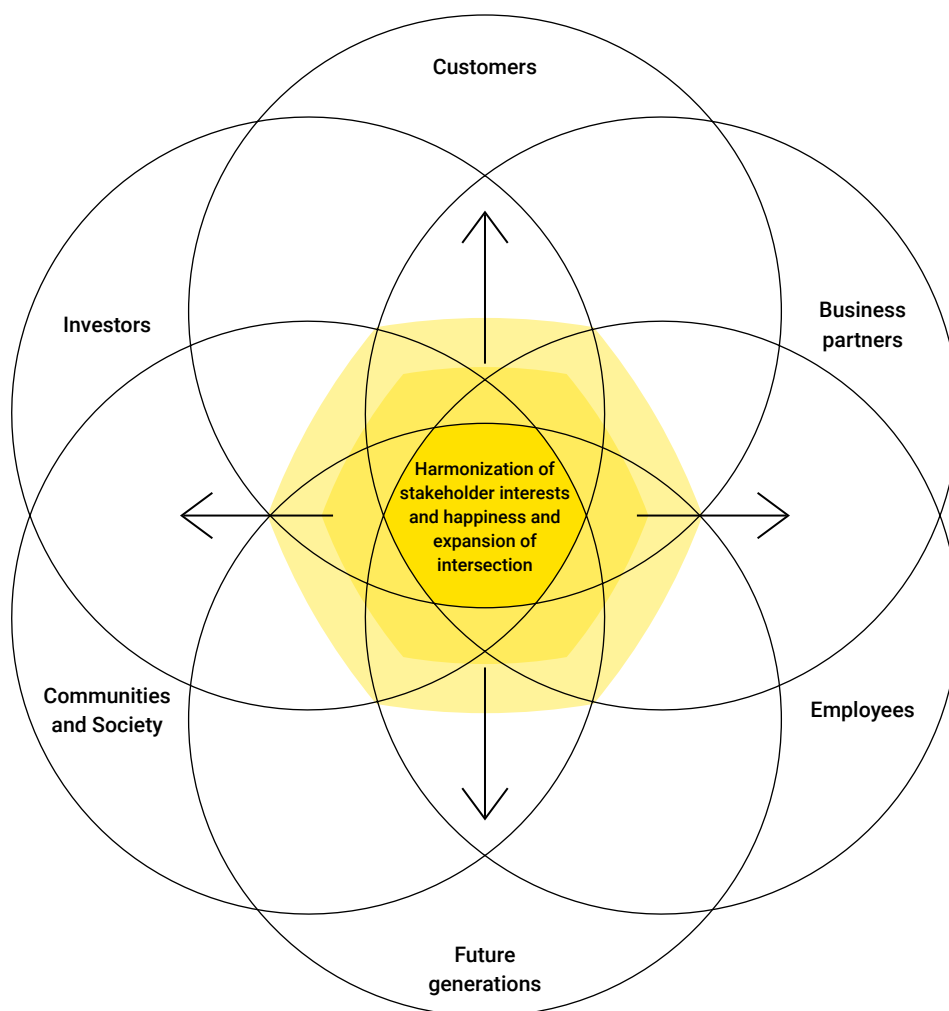
**Pioneer spirit of creating opportunities**

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

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## Definition of Corporate Value

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



Corporate value

=

Intersection of interests and happiness of all stakeholders

Harmonization and expansion of intersection

=

Improvement of corporate value

# CO-CREATION

## Vision of Co-Creation Management

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

## Interests and Happiness

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

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

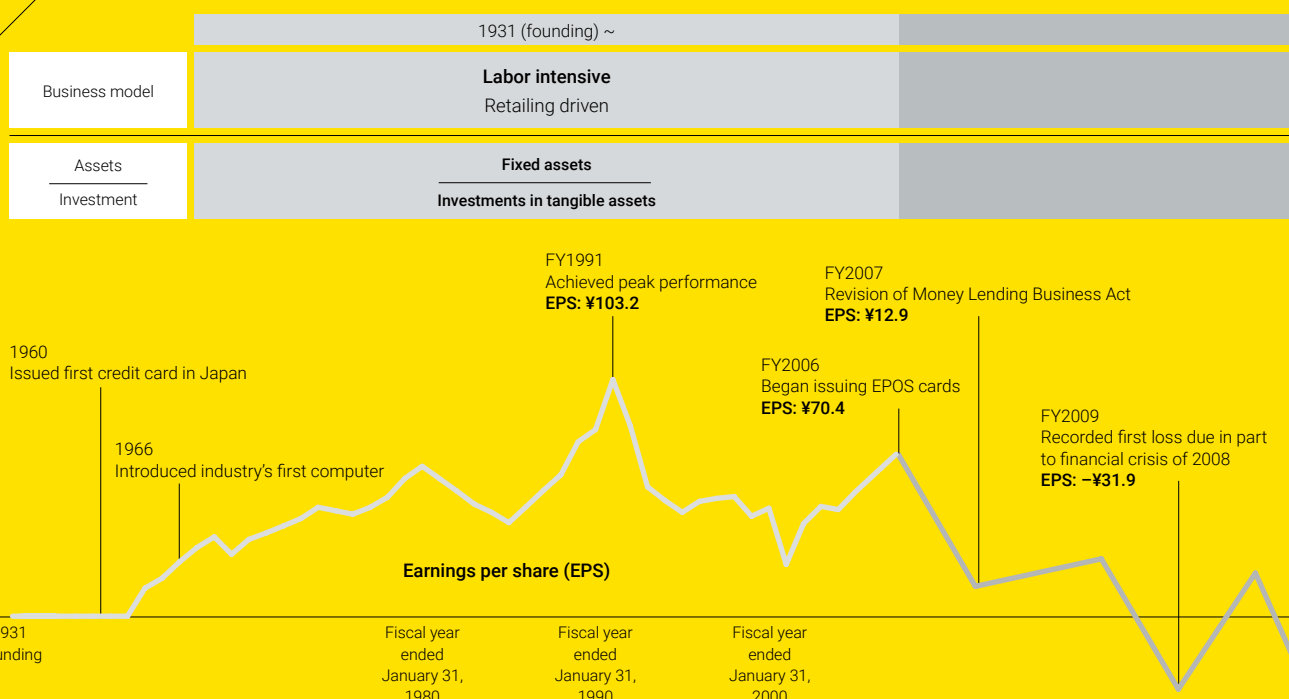
# PARTNERSHIP

## View of Partnership

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

# Innovation and Evolution of Business Model

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



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



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

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

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



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

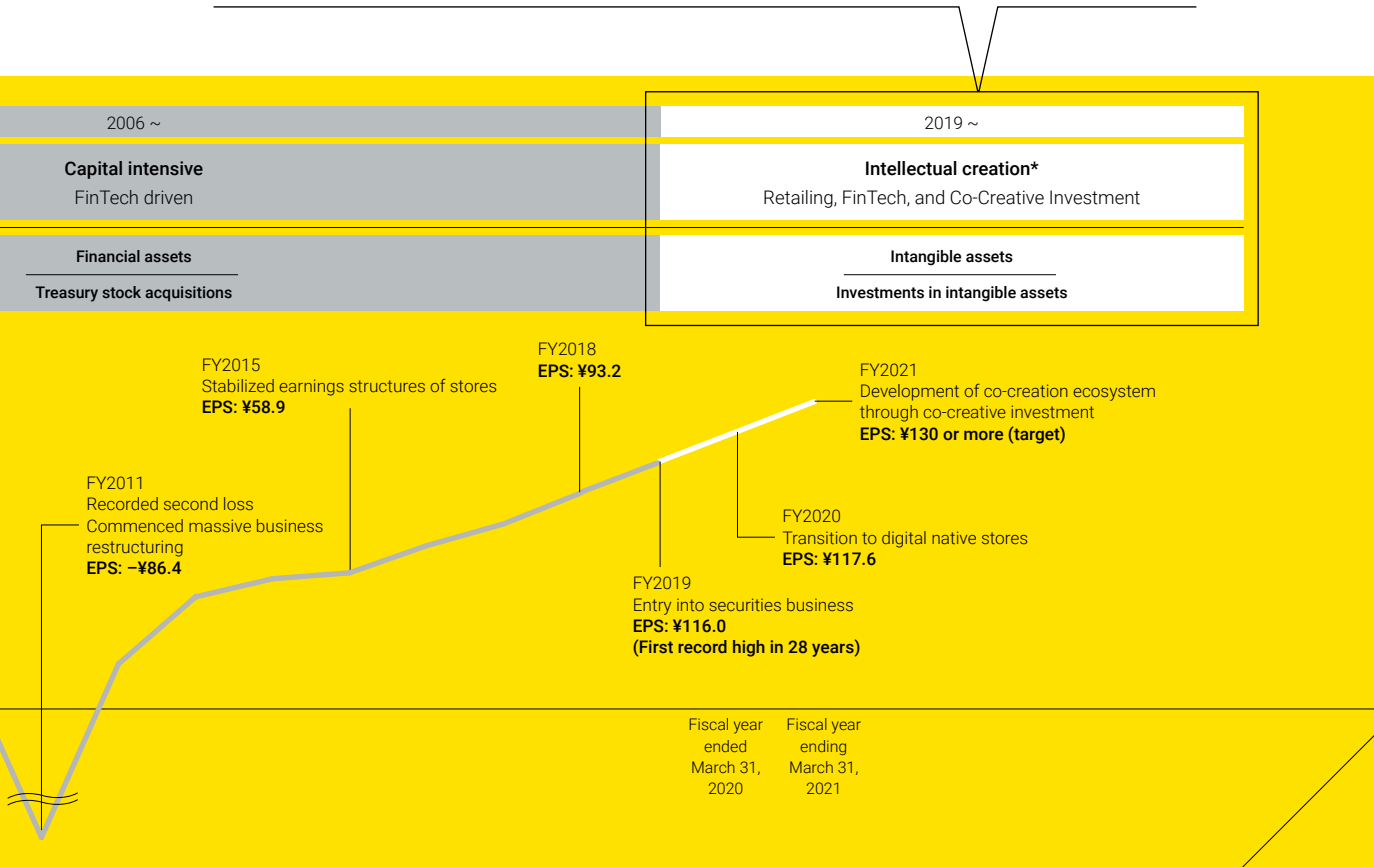
Income levels in Japan rose during the period of the Japanese economic miracle, causing the need for credit sales of durable goods to decline in the 1980s and leading other stores using the monthly installment payment system to abandon retailing to focus on finance. MARUI GROUP, meanwhile, turned its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

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

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

Third president: Hiroshi Aoi (16 years of service)

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



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



2005–Present

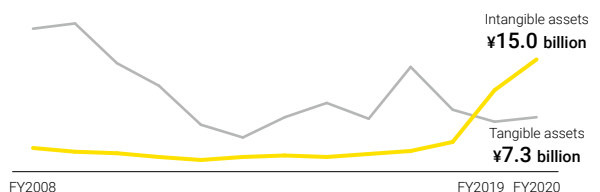
Third president: Hiroshi Aoi (16 years of service)

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

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

## \* Investments in Intangible Assets Surpassing Investments in Tangible Assets

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



# Co-Creation Ecosystem

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

## MARUI GROUP's Founding Spirit

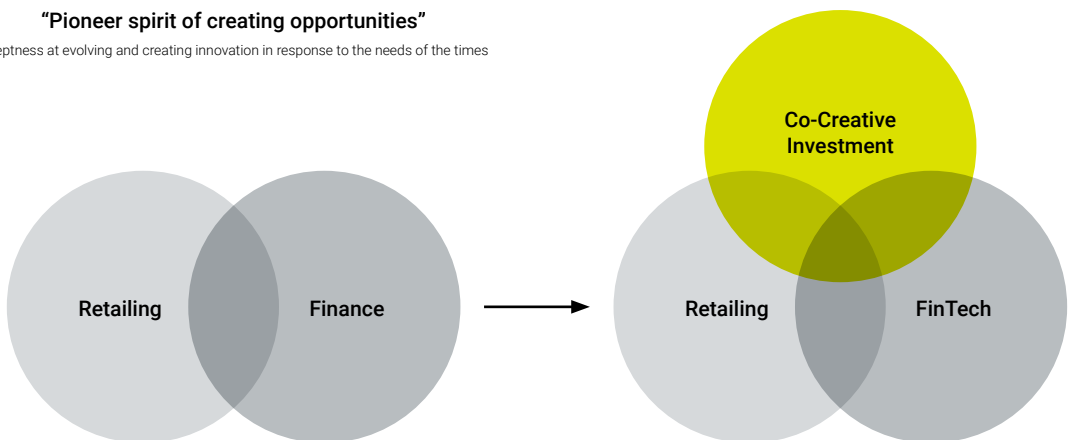
Words of Founder Chuji Aoi

### **"Credibility should be built together with customers"**

Unique business model merging retailing and finance

### **"Pioneer spirit of creating opportunities"**

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



## **Co-Creation of Creditability Merging of Retailing and Finance**

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

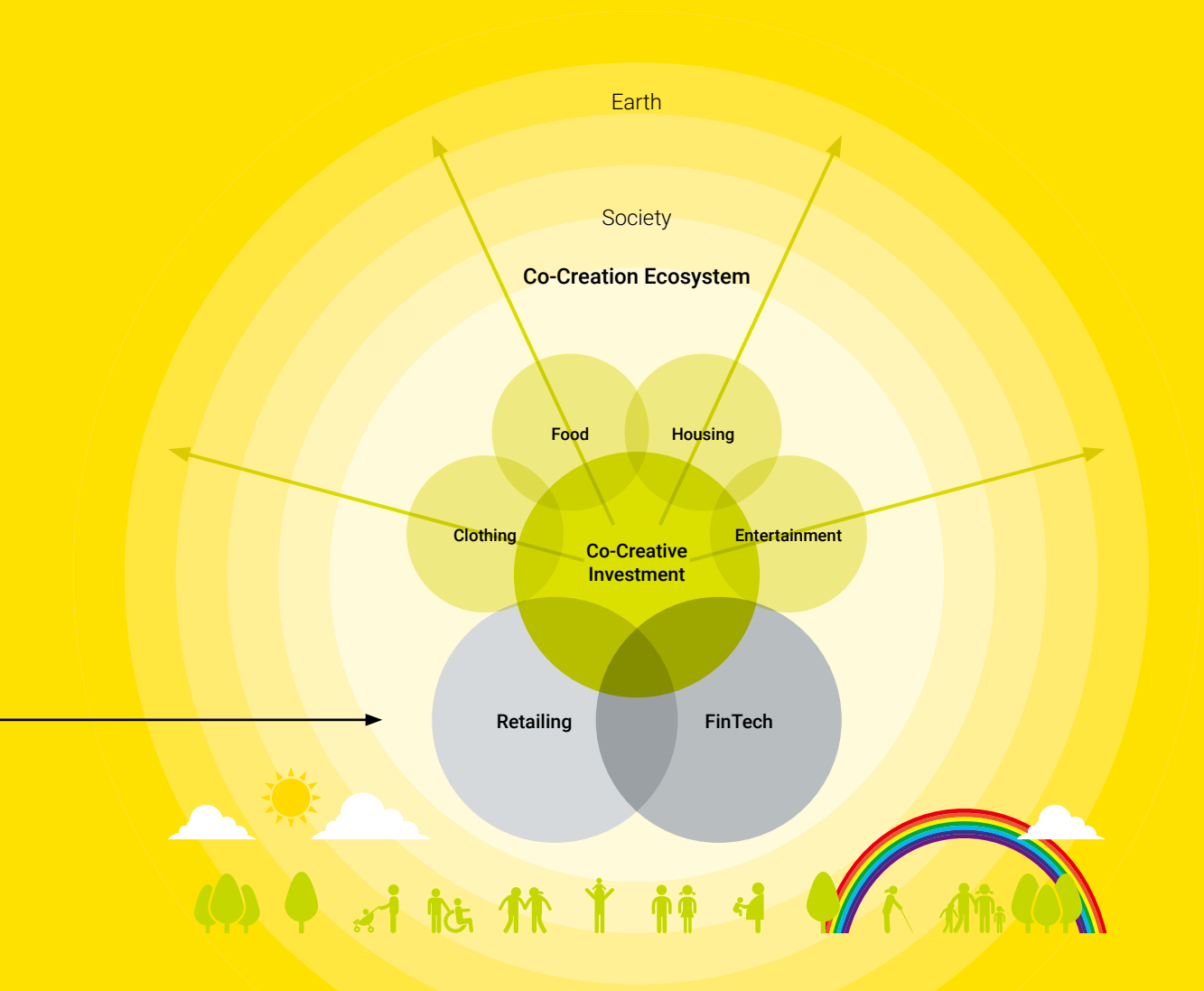
## **Co-Creation of Creditability Encompassing Future Generations Merging of Retailing, FinTech, and Co-Creative Investment**

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



## MARUI GROUP's Goal

# A flourishing and inclusive society that offers happiness to all



### Co-Creation Ecosystem Extending Across Society and Around the World

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

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

# 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)<sup>\*1</sup> from these investments comes to 34%, despite the global COVID-19 pandemic, exceeding our internal hurdle rate of 10%.

<sup>\*1</sup> 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

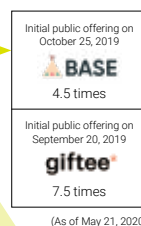
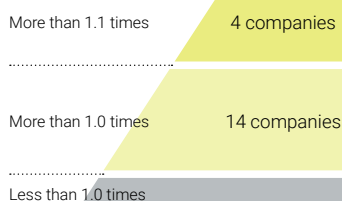
Fiscal Year Ended March 31, 2020

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

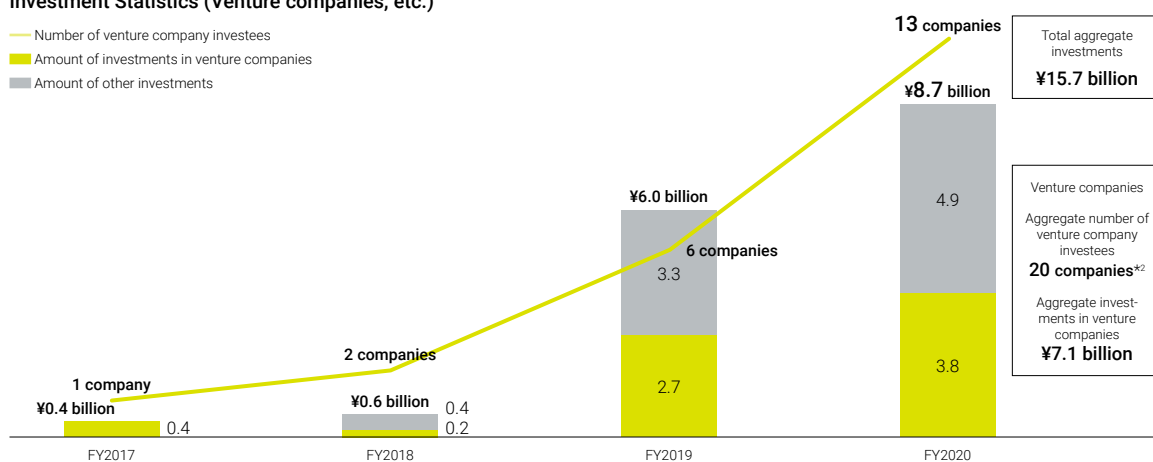
Note: Figures represent rate of growth from stock prices at time of acquisition and at recent procurement timing.



IRR 34%

### Investment Statistics (Venture companies, etc.)

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



<sup>\*2</sup> As investments were conducted in the same companies in multiple years, the total number of companies invested in differs from the sum of companies from each fiscal year.





## 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.



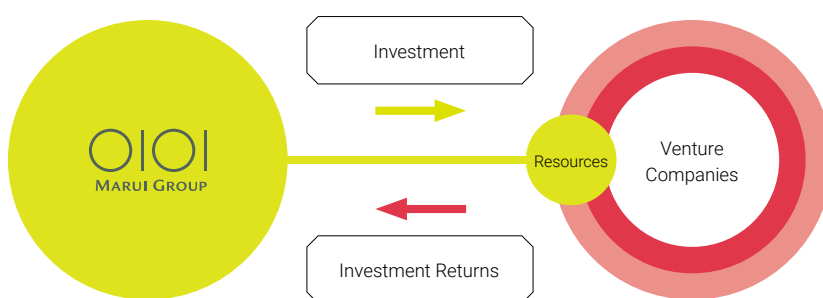
**Yoshinori Saito**

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).



### 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.



### 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.

## 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 × HIROTSUGU KATO

### Yuichiro Mori

CEO/Founder  
FABRIC TOKYO Inc.



### Hirotetsugu 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 CO<sub>2</sub> 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.**

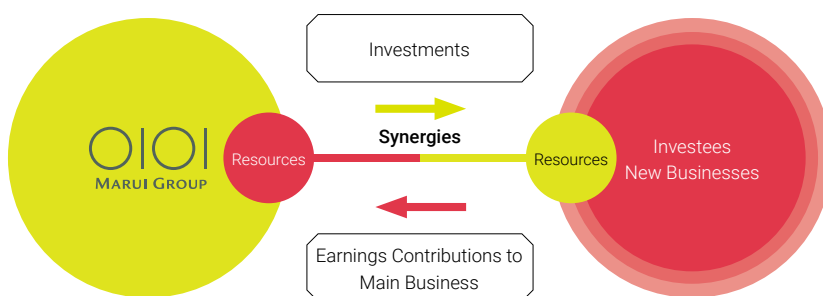
**Hirotsugu Kato**



## 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.



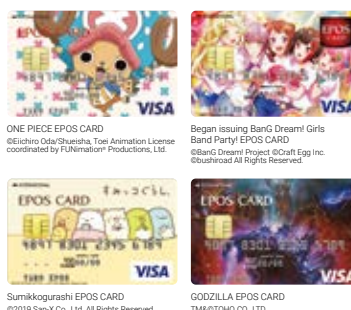
### MAJOR INVESTEES



### TOPICS

#### First B-Side Song—Anime Business

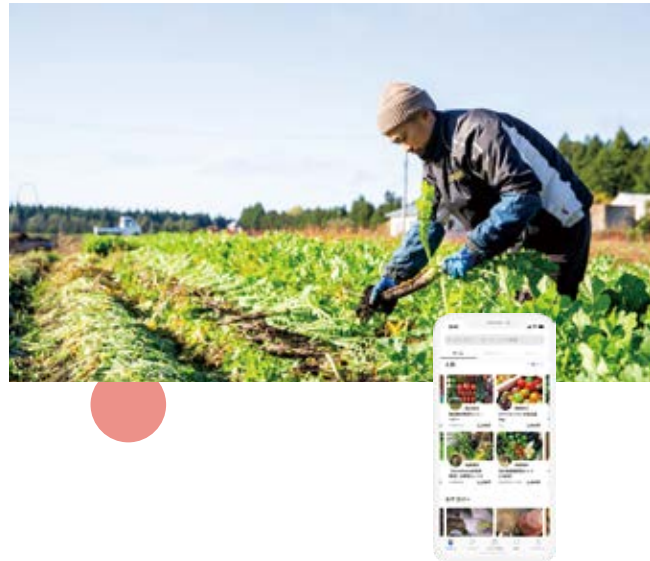
MARUI GROUP established the Anime Business Department in April 2016 to create a new business for contributing to earnings in our main business by facilitating the growth of our retailing and fintech businesses. Over the four-year period encompassing the fiscal years ended March 31, 2016–2020, we have 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.





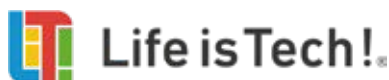
Investment

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.



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/](http://www.0101maruigroup.co.jp/future/)



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.



Investment

Tenant store opening

Employee secondment

Collaboration cards

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

A-to 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-to has opened Suruga-Ya stores in Marui stores. These stores see higher visitation from female customers than A-to'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.





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

# 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](http://www.to-mare.com/news/2020/post-3.html)

## 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 unwanted 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.

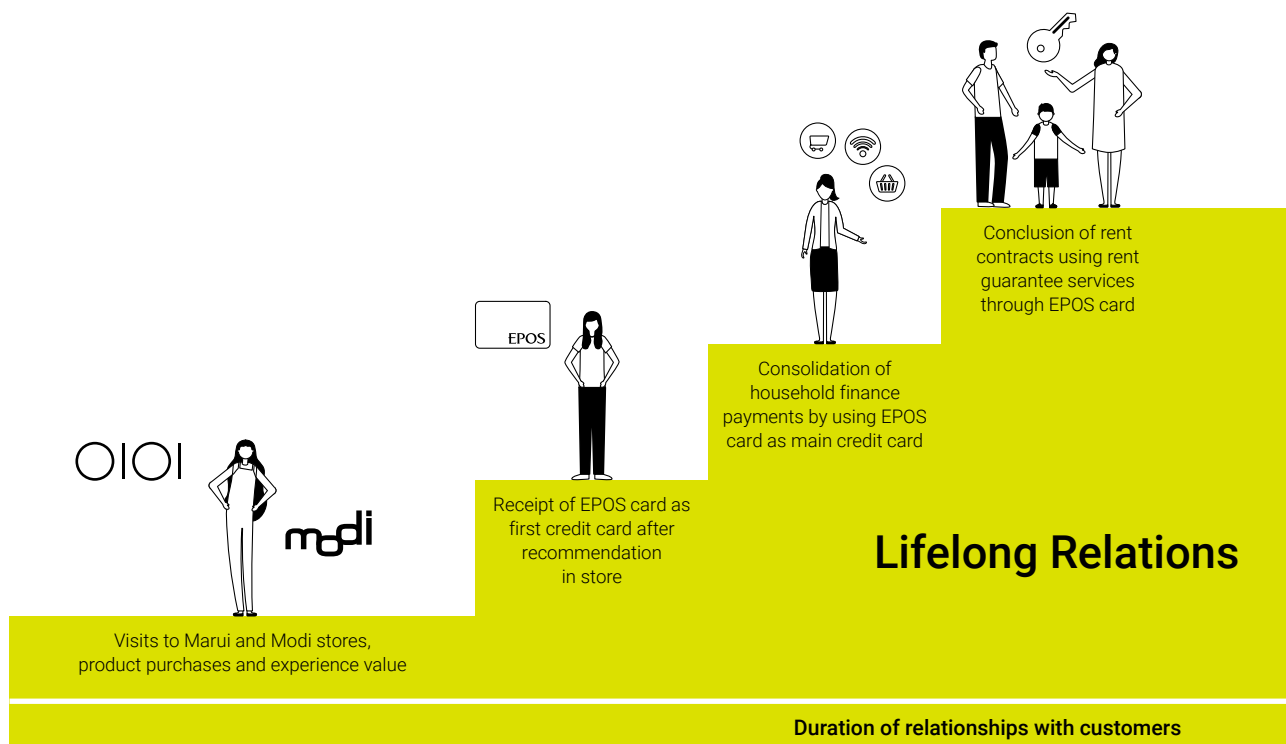


### Ryo Matsumoto

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

# VALUE J

## 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.

### 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.

# VALUE I

# OUR JOURNEY

Co-Creation Ecosystem [Business]



Investment starting at young age to alleviate concerns regarding resources for the future

Conversion to renewable energy for household electricity to support the future of the earth

Touchpoints with customers

Provision of options enabling all people to be themselves and experience happiness

Green Businesses

Asset Building Services

Rent Guarantee Services

Subscription Services

EPOS Cards

Marui and Modi Stores

with Customers

## 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.

## 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.

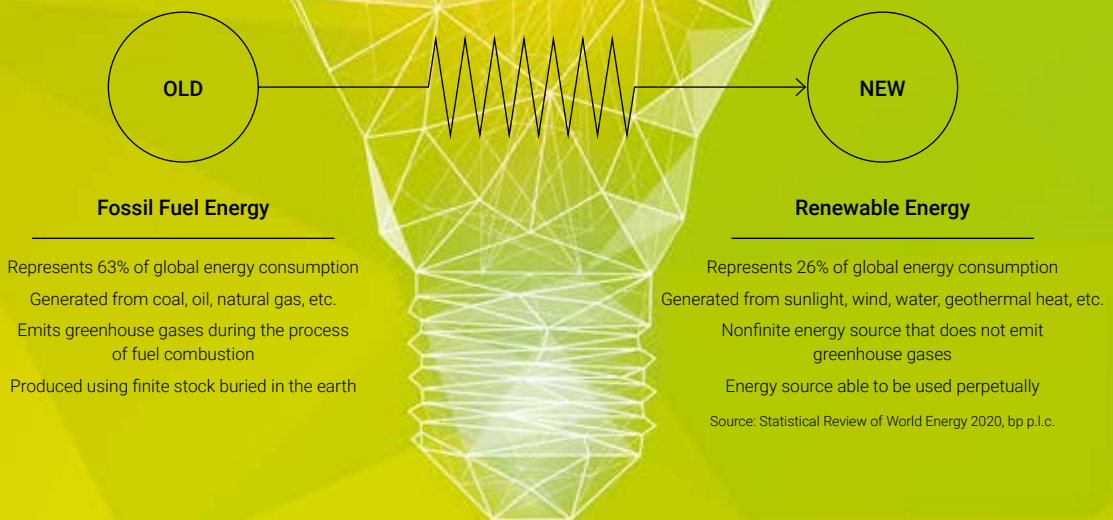
Looking ahead, we will encourage customers that resonate with our sustainability-based mind-set to partake of services such as switching to renewable sources for their household electricity in order to contribute to the resolution of social issues while bolstering medium-to-long-term profits. We thereby 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.

# OUR JOURNEY

# ACTION FOR THE FUTURE

## CO-CREATION ECOSYSTEM

### ACTION FOR THE FUTURE



## 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 CO<sub>2</sub> 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.



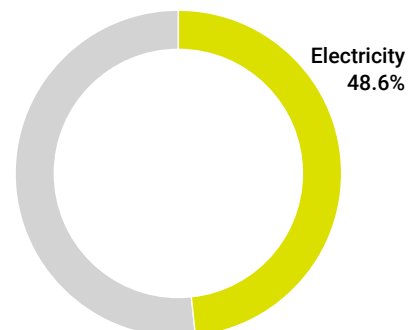
## Era of Energy Choice

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

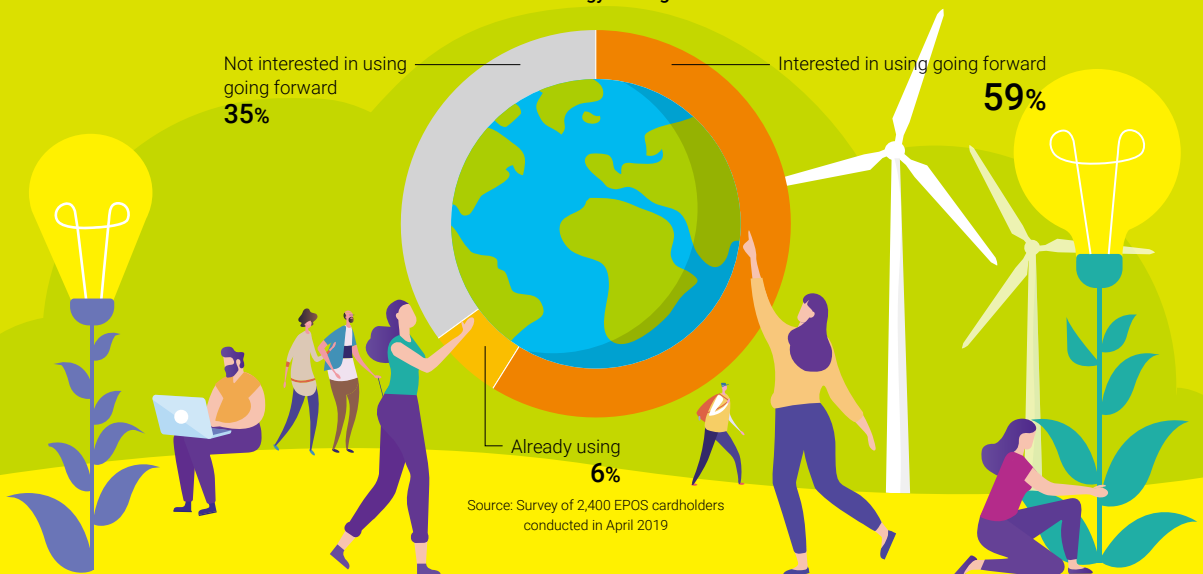
## Start of Project for Promoting Shift to Renewable Energy!

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 CO<sub>2</sub> emissions by promoting renewable energy use through collaborative efforts with both facilities and customers. Through these efforts, we are targeting reductions in CO<sub>2</sub> 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.



**Hidemi Tomita**

Representative Director  
Lloyd's Register Japan K.K.

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

## 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.



### Application Requiring Only Smartphone and Billing Statement



### 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](http://www.to-mare.com/news/2020/post-8.html)

## 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 CO<sub>2</sub> 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 CO<sub>2</sub> Reductions

Switching to the renewable energy through the Minna-denryoku EPOS Plan allows customers to reduce their CO<sub>2</sub> emissions to zero, meaning this plan has the potential to prevent global warming. Users of this plan are able to see their contributions to CO<sub>2</sub> 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](http://www.eposcard.co.jp/minden/index.html)

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

Approximately 80% of the CO<sub>2</sub> 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.

## Creation of Green Ecosystems through Power with Visibility of Producers

Climate change has recently come to be referred to 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.





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.

**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

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**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

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**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

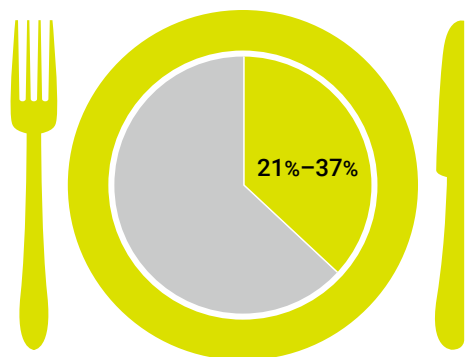
The foods we purchase and eat as a matter of habit are provided to us through a supply chain encompassing production, import or export, processing preparation, consumption, and disposal. In fact, 1.3 billion tons of food waste are produced around the world each year, meaning that roughly one-third of all of the food produced for human consumption is thrown away.\*<sup>1</sup> 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.

\*<sup>1</sup> 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 CO<sub>2</sub> 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\*<sup>2</sup>



\*<sup>2</sup> 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.



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



## 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,

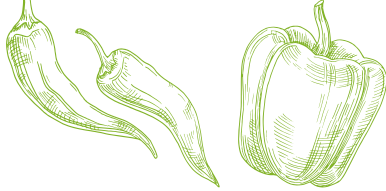


**Using eco-friendly materials to make clothing, belts, and accessories is a way to enjoy fashion while contributing to the environment, feeding two birds with one stone, if you will.**

### 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.



**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/](http://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.

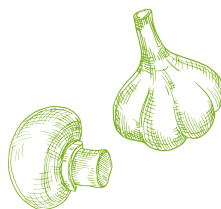
**Ishii:** A lot of people in their 20s are actually using vegan products in ways that might not always be apparent. For example, I use vegan cosmetics. Recently, using cosmetics that are not tested on animals is coming to be seen as something fashionable.

**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.

**Uezono:** 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. My father once had to be hospitalized for heart issues, after which the doctor placed dietary restrictions on him. He had to cut back on sodium, and even meat was deemed to be problematic. I had him eat a meal using vegan meat substitutes, and he didn't even notice the difference. My daughter, meanwhile, is allergic to eggs and can't eat mayonnaise. When I make vegan mayonnaise, however, she is happy to use it.

**Derycz:** Vegan meals can be enjoyed by everyone, whether they are recovering from an illness, have allergies, or are limited in what they can eat due to their religion, as is the case for Muslims and Hindus. That is something I love about vegan foods: they let us all sit down and eat at the same table.

**Ishii:** Vegan foods support diverse lifestyles by letting us form connections with a wide variety of people around the world through food.



A video of this conversation is available on MARUI GROUP's community site (Japanese only).  
[www.to-mare.com/tf/2020/i001.html](http://www.to-mare.com/tf/2020/i001.html)

**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)





### 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

New Corporate Cultures



Improvement of Corporate Value

POINT  
1

## 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.

## 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

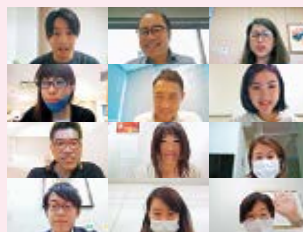
for discussion of important management themes. Employees, who are the main driving force behind our business, can participate regardless of their age and rank. With each iteration, the number of applicants greatly exceeds the number of available slots, and we have thus chosen to select members based 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](http://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.

### 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.



**Masaki Kimoto**

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





### 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/](http://www.to-mare.com/fv/)

#### Committee Meeting Discussion Topics in 2019

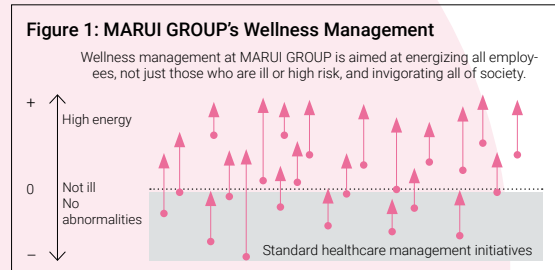
Feb.	Happiness × AI—Lecture by Dr. Kazuo Yano, Fellow and Director and Happiness Project Leader of Future Investment Division of Hitachi, Ltd.
Mar.	Venture Companies and New Businesses Viewed from the Perspective of Venture Capital—Lecture by Soichi Tajima, CEO and General Partner of Genesis Ventures, 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 Yoshiki 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

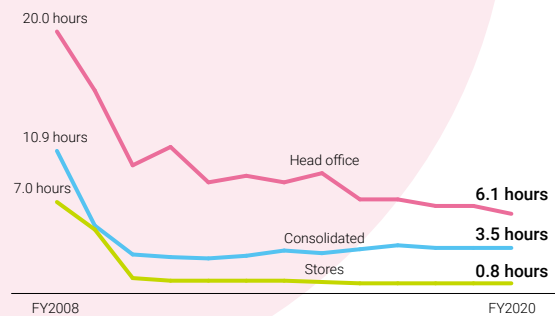
Recognizing that healthcare management is one facet of work style reforms, MARUI GROUP has been advancing reforms pertaining to work hour management and work system diversification since 2008. As a result, average annual overtime hours decreased to 42 and average monthly overtime decreased to 3.5 hours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

### Wellbeing Promotion Project Team and Resilience Program

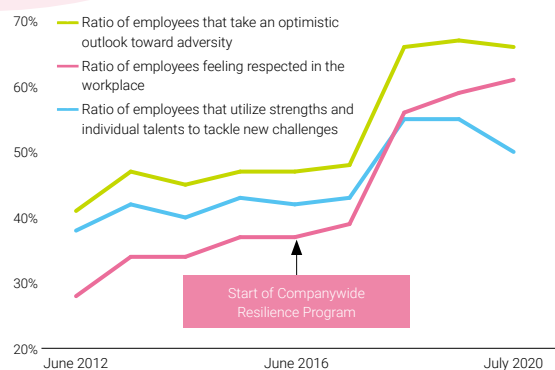
Established in 2016 as an official Groupwide project team, the Wellbeing Promotion Project Team is now in its fourth year. In the first and second years of its activities, this project team primarily focused on spreading awareness and understanding of wellness management. In its third year, this project 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 2: Average Monthly Overtime Hours per Person**



**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.\*<sup>2</sup> 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).

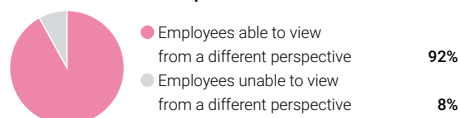


Members of happiness tracking project

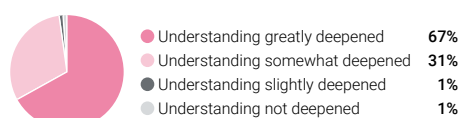
These wellness management initiatives have been highly evaluated, resulting in MARUI GROUP being included in the Health & Productivity Stock Selection arranged by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years. In addition, the Company has received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

\*<sup>2</sup> 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

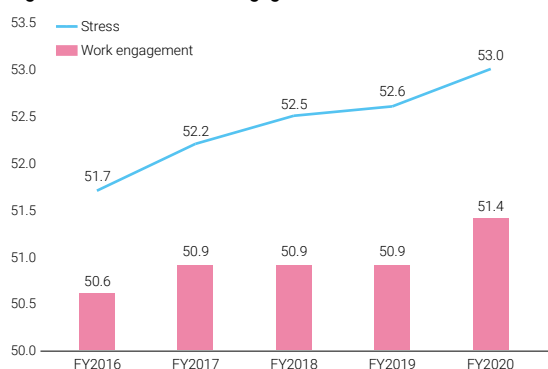


Employees Deepening Their Understanding Regarding Self-Care



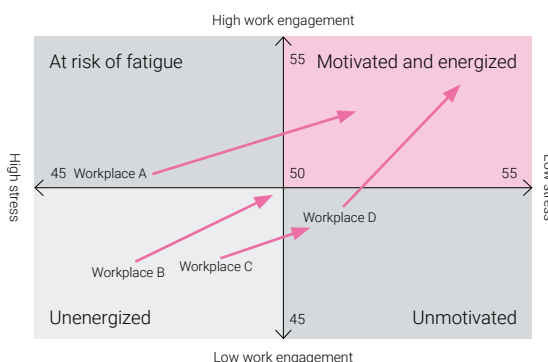
Note: Based on September 2020 employee survey

Figure 5: Stress and Work Engagement Scores\*<sup>1</sup>



\*<sup>1</sup> 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.



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



All employees first join MARUI GROUP CO., LTD.

Development of our people

# 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





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

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

Development of our company

OIOI  
MARUI GROUP

### Organizational Capabilities (Organizational Capital)

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

#### Unification

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

#### Innovation

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

#### Exchanges

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

#### Empathy

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

### Individual Strengths (Human Capital)

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

# 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

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

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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.

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## 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

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.



**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.





## CO-CREATION SUSTAINABILITY MANAGEMENT





 I am the grandson of our founder, and I became president in 2005. I get excited when I think about our future. Hiroshi Aoi, President and Representative Director, Representative Executive Officer, CEO


 I have supported the development of management teams at venture companies for nearly two decades. Some call me the “Godmother of Venture Companies.” Etsuko Okajima, External Director


 Calling upon the relationship I formed through holding public office, I will continue to exercise my motto of “wisdom and action.” Yoshitaka Taguchi, External Director


 I hope to create new value with IT through collaboration with start-up companies boasting innovative ideas. Masahiro Muroi, External Director


 I am helping developing stores that do not sell while myself feeling excited about MARUI GROUP’s co-creation of value. Masao Nakamura, Director, Senior Managing Executive Officer


 Being social is indispensable to investor relations work, but I feel that earnestness and justness are even more important when it comes to co-creating value with shareholders. Hirotsugu Kato, Director, Managing Executive Officer


 I am committed to seeing challenges for what they are and overcoming them with my team and more smiles than are probably necessary. Masahisa Aoki, Director, Senior Executive Officer


 I am an oddity at MARUI GROUP, joining from a science background with a major in architecture because I wanted to shape the Marui stores that are at the forefront of trends. Yuko Ito, Director, Executive Officer


 I committed myself to American football throughout my high school and university days before joining a bank in 1989 because I found the wide network and people appealing. Hitoshi Kawai, Audit & Supervisory Board Member (Full time)


 I am a bit stubborn and lack flexibility, but this is also tied to my commitment to seeing things through and never giving up until the job is done. Nariaki Fuse, Audit & Supervisory Board Member (Full time)


 MARUI GROUP’s co-creative investments are truly matched to the times. I too will aspire to respond to change through flexible thinking. Takehiko Takagi, External Audit & Supervisory Board Member


 I see myself as cheerful and positive. I also view the COVID-19 pandemic as an opportunity to accelerate digitization and the diversification of work styles. Yoko Suzuki, External Audit & Supervisory Board Member


 Having joined in 1977, I am MARUI GROUP’s oldest employee. I am constantly reminded of the fact that adopting others’ perspectives is the starting point for co-creation. Motohiko Sato, Executive Vice President


 The first step in co-creation is to learn things that you lack from others while being accepting of others, both inside and outside of the Company. Tomoo Ishii, Senior Managing Executive Officer


 I am first and foremost a social person. My social nature has benefited me greatly as new encounters have led to new businesses or broadened my own horizons. Toshikazu Takimoto, Managing Executive Officer


 I am sometimes too meticulous. Going forward, I hope to strike a balance between this meticulousness and bold action to enact MARUI GROUP’s philosophy of “equate the development of our people with the development of our company.” Yoshinori Saito, Managing Executive Officer


 I am optimistic and I love pondering new ideas. I can imagine nothing better than assembling a diverse team and capitalizing on their individuality to give rise to new ideas. Hajime Sasaki, Senior Executive Officer


 MARUI GROUP is supported by countless stakeholders, and I hope we can repay them for this support through our business. Masahiro Aono, Senior Executive Officer


 I am working to acquire building manager qualifications to spur my own growth, and I am currently fighting to understand the specialized terminology and complex machine structures. Yoshiaki Kogure, Executive Officer


 When people first meet me, they often think of me as methodical and stern, but the more they get to know me, the more they realize that I can be quite easygoing. Mayuki Igayama, Executive Officer


 I respond to change with the positivity and ideation needed to turn adversity into opportunities, and this drive inspires me to create maximized services even in the midst of the COVID-19 pandemic. Junko Tsuda, Executive Officer

 My personality could be said to be cheerful, soft, spirited, driven, and flexible. I greatly enjoy sharing in the feelings of others. Miyuki Kawara, Executive Officer

 People say that I pursue what I think is right with conviction and offer advice from a fresh perspective to those who are lost. Tatsuo Niitsu, Executive Officer

 I see myself as a little optimistic. IT systems require a careful approach, but too much caution can halt progress. A sense of balance is important. Takeshi Ebihara, Executive Officer

 At MARUI GROUP, co-creation is our passion, and I am happy to be able to work toward our shared goal of making society happier together with my colleagues. Reiko Kojima, Executive Officer

 This experience let me feel the joy of directly pleasing customers. This prompted my decision to join MARUI GROUP in 1996, as I recognized that this company would let me contribute to communities by opening new stores. Akikazu Aida, Executive Officer



## Message from an External Director

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

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

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



**Etsuko Okajima**

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



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

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

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

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

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

#### **Agricultural Tribe Approach Toward Ecosystem Development**

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

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

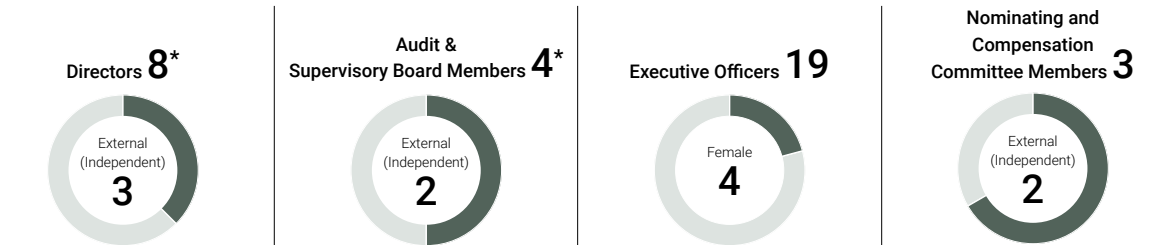


# Corporate Governance for Co-Creating Corporate Value

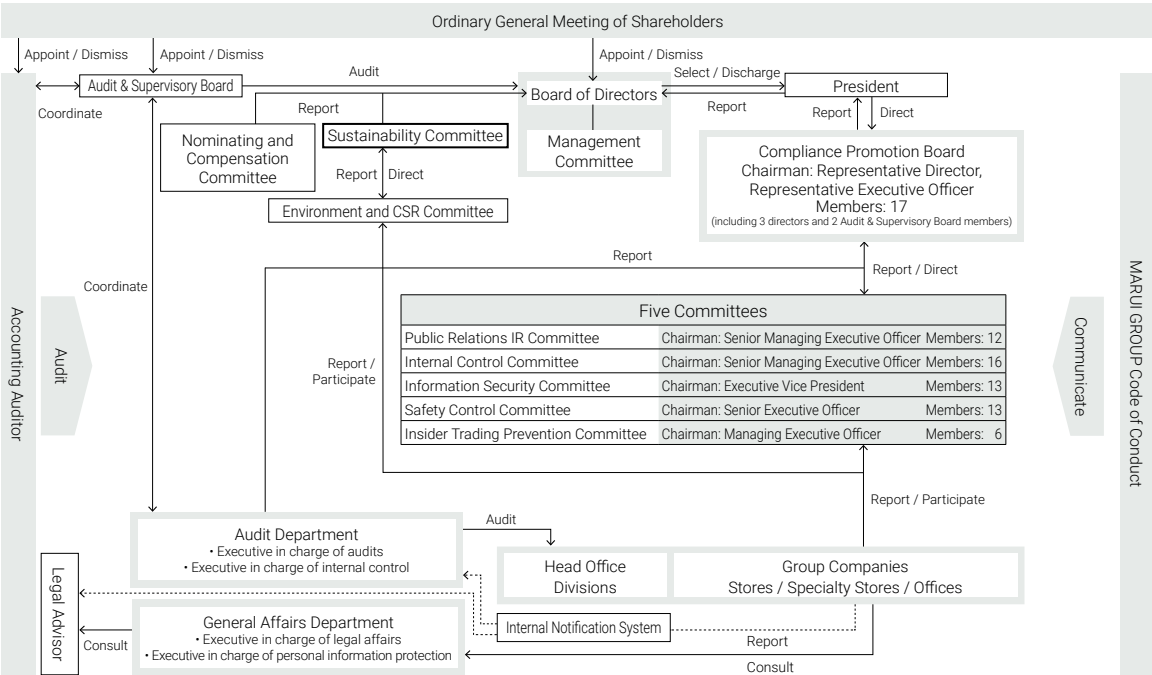
MARUI GROUP positions the reinforcement of corporate governance among its most important management tasks, and we aspire to practice sound, highly transparent, profitable, and efficient management. As a Company with Company Auditor(s), as described in the Companies Act of Japan, MARUI GROUP has in place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

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

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



\* Three, or 25%, of the 12 directors and Audit & Supervisory Board members are women.



As of October 1, 2020

Committee Membership  
[www.0101maruigroup.co.jp/pdf/committee\\_members\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/committee_members_en.pdf)

MARUI GROUP Corporate Governance Guidelines  
[www.0101maruigroup.co.jp/pdf/cgg\\_20200730\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/cgg_20200730_en.pdf)

MARUI GROUP Corporate Governance Report  
[www.0101maruigroup.co.jp/pdf/cgr\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/cgr_en.pdf)

## Messages from New Audit & Supervisory Board Members



**Hitoshi Kawai**

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

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

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

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

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

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



**Yoko Suzuki**

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

## Agenda Items Discussed by the Board of Directors

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

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

## Transcript of Board of Directors' Discussion

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

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

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

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

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

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

**Okajima:** You mean to say that you are gauging investment returns in terms of the resulting improvements in lifetime value.

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

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

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

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



## Evaluations of the Board of Directors' Effectiveness

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

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

## Overview of Evaluation Results

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

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

## Future Initiatives

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

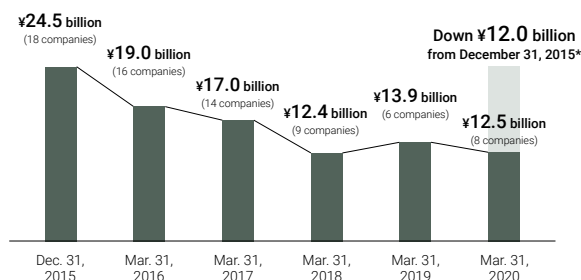
Meanwhile, in response to the global COVID-19 pandemic, the Company began holding meetings of the Board of Directors in the form of internet conferences in the fiscal year ended March 31, 2020. Internet conferences will continue to be used as a tool for facilitating timely discussion, resolutions, and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

## Reduction of Cross-Shareholdings

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

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

## Total Value of Cross-Shareholdings on the Consolidated Balance Sheet



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

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



## Revision of Officer Compensation Systems to Facilitate Sustainability Management

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

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

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

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

### Target Indicators and Performance-Linked Coefficients

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

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

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

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

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



Officer Compensation  
[www.0101maruigroup.co.jp/en/ci/governance/compensation.html](http://www.0101maruigroup.co.jp/en/ci/governance/compensation.html)

## Future Leader Development Program

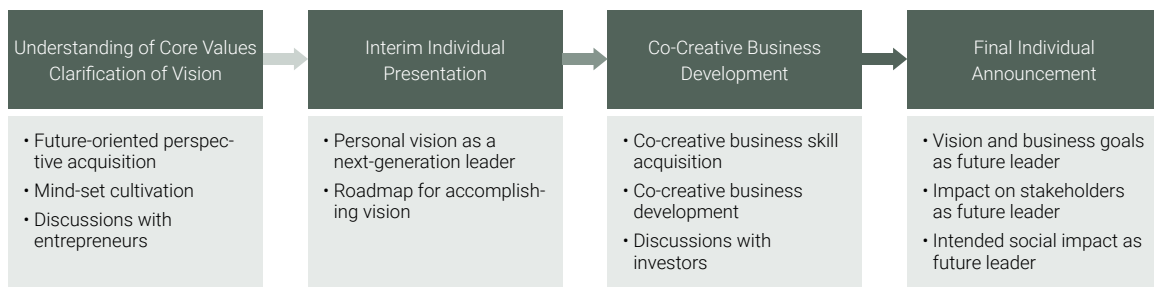
MARUI GROUP unveiled its Co-Creation Management Academy (CMA) future leader development program in April 2017 with the aim of identifying and cultivating human resources capable of promoting management innovation. This program is based on open application, and each year 10–20 candidates are selected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

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

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

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

## Sample Curriculum



## Sample of Newly Introduced Experience-Oriented Programs

Workshop on Customer-Oriented Thinking  
in the Post-Digital World

Yasufumi Fujii  
East Asia Sales Representative  
beBit, Inc.



How to Realize Your Dreams—  
Programming Workshop and Lecture  
by University Student Mentor

Yusuke Mizuno  
Representative Director and CEO  
Life is Tech, Inc.



## Appointment of New Wellness-Field Advisor

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

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

## Advisors



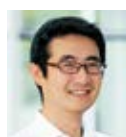
Appointed in  
July 2020

### Yoshiki Ishikawa

Doctor of Medicine; Preventative Medicine Researcher; Representative Director, Well-being for Planet Earth Foundation

Wellness Specialist

Reason for appointment: Yoshiki Ishikawa possesses a wealth of experience and broad-ranging insight as a preventative medicine researcher. He is also one of Japan's foremost researchers of well-being and the representative director of Well-being for Planet Earth Foundation. MARUI GROUP anticipates that he will offer valuable suggestions and advice pertaining to the Company's management.



Appointed in  
July 2016

### Masakazu Masujima

Partner, Mori Hamada & Matsumoto

Fintech Specialist

Reason for appointment: Masakazu Masujima is a leading expert in the field of fintech with robust insight and experience. MARUI GROUP anticipates that he will offer proposals of specific growth investment targets, advice and proposals regarding entry into the securities business, and advice on fintech-related laws and regulations for use in the development of new FinTech businesses.



Appointed in  
July 2017

### Meyumi Yamada

Director, istyle Inc.

D2C Specialist

Reason for appointment: MARUI GROUP anticipates that Meyumi Yamada will provide up-to-date information on D2C ecosystems and customer success strategies and stimulate meaningful discussion in this regard to drive new value creation in the post-digital world.



Appointed in  
October 2019

### Yutaka Matsuo

Professor, Department of Technology Management for Innovation; Artifacts, Center for Engineering; Graduate School of Engineering; Tokyo University

AI Specialist

Reason for appointment: Yutaka Matsuo possesses a wealth of insight and experience as a leading authority in AI research. In addition, he has devoted his efforts promoting the use of AI and the cultivation of human resources in this field. One such effort was the establishment of the Japan Deep Learning Association, an organization tasked with improving the competitiveness of industry in Japan with deep learning. MARUI GROUP anticipates that he will offer valuable suggestions and advice for utilizing AI to improve corporate value.

## Sustainability Advisors



Appointed in  
January 2019

### Peter David Pedersen

Representative Director, Next Leaders' Initiative for Sustainability; Professor, Shizenkan University

Environmental Specialist

Reason for appointment: As a corporate consultant, Peter David Pedersen has provided environmental and CSR consulting through various projects with leading Japanese companies, universities, economic organizations, and government agencies and has taken part in international symposiums. MARUI GROUP anticipates that he will offer valuable suggestions and advice for addressing future operating environment changes and improving corporate value based on his world-leading experience and insight in the environmental and sustainability fields.



Appointed in  
January 2019

### Masayoshi Suzuki

Executive Vice President, BORDERLESS JAPAN CORPORATION

Social Specialist

Reason for appointment: Masayoshi Suzuki co-founded BORDERLESS JAPAN, one of the few companies in the world that only engages in social businesses, through which this company has addressed social issues pertaining to poverty, discrimination, prejudice, and the environment. MARUI GROUP anticipates that he will offer valuable suggestions and advice for resolving social issues to help create a flourishing and inclusive society.



## Risk management system

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

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

## Business and other risks

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

### 1. Risks concerning business strategies

#### 1-1. Risks concerning Retailing and FinTech environments

- Changes in consumption trends
- Occurrence and intensification of competition
- Expansion of the e-commerce market, and diversification of settlement methods
- Revision of the taxation system and relevant laws

##### Impact

The Group's operations integrate Retailing and FinTech. The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. We anticipate to see a decline in the number of visiting customers and transactions at stores due to changes in markets causing sluggish consumer spending, such as fluctuations in business conditions, changes in economic conditions, the declining population, intensifying competition, the expansion of the e-commerce market, and the rise in the sharing economy. In addition, the share of credit card usage in the market is expected to shrink as a result of the technological advances such as the diversification of settlement means associated with the transition to cashless payments, or changes in consumer behaviors. If these risks become apparent, the financial position and business results of the Group may be affected.

In store operations, the Group has been building a stable earnings structure by transitioning to a business structure focused on shopping centers and fixed-term rental agreements. However, the financial position and business results of the Group may be affected by cancellation of fixed-term rental agreements with tenants and increased vacant floor space, both of which will lead to a decline in rental revenue, posting of impairment loss due to fluctuations in land prices, increased tax burden due to a revision of the taxation system, and other factors.

Furthermore, allowance for doubtful accounts is provided with respect to operating receivables (accounts receivable-installment and operating loans) of cards that account for a large share of the Group's total assets, based on the occurrence of receivables in arrears, historical bad debt ratios, etc. However, payments in arrears and uncollected receivables could increase due to worsening economic conditions, changes in relevant laws, or other factors. The financial position and business results of the Group may be affected by a sharp increase in bad debt expenses or allowance for doubtful accounts, etc. Provision for loss on interest repayment has been provided to prepare for the repayment of interest on cash advances, by projecting the amount of future repayments based on the past actual repayments. However, if the amount of provision is insufficient for the amount of future claims for interest repayment, additional costs may be incurred.

##### Countermeasures

We are pushing ahead with a marriage of internet and physical venues centered on our e-commerce site "MARUI web channel." Marui and Modi stores have been working to realize the co-existence of physical venues with e-commerce and to constantly improve facility value by working to promote "digital native stores" to accommodate the post-digital era. The Group is working to diversify touchpoints with customers by having stores also play a complementary role to digital. Moreover, we endeavor to broaden our customer base and increase the number of customers by advancing "Customer Diversity and Inclusion," providing products and services that bring joy to all customers, regardless of their age, physical characteristics, or gender.

Recognizing the promotion of the transition to cashless payments as a big opportunity, the FinTech segment responds to diversified payment methods by increasing EPOS Gold and Platinum cardholders and encouraging them to use their EPOS card as their main card by implementing the strategy of maximizing the share of EPOS card payments among household finances, such as the rent guarantee services business. Moreover, aiming to realize financial inclusion with the goal of providing everyone with the financial services they need when they need them, regardless of income or age, we provide initial credit by utilizing big data based on credit expertise acquired from the time of our founding, as well as credit monitoring under the belief that "creditability should be built together with customers." We have achieved a low ratio of delinquent debt by increasing credit limits based on usage frequency and transaction amounts and payment history.

## 1-2. Risks concerning Co-Creative Investment

- Uncertainty of return on investment
- Risk of impairment loss on investment in unlisted companies
- Fluctuations in prices of investment securities

### Impact

The Group is promoting "Co-Creative Investment," investing in growing companies as part of its measures to accelerate investments in intangible assets. We aim to create value greater than the sum of individual businesses by building a business model integrating Retailing and FinTech with "Co-Creative Investment." In executing investments, we conduct a preliminary detailed review through confirmation of the financial conditions and contracts of prospective investees, etc., and interviews with their management, to fully examine risks. However, in cases where a problem that cannot be identified through preliminary investigation is found, e.g., the occurrence of a contingent liability or the discovery of unrecognized debt, or depending on future business performance or changes in business policies of the investees, the expected outcome may not be achieved, leading to the recording of an impairment loss. Furthermore, listed shares held by the Group may be affected by price fluctuations depending on stock market trends.

### Countermeasures

In selecting investees, we prepare our own plan based on a business plan obtained from the investee, and make investment decisions after checking profitability including not only financial returns but also cooperative returns to be generated from cooperation with the Group. Most importantly, in "Co-Creative Investment," we believe that we can contribute to mitigating investment risks and increasing returns by realizing "co-creation" by uniting resources of the credit card business, the retailing business, and human resources involved in them, with intangible assets such as investees' know-how and skills, and by greatly contributing to the achievement of their business plans and development as a corporation.

In principle, we will not engage in cross-shareholdings except for cases in which such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value. At a meeting of the Board of Directors held in February 2016, it was determined that the Company had already established sufficiently strong business relationships with cross-shareholding counterparties, and it was therefore decided to undertake a phased reduction in cross-shareholdings out of consideration for asset efficiency and stock price fluctuation risks.

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

### 2-1. Risks concerning large-scale disasters

- Stagnation of economic activities and decline in consumption activities
- Damage to assets held and occurrence of repair costs
- Suspension of business activities due to damages to offices and systems, and adverse impact on employees

### Impact

The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. In the event of a natural disaster such as a large-scale earthquake or storm/flood, or a terrorist attack in areas where sales offices are located, the sales offices may be forced to suspend business activities due to the disruption of social infrastructure, etc., and this may affect the financial position and business results of the Group.

### Countermeasures

The Group prepares against various disasters and accidents by taking measures such as introducing an employee safety confirmation system, formulating a disaster countermeasures manual, implementing earthquake-resistant measures for buildings, facilities, systems, etc. (including data backup), fire, disaster, and flood prevention drills, and stocking necessities. In the event of an earthquake, etc., the Group Earthquake Disaster Response Headquarters is established and Group companies work together to establish systems that enable business continuity.

### 2-2. Risks concerning climate change

- Damages to stores and facilities from typhoons, torrential rains, etc.
- Introduction of carbon taxes, etc., along with the tightening of regulations

### Impact

The financial position and business results of the Group may be affected by damage to stores from flooding caused by typhoons and torrential rains, and an increase in costs due to the introduction of carbon taxes, etc.

### Countermeasures

The Group believes it is important to capture opportunities for growth and respond appropriately to relevant risks resulting from climate change. Please refer to "Initiatives Related to Climate Change and Endorsing the TCFD" on page 91 for information on MARUI GROUP's climate change response measures and initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures.



## 2-3. Risks concerning infectious disease

- Stagnation of economic activities and decline in consumption activities
- Refraining from or suspending business activities at stores due to the spread of infection
- Suspension of business activities due to infection of employees

### Impact

The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. If an infectious disease is prevalent in areas where sales offices are located or if measures such as voluntary restraints on going out are taken to prevent the spread of infection, the financial position and business results of the Group may be affected by restrictions on business activities such as suspension of store operations. Furthermore, it may become difficult to continue business due to the spread of infection among employees. Please refer to "Response to COVID-19" on page 93 for information on MARUI GROUP's response to the global COVID-19 pandemic.

### Countermeasures

In order to prevent the spread of infectious diseases, employees mainly based at offices are encouraged to remotely work from home as much as possible, while those in charge of logistics, such as e-commerce, work in shifts. In addition, we are taking infection preventative measures for our customers and employees at sales offices, such as installing alcohol antiseptic solution dispensers, requiring the wearing of masks, and ensuring the adherence to social distancing.

In response to the spread of COVID-19, placing top priority on the health and safety of our customers, business partners and employees, opening hours of our stores were shortened and urban stores were temporarily closed in March to prevent the spread of infection. After a state of emergency was declared in April, all stores were closed except for food corners and certain tenants. Please refer to "Response to COVID-19" on page 93 for information on MARUI GROUP's response to the global COVID-19 pandemic.

## 3. Risks concerning corporate operations

### 3-1. Risks concerning fund procurement

- Constraining fund procurement
- Raising fund procurement interest rates

### Impact

The FinTech segment is expected to grow, with card shopping transactions increasing and financial services including rent guarantee expanding. Amid this situation, the Group expects to see an expansion of cash demand owing to an increase in operating receivables (accounts receivable—installment and operating loans). Accordingly, new funds will be needed in addition to handling repayments and redemption of funds previously procured. We anticipate that risks concerning fund procurement will grow as the procurement amount will gradually increase in the future.

In the case of turmoil in the financial market, fund procurement may be constrained. Furthermore, a substantial deterioration of the business results of the Group or a rapid decline in its creditability would make it difficult to borrow from financial institutions and hinder issuance of corporate bonds. If these risks become apparent, they may materially affect the financing of the Group.

In addition, as fund procurement interest rates fluctuate depending on the market environment or other factors, procurement costs may sharply rise depending on such trend, and this may affect the financial position and business results of the Group.

### Countermeasures

The Group seeks to maintain a level of interest-bearing debt to around 90% in order to control the risk arising from an increase in debts.

In raising fund procurement interest rates necessary for operating activities, we will diversify the procurement methods we use by indirectly procuring funds from financial institutions, directly procuring funds through issuance of corporate bonds and commercial paper, as well as liquidating operating receivables. We also utilize these procurement methods in a balanced manner.

In order to cope with the risk of refinancing, we maintain consistent annual repayment and/or redemption levels by controlling the years of procurement. We have established a system to ensure procurement even if fund procurement is restricted, by executing commitment line contracts or establishing overdraft facilities with financial institutions for such amounts to ensure liquidity.

As for the procurement interest rate, we minimize the impact of an increase in procurement costs due to the fluctuations in market interest rates by maintaining the procurement methods with fixed interest rates at a rate of 50% to 60%.

### 3-2. Risks concerning information security

- System failure due to an accident, defect, etc.
- Unauthorized entries and access from outside, and virus infection
- Leakage of customer information

#### Impact

#### 1. System-related

The Group employs a variety of computer systems and communication networks. In the event of a system error due to a hardware or software defect, or a communication network failure, a system delay, a service outage or the alteration of a website due to unauthorized access from outside, etc., it may affect the financial position and business results of the Group.

#### 2. Personal information-related

The Group maintains EPOS cardholder information and other personal information of many customers and stakeholders. If, by any chance, customer information is leaked or fraudulent use occurs, the Group may suffer the risk of losing social credibility and incurring liability for damages, which may affect the business performance of the Group.

#### Countermeasures

#### 1. System-related

The Group operates systems aiming at stable operation by duplicating computer systems and communication networks, replacing systems regularly, as well as preventing computer viruses or unauthorized entries. In addition, the Group strives to further strengthen information security by utilizing risk assessment by outside consultants.

#### 2. Personal information-related

The Group recognizes the enhancement of Groupwide information security, such as the protection of customer information and other information assets held by the Group against unauthorized access or cyber attack, as a top management priority. By establishing the MARUI GROUP Information Security Policy and the MARUI GROUP Privacy Policy, we are working to properly manage and protect all the personal information obtained.

Specifically, based on the Act on the Protection of Personal Information, other laws and regulations, and relevant guidelines, standards, etc., we take safety management measures concerning personal information. At the same time, we continue to properly protect personal information by constant improvement through implementation and operation of the personal information protection management system.

Specifically, our Group companies handling large amounts of personal information have acquired the "PrivacyMark" and practice appropriate handling of personal information.



Management Policies

[www.0101maruigroup.co.jp/en/sustainability/theme04/risk.html](http://www.0101maruigroup.co.jp/en/sustainability/theme04/risk.html)

### 3-3. Risks concerning human resources

- Shortage of management personnel
- Intensified competition for securing human resources

#### Impact

We believe that growth of the Group can be attained by the development and contribution of each employee. If competition intensifies for the securing of human resources, an outflow of human resources occurs, and a consequent shortage in future management personnel becomes apparent, these may affect the evolution and continuity of our business.

#### Countermeasures

The Group emphasizes the importance of human resource investments to accumulate the intangible assets that are a wellspring of future corporate value, based on the culture where all of our employees can tackle new challenges. We are currently creating an environment where employees can fully realize personal growth and are highly motivated owing to our conducting of systematic human resource investments from a variety of angles. These investments include education and training programs based on open application, and the Groupwide project teams that engage in discussions on important topics for Group management. These efforts also include the establishment of the Co-Creation Management Academy (CMA) future leader development program, which cultivates human resources capable of promoting management reforms, as well as the secondment of employees to start-up companies.

Please refer to "Future Leader Development Program" on page 85 for details.



MARUI GROUP's 2050 Vision and Its Three Businesses  
[www.0101maruigroup.co.jp/en/sustainability/vision2050/3business\\_01.html](http://www.0101maruigroup.co.jp/en/sustainability/vision2050/3business_01.html)



MARUI GROUP Environmental Policy  
[www.0101maruigroup.co.jp/en/sustainability/theme03/environment\\_01.html#environment1](http://www.0101maruigroup.co.jp/en/sustainability/theme03/environment_01.html#environment1)

## Initiatives Related to Climate Change and Endorsing the TCFD

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



### Governance

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

### Business strategies

(Business risks and opportunities)

Recognizing that a 4°C rise in the global temperature resulting from climate change would have an enormous impact on society, we believe it is important to work together to contribute to the movement seeking to limit global warming to below 1.5°C above pre-industrial levels. In order to strengthen our ability to respond to scenarios below 2°C (with a target of 1.5°C), we will identify the impact of climate-related risks and opportunities on our business, and proceed to formulate relevant strategies.

The Group aims to create a new business model integrating Retailing and FinTech with "Co-Creative Investment" that leads to mutual development, by investing in start-ups, etc., with which we can share our corporate philosophy or visions. Climate change would pose such risks as damages to stores, facilities, etc., from floods caused by typhoons and torrential rains, and an increase in costs due to the introduction of carbon taxes along with tightened regulations. On the other hand, we view the provision of goods and services responding to increased consumer environmental awareness and investing in eco-friendly companies as the Group's business opportunities.

(Analysis and calculation of financial impacts)

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

### Assumptions

Period covered	Present to 2050
Scope	All businesses of MARUI GROUP
Calculation requirements	<ul style="list-style-type: none"> <li>Analyses based on climate change scenarios (IPCC, IEA, etc.)</li> <li>Calculation of financial impacts assumed during the period by item</li> <li>Calculation of risks in the amount of impact if an event occurs</li> <li>Calculation of opportunities for lifetime value (LTV), in principle</li> <li>Not considering infrastructure enhancements such as public works and technology advancements, etc.</li> </ul>

## Risks and opportunities associated with climate change

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

\*1 Assuming flooding of a river that will have the most significant effects based on hazard maps (Arakawa River) (three-month effect on two stores in the watershed areas)

\*2 Assuming no financial impacts as a backup center has been established

\*3 Increased rent revenues and credit card usage

\*4 Calculated revenue from credit card admission and usage

\*5 Calculated revenue from increased Gold cardholders due to recurring payments, etc.

## Risk management

MARUI GROUP performs scenario analyses to track and assess the impacts of climate change on its business and identify climate change-related risks and opportunities. The identified risks and opportunities are managed in terms of strategy formulation and individual business operations through a promotion system centered on the Sustainability Committee. The content of deliberations by the Environment and CSR Committee, which comprises officers of Group companies (retailing, facility management, distribution, building management, etc.), is regularly reported and discussed at the Sustainability Committee, and reports and advice are provided to the Board of Directors as necessary for specific items. Going forward, strategies and measures will be examined based on a myriad of factors. External factors on which information will be shared include climate change and other trends that may impact corporate strategies as well as legal and regulatory revisions. Internal factors examined will include progress in the measures of Group companies and future risks and opportunities.

## Indicators and targets

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



RE100

CLIMATE GROUP

CDP



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

## Response to COVID-19

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

### Customers

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

### Business partners

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

### Shareholders and investors

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

### Employees

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

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

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

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

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

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

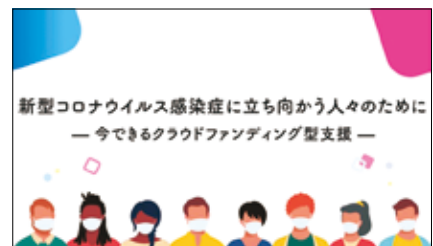
Postponement of payments for a period from May to July by six months at their request

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

### Crowdfunding Support through EPOS Cards

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

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





# VISION 2050

## MARUI GROUP's 2050 Vision

As part of the process of formulating a long-term vision for 2050, MARUI GROUP redefined the scope of the stakeholders to whose interests and happiness it looks to contribute to include both current generations and future generations.

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



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

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

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

#### STEP 1 Groupwide Sustainability Project Team

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



#### STEP 2 Direct Proposals to Executive Officers

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



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

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



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

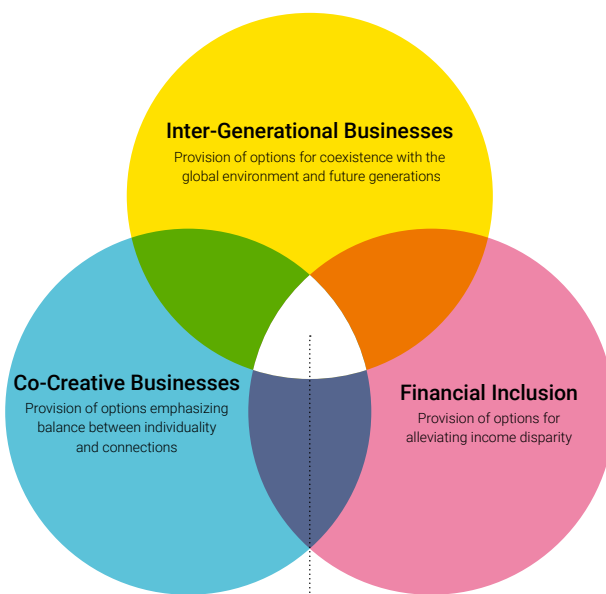
MARUI GROUP aims to help create a flourishing and inclusive society offering happiness to all.

In 2019, we announced MARUI GROUP's 2050 Vision to serve as a roadmap for accomplishing this mission.

### MARUI GROUP's 2050 Vision

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

Three Businesses Founded on Co-Creation



## Happiness

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

### Inter-Generational Businesses

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

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

### Co-Creative Businesses

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

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

### Financial Inclusion

#### Provision of options for alleviating income disparity

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



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

# Revision of Policies

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

## Key Points of Revision to the MARUI GROUP Code of Conduct

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

### Contents of the Revised MARUI GROUP Code of Conduct

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

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

- |                               |                             |                                      |                                      |   |                       |
|-------------------------------|-----------------------------|--------------------------------------|--------------------------------------|---|-----------------------|
| 1. Customers                  | 2. Investors                | 3. Communities and Society           | 4. Business Partners                 | 5. Employees  | 6. Future Generations |
| 7. Environmental Preservation | 8. Respect for Human Rights | 9. Fair and Transparent Transactions | 10. Elimination of Antisocial Forces | 11. Protection and Management of Information Assets |                       |

### New Section on Future Generations

#### 6. Future Generations

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



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

## Key Points of Revision to the MARUI GROUP Environmental Policy

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

### Contents of the Revised MARUI GROUP Environmental Policy

#### Basic Policy

- |                             |  |   |
|-----------------------------|--|---|
| 1. Environmental Management | 2. Legal Compliance                    | 3. Environmental Due Diligence                      |
| 4. Stakeholder Engagement   | 5. Environmental Awareness Improvement | 6. Transparent Environmental Information Disclosure |

#### Priority Issues and Action Policies

- |  |  |   |
|--|--|---|
| 1. Climate Change ————— <ul style="list-style-type: none"><li>• Reduction of Greenhouse Gas Emissions</li><li>• Energy Conservation</li><li>• Renewable Energy Utilization</li></ul> | 2. Resource Recycling ————— <ul style="list-style-type: none"><li>• Waste Reduction</li><li>• Sustainable Product Development</li><li>• Proper Waste Disposal</li><li>• Reduction of Container- and Packaging-Related Environmental Impacts</li><li>• Reduction of Food Loss and Waste</li><li>• Water Resource Management</li></ul> | 3. Preservation of Sustainable Ecosystems ————— <ul style="list-style-type: none"><li>• Sustainable Procurement</li><li>• Harmony with Nature</li></ul> |
|--|--|---|

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



Please refer to the following website for the entire MARUI GROUP Environmental Policy.  
[www.0101maruigroup.co.jp/en/sustainability/theme03/environment\\_01.html#environment1](http://www.0101maruigroup.co.jp/en/sustainability/theme03/environment_01.html#environment1)

## Key Points of Revision to the MARUI GROUP Human Rights Policy

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

### Contents of the Revised MARUI GROUP Human Rights Policy

#### Basic Principles

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

#### Human Rights Initiatives

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

#### Material Human Rights Issues

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

#### Revision Process



### Human Rights Risks in Business Activities and Potentially Impacted Parties

		Product Manufacturing and Distribution	MARUI GROUP's Activities	Collaboration Partners' Activities	Use by Customers and After-Sales Services	
Retailing	Targets	<ul style="list-style-type: none"><li>• Employees of business partners (domestic and overseas suppliers)</li><li>• MARUI GROUP employees</li><li>• Residents of communities surrounding factories</li></ul>	<ul style="list-style-type: none"><li>• Employees of business partners (tenants)</li><li>• MARUI GROUP employees</li></ul>		<ul style="list-style-type: none"><li>• Customers</li></ul>	
	Activities	Manufacturing and distribution	Sales, e-commerce site operations, events		Purchase/use	
FinTech	Targets	<ul style="list-style-type: none"><li>• Employees of business partners (domestic suppliers)</li></ul>	<ul style="list-style-type: none"><li>• MARUI GROUP employees</li></ul>	<ul style="list-style-type: none"><li>• Business partners</li><li>• Employees of collaboration partners</li></ul>	<ul style="list-style-type: none"><li>• Customers</li></ul>	<ul style="list-style-type: none"><li>• MARUI GROUP employees (call centers, tsumiki)</li></ul>
	Activities	Manufacturing	External marketing, sales, cardholder recruitment, credit, systems development	Sales, cardholder recruitment, application processing	Application, payment, donation, cumulative investment	Customer inquiries, threat response, payment request
Major anticipated risks		<ul style="list-style-type: none"><li>• &lt;Rights of business partners and MARUI GROUP employees&gt;</li><li>• Discrimination</li><li>• Acceptance of diversity</li><li>• Political involvement</li><li>• Forced labor</li><li>• Child labor</li><li>• Low-wage labor</li><li>• Excessive work hours</li><li>• Occupational health and safety</li><li>• Right to collective bargaining</li><li>• Freedom of assembly</li><li>• Right to breaks</li><li>• Health promotion</li><li>• Work style options</li><li>• Discrimination in hiring and promotions</li><li>• Harassment</li><li>• Privacy</li><li>• &lt;Residents of communities surrounding factories&gt;</li><li>• Lives of local residents</li><li>• Land rights</li></ul>	<ul style="list-style-type: none"><li>• &lt;Rights of business partners and MARUI GROUP employees&gt;</li><li>• Discrimination</li><li>• Acceptance of diversity</li><li>• Rights of cultural, religious, and language minorities</li><li>• Low-wage labor</li><li>• Excessive work hours</li><li>• Occupational health and safety</li><li>• Right to collective bargaining</li><li>• Freedom of assembly</li><li>• Right to breaks</li><li>• Health promotion</li><li>• Work style options</li><li>• Discrimination in hiring and promotions</li><li>• Harassment</li><li>• Privacy</li></ul>	<ul style="list-style-type: none"><li>• &lt;Rights of business partners and collaboration partners&gt;</li><li>• Discrimination</li><li>• Acceptance of diversity</li><li>• Rights of cultural, religious, and language minorities</li><li>• Low-wage labor</li><li>• Excessive work hours</li><li>• Occupational health and safety</li><li>• Right to collective bargaining</li><li>• Freedom of assembly</li><li>• Right to breaks</li><li>• Health promotion</li><li>• Work style options</li><li>• Discrimination in hiring and promotions</li><li>• Harassment</li><li>• Privacy</li></ul>	<ul style="list-style-type: none"><li>• &lt;Rights of customers&gt;</li><li>• Discrimination</li><li>• Acceptance of diversity</li><li>• Rights of cultural, religious, and language minorities</li><li>• Occupational health and safety</li><li>• Lives of local residents</li><li>• Adverse impacts of products</li><li>• Rights of vulnerable people</li><li>• Land rights</li><li>• Rights of children</li><li>• Privacy</li></ul>	<ul style="list-style-type: none"><li>• &lt;Rights of MARUI GROUP employees&gt;</li><li>• Discrimination</li><li>• Acceptance of diversity</li><li>• Rights of cultural, religious, and language minorities</li><li>• Excessive work hours</li><li>• Occupational health and safety</li><li>• Right to breaks</li><li>• Health promotion</li><li>• Work style options</li><li>• Discrimination in hiring and promotions</li><li>• Harassment</li><li>• Land rights</li><li>• Privacy</li></ul>

#### MESSAGE FROM AN EMPLOYEE

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



**Mariko Kuwae**

Sustainability Department  
MARUI GROUP CO., LTD.



Please refer to the following website for the entire MARUI GROUP Human Rights Policy.

[www.0101maruigroup.co.jp/en/sustainability/overview/](http://www.0101maruigroup.co.jp/en/sustainability/overview/)



Please refer to the following website for information on the process of defining material issues.

[www.0101maruigroup.co.jp/en/sustainability/pdf/matl\\_issue/matl\\_issue\\_prg\\_2020\\_en.pdf](http://www.0101maruigroup.co.jp/en/sustainability/pdf/matl_issue/matl_issue_prg_2020_en.pdf)

## Message from the CFO

# We will rapidly transform our business model to focus on intellectual creation driven by intangible assets.

### Difficulty in Accomplishing Major Medium-Term Management Plan Targets Due to COVID-19 Pandemic

In the fiscal year ended March 31, 2020, the fourth year of the medium-term management plan, performance with regard to the key performance indicators (KPIs) of the plan was as follows: earnings per share (EPS) of ¥117.6, ¥5.1 lower than targeted; return on equity (ROE) of 8.8%, 0.4 percentage point less than our target; and return on invested capital (ROIC) of 3.7%, 0.1 percentage point below the target. In this manner, performance with regard to all KPIs fell below targets due to the impacts of the global COVID-19 pandemic, which occurred near the end of the fiscal year. Moreover, the pandemic reduced consolidated operating income by ¥1.3 billion through a ¥1.5 billion reduction in Retailing segment income coupled with a ¥0.2 billion increase in FinTech segment income.

The FinTech segment actually posted higher operating income as a result of the pandemic as we continued to record recurring revenue while a significant drop in new card issuance costs was seen. The impacts of the pandemic are expected to weigh even more heavily on the fiscal year ending March 31, 2021, the final year of the medium-term management plan. We have therefore judged that it will be difficult to accomplish the targets set for the plan's KPIs, namely EPS, ROE, and ROIC, in this year. We apologize for the disappointment this news causes.

MARUI GROUP will launch a new medium-term management plan in the fiscal year ending March 31, 2022. We hope to accomplish the goals of the current medium-term management plan, specifically EPS of ¥130 or more, ROE of 10% or more, and ROIC of 4% or more, as quickly as possible under the new plan.

### Ongoing Corporate Value Creation through Earnings Structure Transformation

Regardless of the unfortunate performance, we were able to make steady progress in transforming our business model and earnings structure and in transitioning toward our target balance sheet based on the medium-term management plan. As a result, we have nearly completed the development of a structure that displays our desired corporate value, by which I refer to a structure in which ROIC exceeds weighted average cost of capital (WACC) and ROE surpasses cost of shareholders' equity on a consistent basis.

The most important goal of our earnings structure transformation is to be able to show growth in recurring gross profit and contracted future recurring gross profit,\*<sup>1</sup> which are important KPIs for management emphasizing lifetime value (LTV). Recurring revenue contributes to improvements in LTV. This form of profit has come to

represent 65% of total gross profit, a level nearly double that seen before the start of the current medium-term management plan.

Meanwhile, contracted future recurring gross profit, which represents gross profit to be recorded in future fiscal years, increased to a level that is 2.7 times greater than the amount of recurring gross profit recorded in the fiscal year ended March 31, 2020. This earnings structure is resilient to major risk factors, like the COVID-19 pandemic, and means that we should be less impacted by such occurrences than we would under our prior structure.

At the same time, we steadily moved forward with capital measures aimed at accomplishing our target balance sheet, resulting in a decrease in WACC and consequently a rise in corporate value through both improved profitability and reduced cost of capital. Furthermore, as recurring gross profit is recorded as the total for both the Retailing and FinTech segments, it is an ideal indicator for MARUI GROUP as it emphasizes LTV in its management through a business merging retailing and finance.

\*1 Referred to as "contracted future recurring revenue" until the fiscal year ended March 31, 2020, to reflect future recurring revenue based on revenue as displayed on financial statements; referred to as "contracted future recurring gross profit" in this report to reflect future recurring revenue based on gross profit

### Fiscal Year Ended March 31, 2020

ROIC <b>3.7%</b> > WACC <b>3.0%</b>	
ROE <b>8.8%</b> > Cost of shareholders' equity <b>6.9%</b>	

### Increasing of Investment in Intangible Assets

In tandem with the implementation of our medium-term management plan, we have also been increasing investment in intangible assets for the purpose of fueling future growth. In the fiscal year ended March 31, 2020, investments in intangible assets amounted to ¥15.0 billion, twice as much as investments in stores and other tangible assets. Breaking down these investments in intangible assets, we directed ¥8.7 billion toward new business development, primarily through investments in start-up companies; ¥3.1 billion to software; and ¥3.2 billion to human resource development and R&D investments, which, although being recorded as expenses on the financial statements, are viewed as investments by us. Often times, we invest in start-up companies for the purpose of collaboration with the main businesses of the Retailing and FinTech segments, and we therefore anticipate returns through our business activities. However, we have also set an internal rate of return (IRR)\*<sup>2</sup> of 10%



or more as a hurdle rate out of consideration for financial returns. The IRR on the ¥7.1 billion in investments conducted prior to March 2020 was 34%, greatly surpassing this hurdle rate. Software investments, meanwhile, have produced an exceptional rate of return on investment of 313% due in part to the fact that we conduct development in-house, which not only speeds up development but also creates such returns for our business. Human resource development and R&D investments include the cultivation of our IT staff and the secondment of employees to start-up investees, efforts we anticipate will increase corporate value over the medium-to-long term. These investments also contribute to ongoing improvements in operating income per employee, which was 1.7 times higher in the fiscal year ended March 31, 2020, than it was in the fiscal year ended March 31, 2015.

\*2 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

#### Investments in Intangible Assets (FY2020)

	Amount	Major Successes
New business fields	¥8.7 billion	IRR of 34% from investments in start-up companies
Human resource development / R&D	¥3.2 billion	Operating income per employee of ¥8.02 million (1.7 times higher than in FY2015)
Software	¥3.1 billion	Return on investment of 313%
Total	¥15.0 billion	

#### Outlook for the Next Medium-Term Management Plan

ROE was around 5% prior to the establishment of the current medium-term management plan, but the earnings structure transformations and capital measures conducted under the plan caused this indicator to rise to 9.1% in the fiscal year ended March 31, 2019, and 8.8% in the fiscal year ended March 31, 2020, coming in just below 10% in both years. Based on these trends, we

will look to achieve an optimal capital allocation assuming ROE of 10% or more under the next medium-term management plan.

A central pillar of investment under the next medium-term management plan will be co-creative investment in start-up companies and other targets. In the new plan, we intend to double such investments from the level of the current plan, ¥30.0 billion over a five-year period. We can improve our success rate in co-creative investments by pursuing earnings contributions to our main business through collaboration with investees while also providing them access to our stores and other resources to stimulate their growth. We aim to maintain an IRR of 10% or more for financial returns through this approach. Moreover, by positioning co-creative investments as a central pillar of growth investments, we hope to create a situation in which ROE stays above 10% and ROE consistently exceeds cost of shareholders' equity. In existing businesses, investments will rise in the FinTech segment centered on software investment while investments in renovations in the Retailing segment will decrease as the transition to fixed-term rental contracts is winding down. As a result, overall investments in existing businesses will decline.

Taking this approach, investments in intangible assets, such as co-creative investments and software investments, will likely rise to account for around 80% of total growth investments under the next medium-term management plan. Through these investments, we will rapidly transform our business model to focus on intellectual creation driven by intangible assets.

#### Hirotsugu Kato

Director, Managing Executive Officer, and CFO  
In charge of IR, Finance, Sustainability, and ESG Promotion  
President and Representative Director, D2C & Co. Inc.  
Director, tsumiki Co., Ltd.



Business Merging Retailing and Finance, and Earnings Structure

Since its founding as a company selling furniture on installment payments in 1931, MARUI GROUP has continued to evolve its distinctive business model merging retailing and finance. Today, our operations are divided into the Retailing segment and the FinTech segment, but these segments share the same customer base, making for a model that is conducive to generating synergies. This business model merging retailing and finance also has a uniquely ideal earnings structure in which the earnings structures of both of our segments compensate for the deficiencies of the other segment's model while capitalizing on its strengths.

Business Merging Retailing and Finance

Building appealing stores increases revenues from fixed-term rental contracts while also enhancing our ability to draw customers, which in turn benefits credit card operations by creating more opportunities to recruit new cardholders. Furthermore, as we issue cards on-the-spot in stores, customers often use them right away, which effectively increases active user rates and card revenues. The higher card revenues can be reinvested in retail stores. Through this process, MARUI GROUP's business model generates an ideal virtuous cycle (see Figure 1). Our value journey can be explained by looking at how this business model functions across a timeline (see Figure 2).

Our relationships with customers generally begin in stores, and around 400,000 customers apply for credit cards at our stores every year, often times using them immediately. This process allows for smooth, low-cost recruitment activities and is a significant benefit of our store operations. Stores also serve as venues for ongoing contact, which can create lifelong

relationships with customers while encouraging them to upgrade to Gold cards. This multitude of unique advantages is a major characteristic of MARUI GROUP's business model merging retailing and finance.

Figure 1: MARUI GROUP's Business Model

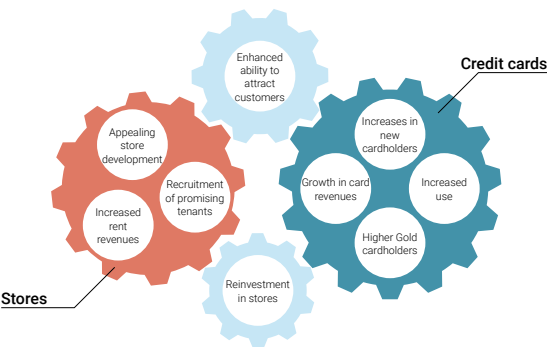
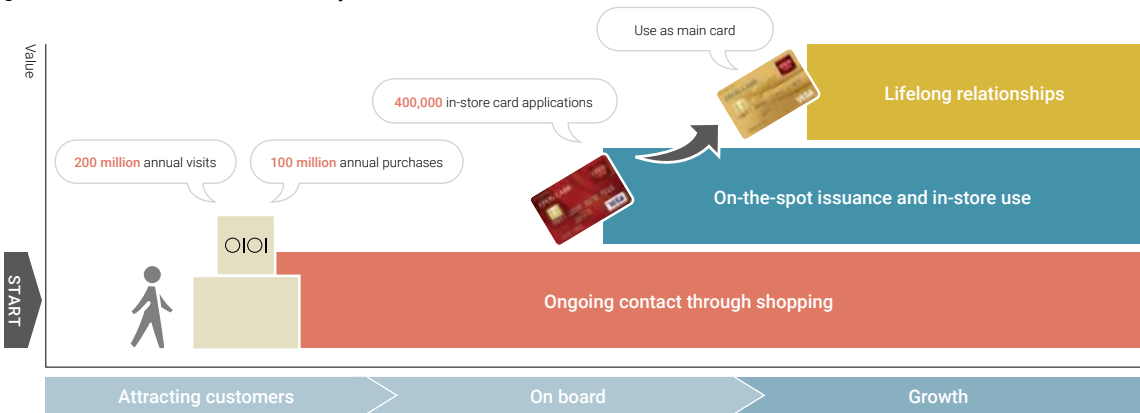


Figure 2: MARUI GROUP's Value Journey



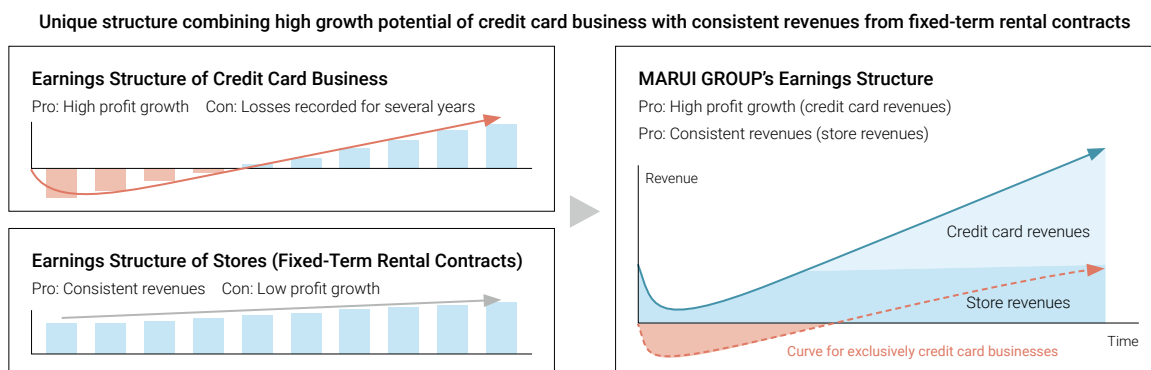
### Earnings Structure Based on Distinctive Business Model

MARUI GROUP's distinctive business model merging retailing and finance has an earnings structure that is equally unique (see Figure 3). In our credit card operations, the issuance costs and other initial expenses associated with new cards means that money is actually lost on new cardholders in their first few years. However, once these cardholders start generating profit, this profit can be anticipated to continue growing steadily thereafter. In the Retailing segment, meanwhile, we expect consistent earnings and cash flows following the completion of the transition to fixed-term rental contracts. The combination of these two structures is MARUI GROUP's earnings structure. The consistent retail revenues ensure the Company does not incur overall losses no matter how much profit may be lost on new cardholders in their first year while card revenues continue to grow after they climb into the positive. This earnings structure of MARUI GROUP's business model merging retailing and finance is one of the factors behind the Company's continuously high profit growth.

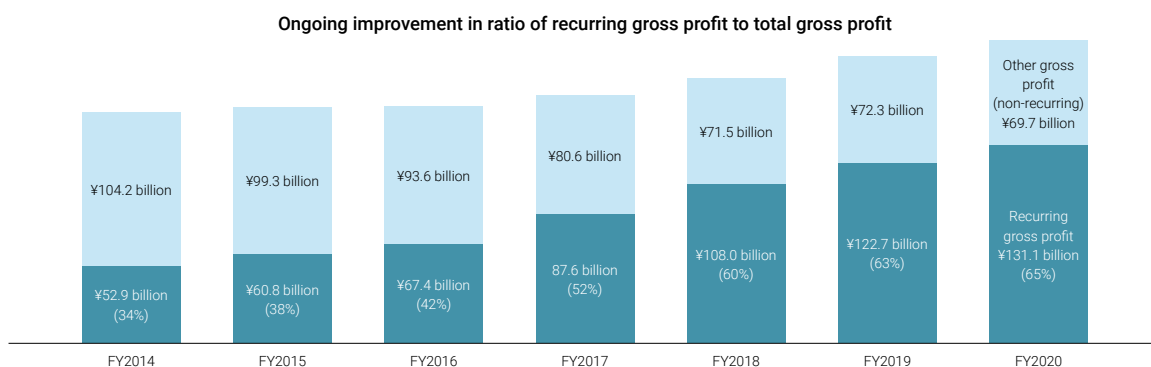
### Changes in Earnings Structure and Clear Indicators for LTV Emphasizing Management Growth of Recurring Gross Profit

Another major characteristic of MARUI GROUP's business model merging retailing and finance is how increases in customer contact points are effective at driving improvements in LTV. Increases in ongoing transactions also spur growth in LTV. MARUI GROUP displays the revenue produced through those ongoing transactions via the indicator of recurring gross profit. The transition to fixed-term rental contracts in the Retailing segment and measures for enhancing rent guarantee and other operations in the FinTech segment are contributing to increases in recurring gross profit. As a result, recurring gross profit rose to ¥131.1 billion in the fiscal year ended March 31, 2020, representing 65% of total gross profit (see Figure 4). Recurring gross profit has grown rapidly over the past five years in both amount and portion of total gross profit, compared to recurring gross profit representing less than 50% of total gross profit prior to the start of the current medium-term management plan.

**Figure 3: Earnings Structure Based on Distinctive Business Model**



**Figure 4: Ratio of Recurring Gross Profit to Total Gross Profit\***



\* Gross profit includes selling, general and administrative expenses paid by business partners.

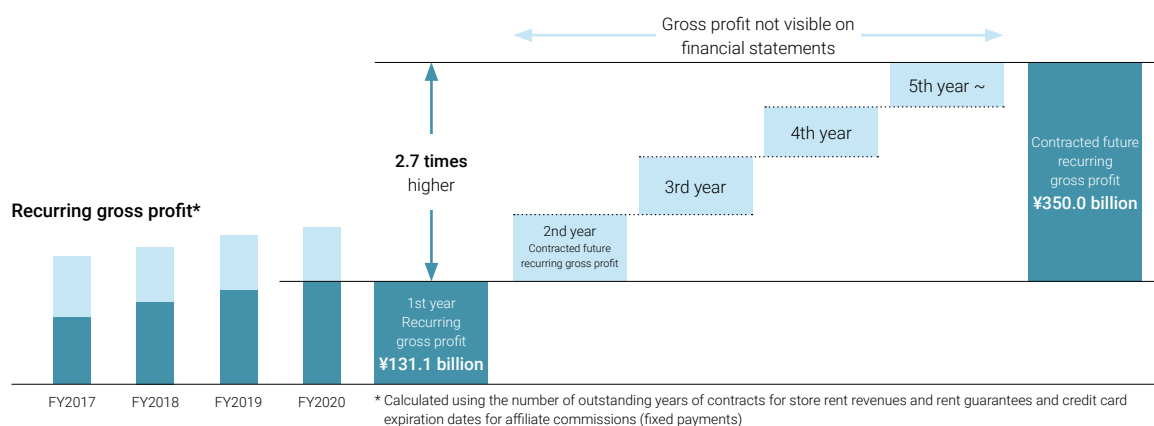
## Expansion of Contracted Future Recurring Gross Profit and Resilience

Recurring gross profit represents profit that has already been generated. However, ongoing transactions also entail profit that will be generated in future fiscal years based on contracts. This profit does not appear on the financial statements for a given fiscal year, but it is still an incredibly important indicator of revenue stability and growth potential. For this reason, MARUI GROUP displays this profit through the indicator of contracted future recurring gross profit. On March 31, 2020, contracted future recurring gross profit amounted to ¥350.0 billion, 2.7 times higher than the amount of recurring gross profit recorded in the fiscal year ended March 31, 2020. This figure indicates that the Company has already secured nearly three years' worth of future revenue, which has greatly increased the stability and growth

potential of our revenue. This stability makes for improved resilience in times of crisis, such as during the COVID-19 pandemic (see Figure 5). Using finance charges on revolving and installment payments, the primary form of earnings in the FinTech segment, as an example, revolving and installment payment transactions are projected to decline by between ¥30.0 billion and ¥60.0 billion in the fiscal year ending March 31, 2021, due to the impacts of the pandemic. Regardless, earnings from these transactions are anticipated to be up year on year. The reason for this projection is that roughly 70% of finance charges on revolving and installment payments for the fiscal year will be attributable to contracted future recurring gross profit that is already contracted at the beginning of the fiscal year (see Figure 6).

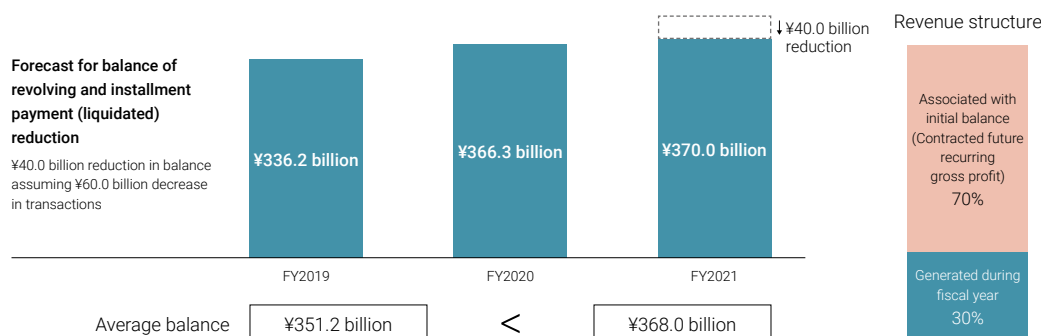
**Figure 5: New Financial Indicator—Contracted Future Recurring Gross Profit**

**Contracted future recurring gross profit = Recurring gross profit that can be expected to recur in subsequent years after initial transaction**



**Figure 6: Mechanism Increasing Finance Charges on Revolving and Installment Payments**

**Revolving and installment payment transactions projected to decrease by ¥30.0–¥60.0 billion in FY2021 due to COVID-19 pandemic, but revenue from finance charges to increase as 70% will be attributable to balance at beginning of year**

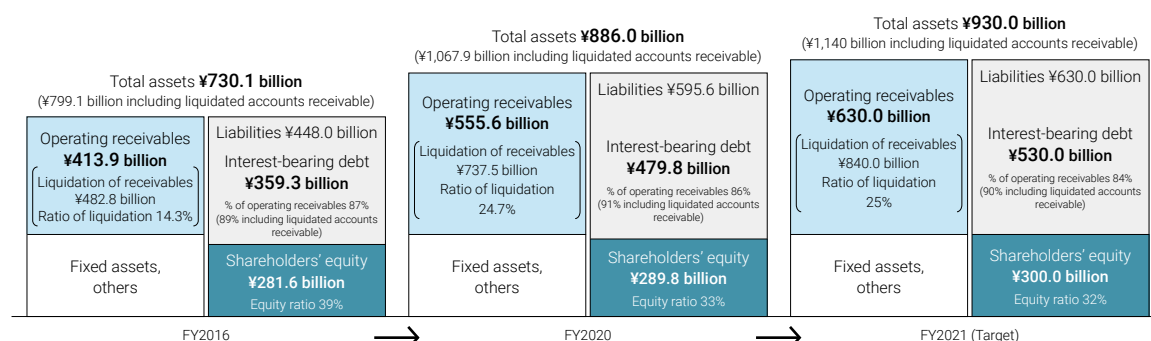


## Capital Measures for Achieving Targeted Balance Sheet

The medium-term management plan slated to conclude with the fiscal year ending March 31, 2021, defines a target balance sheet. Achieving this balance sheet will entail procuring funds through interest-bearing debt in response to increases in operating receivables and other capital measures, seeking a level of interest-bearing debt equivalent to roughly 90% of operating receivables, and maintaining an equity ratio of approximately 30% (see Figure 7). After the establishment of the plan, operating receivables increased to a degree that exceeded initial

expectations due to growth in the FinTech segment, creating the possibility for excessive growth in interest-bearing debt. For this reason, the Company decided to begin systematically liquidating operating receivables in the fiscal year ended March 31, 2019, targeting a ratio of liquidation of 25%. In the fiscal year ended March 31, 2020, the ratio of liquidation was 24.7%. This level will be maintained in the fiscal year ending March 31, 2021, while net assets are kept below ¥1.0 trillion to maintain the ideal equity ratio of approximately 30%.

Figure 7: Balance Sheet

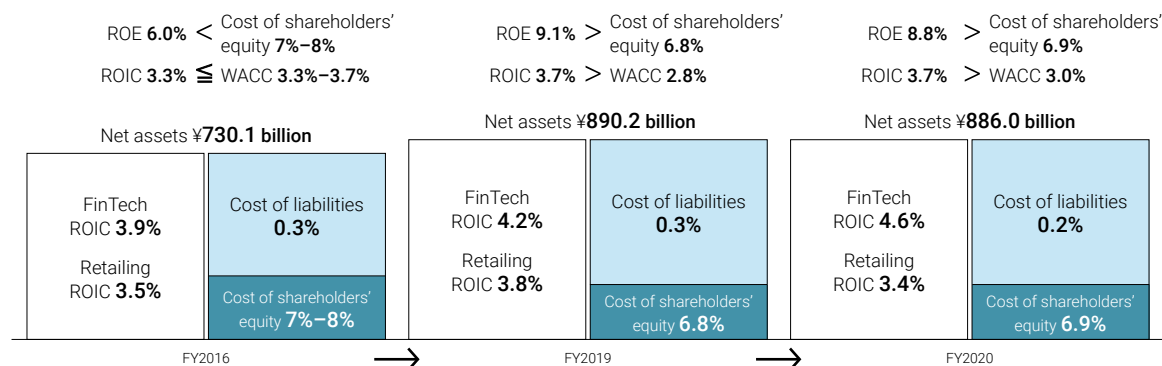


## Creation of Corporate Value through Earnings Structure Transformation and Capital Measures— Development of Structure with ROIC Exceeding WACC and ROE Surpassing Cost of Shareholders' Equity Consistently

The growth of recurring gross profit and other transformations to MARUI GROUP's earnings structure together with capital measures aimed at achieving the targeted balance sheet are leading to the development of a structure in which ROIC exceeds WACC and ROE surpasses cost of shareholders' equity consistently. In the fiscal year ended March 31, 2020, ROIC came to

3.7%, exceeding WACC, which was 3.0%, for the fourth consecutive year, despite the decrease in income due to the COVID-19 pandemic. In addition, ROE surpassed cost of shareholders' equity for the second consecutive year, with figures of 8.8% for the former and 6.9% for the latter (see Figure 8).

Figure 8: ROIC, WACC, ROE, and Cost of Shareholders' Equity





# 11-Year Financial and Non-Financial Summary

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries



Annual Securities Report  
www.0101maruigroup.co.jp/en/ir/lib/sec.html

	2010	2011	2012	2013
Total Group transactions	—	—	—	—
Retailing* <sup>1</sup>	—	—	—	—
FinTech* <sup>1</sup>	—	—	—	—
Eliminations* <sup>2</sup>	—	—	—	—
Total operating revenues* <sup>3</sup>	—	—	—	—
Revenue* <sup>3</sup>	419,255	406,472	412,408	407,366
Gross profit	149,926	144,736	147,240	148,172
Selling, general and administrative expenses	139,488	129,940	129,224	123,886
EBITDA* <sup>4</sup>	29,695	30,457	33,085	35,237
Operating income	10,438	14,795	18,015	24,285
Net income (loss) attributable to owners of parent	5,104	(23,638)	5,251	13,255
Segment income* <sup>1</sup>				
Retailing* <sup>1</sup>	—	—	—	—
FinTech* <sup>1</sup>	—	—	—	—
Retailing and Store Operation* <sup>1</sup>	37	2,110	7,547	9,885
Credit Card Services* <sup>1</sup>	10,272	13,704	10,619	13,177
Retailing-Related Services* <sup>1</sup>	2,509	1,568	2,567	3,792
Recurring gross profit* <sup>5</sup>	—	—	—	—
Ratio of recurring gross profit (%)* <sup>6</sup>	—	—	—	—
Contracted future recurring gross profit* <sup>7</sup>	—	—	—	—
Total assets	664,357	628,910	615,130	624,173
Shareholders' equity	312,188	284,526	289,975	303,637
Installment sales accounts receivable	95,871	111,760	142,995	171,187
Consumer loans outstanding	191,486	158,707	132,280	123,739
Interest-bearing debt	283,676	264,692	245,175	243,762
Net cash provided by (used in) operating activities	30,811	30,280	24,897	5,111
Core operating cash flow* <sup>8,9</sup>	—	—	—	—
Net cash provided by (used in) investing activities	(13,034)	(7,033)	(3,913)	435
Net cash provided by (used in) financing activities	(14,519)	(22,926)	(23,660)	(5,571)
Cash and cash equivalents	32,283	32,603	29,928	29,940
Capital investments	17,398	14,332	7,941	7,665
Depreciation and amortization	19,257	15,661	15,069	10,951
Earnings (loss) per share (yen)	18.65	(86.36)	19.19	48.43
Net assets per share (yen)	1,140	1,039	1,059	1,109
Cash dividends per share (yen)	14.0	14.0	14.0	15.0
Payout ratio (%)	75.1	—	73.0	31.0
Total return ratio (%)	75.1	—	73.0	31.0
Operating income margin (%)* <sup>10</sup>	2.5	3.6	4.4	6.0
Return on equity (%)	1.6	(7.9)	1.8	4.5
Return on invested capital (%)	1.1	1.7	2.1	3.0
Return on assets (%)	1.5	2.2	2.8	3.9
Equity ratio (%)	47.0	45.2	47.1	48.6
Stock price at year-end (yen)	678	537	690	975
Market capitalization (including treasury stock) (billions of yen)	216.0	171.1	219.8	310.6
Price earnings ratio (times)	36.4	—	36.0	20.1
Price book-value ratio (times)	0.6	0.5	0.7	0.9
Number of common shares issued (including treasury stock)	318,660,417	318,660,417	318,660,417	318,660,417
Number of shares of treasury stock	44,941,174	44,946,398	44,947,345	44,948,289
Total number of employees	6,847	6,492	6,218	6,101
Ratio of female employees (%)	44.7	44.4	44.4	44.3
Ratio of female managers (%)	—	—	—	6.3
Employee turnover rate (excluding mandatory retirement) (%)	—	—	—	2.8
Total number of stores* <sup>11</sup>	25	26	27	27
Total sales floor area (thousand m <sup>2</sup> )	453.3	457.8	458.4	453.1
EPOS cardholders (including Akai Card) (ten thousands of members)	476	476	487	498
Energy consumption (GJ)	—	—	—	1,998,182
GHG emissions (Scope 1) (t-CO <sub>2</sub> )* <sup>12,13</sup>	21,653	14,136	17,291	10,727
GHG emissions (Scope 2) (t-CO <sub>2</sub> )* <sup>12,13</sup>	108,970	100,756	79,050	76,039
GHG emissions (Scope 3) (t-CO <sub>2</sub> )* <sup>12,13</sup>	—	—	—	—

\*<sup>1</sup> Beginning with the fiscal year ended March 31, 2017, the prior segments of Retailing and Store Operation, Credit Card Services, and Retailing-Related Services were reorganized into the Retailing and FinTech segments.

\*<sup>2</sup> Eliminations under total Group transactions represent the deduction of credit card transactions recorded in Retailing.

\*<sup>3</sup> Beginning with the fiscal year ended March 31, 2016, the display method was changed from total value display to net value display, the portion that represents income to the Company, for sales recorded through sale or return arrangements. In conjunction with this change, the previous "operating revenues" line item was replaced with the new "revenue" line item.

\*<sup>4</sup> EBITDA (earnings before interest, taxes, and depreciation and amortization) = Operating income + Depreciation and amortization

\*<sup>5</sup> Gross profit generated on a recurring basis through contracts with customers and business partners

\*<sup>6</sup> Ratio of recurring gross profit = Recurring gross profit ÷ (Gross profit + Selling, general and administrative expenses paid by business partners)

\*<sup>7</sup> Contracted future recurring gross profit represents the portion of recurring gross profit that can be expected to recur in subsequent fiscal years and is used as an indicator of revenue stability.



						Millions of yen
2014	2015	2016	2017	2018	2019	2020
1,297,250	1,469,111	1,703,353	1,933,685	2,189,374	2,539,631	2,903,713
—	—	341,478	326,327	328,486	337,006	320,119
—	—	1,473,539	1,723,254	1,972,482	2,310,635	2,678,839
—	—	(111,664)	(115,896)	(111,594)	(108,010)	(95,245)
253,077	249,847	245,867	237,022	240,469	251,415	247,582
416,460	404,947	—	—	—	—	—
156,642	159,448	160,035	165,964	175,875	190,502	195,666
129,495	131,406	130,419	134,711	139,509	149,317	153,721
37,134	38,338	39,286	41,374	46,640	51,095	51,135
27,146	28,042	29,615	31,253	36,365	41,184	41,944
15,409	16,036	17,771	18,724	20,907	25,341	25,396
—	—	10,658	7,759	8,826	11,421	10,027
—	—	23,094	27,111	31,433	35,018	38,399
10,562	8,074	7,856	—	—	—	—
15,634	20,126	22,186	—	—	—	—
4,523	3,333	3,674	—	—	—	—
—	—	—	—	—	122,660	131,099
—	—	—	—	—	62.9	65.3
—	—	—	—	—	327,726	350,020
664,019	675,627	730,126	806,575	865,887	890,196	885,969
315,446	306,795	281,610	273,883	274,434	284,752	289,792
213,466	227,121	279,763	348,191	402,030	428,180	416,250
125,215	128,030	134,107	140,569	146,011	137,473	139,313
264,824	277,839	359,324	434,327	485,331	486,632	479,835
(9,227)	12,310	(35,310)	(45,955)	(19,329)	26,396	39,909
—	25,484	26,788	28,188	35,853	38,676	39,038
(6,791)	(3,867)	(4,063)	1,995	747	(9,232)	(20,315)
16,141	(7,267)	40,719	47,630	27,773	(15,880)	(25,487)
30,053	31,229	32,575	36,245	45,437	46,720	40,827
11,238	9,786	12,882	15,696	10,250	9,094	10,468
9,988	10,296	9,670	10,121	10,274	9,911	9,191
56.29	58.87	70.68	80.24	93.18	115.99	117.58
1,152	1,166	1,161	1,196	1,245	1,310	1,352
18.0	19.0	22.0	33.0	38.0	49.0	50.0
32.0	32.3	31.1	41.1	40.8	42.2	42.5
32.0	125.3	227.5	147.5	112.3	69.9	70.1
10.7	11.2	12.0	13.2	15.1	16.4	16.9
5.0	5.2	6.0	6.7	7.6	9.1	8.8
3.0	3.3	3.3	3.1	3.3	3.7	3.7
4.3	4.2	4.1	4.1	4.2	4.5	4.6
47.5	45.4	38.6	34.0	31.7	32.0	32.7
885	1,365	1,613	1,513	2,168	2,235	1,815
282.0	380.3	449.4	353.5	506.6	499.9	405.9
15.7	23.2	22.8	18.9	23.3	19.3	15.4
0.8	1.2	1.4	1.3	1.7	1.7	1.3
318,660,417	278,660,417	278,660,417	233,660,417	233,660,417	223,660,417	223,660,417
44,901,353	15,588,364	36,270,334	4,704,750	13,269,506	6,214,767	9,248,452
5,966	5,918	5,899	5,732	5,548	5,326	5,130
44.5	44.6	45.5	45.1	44.4	43.9	44.8
7.5	8.7	9.1	10.0	11.2	12.6	13.3
2.3	2.0	2.1	3.2	3.1	3.6	5.7
27	27	28	27	26	25	24
446.5	444.0	441.8	452.1	439.8	425.6	417.5
542	591	613	636	657	688	720
2,525,815	2,350,595	2,305,099	2,341,454	2,327,713	2,277,481	2,155,533
13,044	12,580	14,434	14,920	13,818	15,109	13,799
106,085	98,637	89,179	103,264	99,286	96,232	67,916
550,612	530,595	509,070	489,439	412,256	399,926	351,962

\*8 Core operating cash flow represents net cash provided by (used in) operating activities less the increase in operating receivables.

\*9 In the fiscal year ended March 31, 2020, the calculation method for core operating cash flow was changed to include gain on transfer of liquidated receivables and amortization of liquidated accounts receivable and others. The figure for the fiscal year ended March 31, 2019, has been restated to reflect this change.

\*10 Operating income margin is calculated using operating revenues for the fiscal year ended March 31, 2013, and prior fiscal years and revenue for the fiscal year ended March 31, 2014, and subsequent fiscal years.

\*11 From the fiscal year ended March 31, 2017, sites at which both a Marui store and a Modi store exist are counted as one store.

\*12 Scope 1 & 2 represent greenhouse gas emissions from the Group. Scope 3 represents greenhouse gas emissions from areas including raw material procurement, transportation, and use by customers. Third-party verification has been received from the Japan Quality Assurance Organization for greenhouse gas emissions figures since the fiscal year ended March 31, 2017.

\*13 In the fiscal year ended March 31, 2014, the scope of data collection was expanded to include the entire Group.



## Directors, Audit & Supervisory Board Members, and Executive Officers

As of October 1, 2020

### CAREER HISTORY

Jul. 1986 Joined the Company  
 Apr. 1991 Director and General Manager,  
 Sales Planning Headquarters  
 Apr. 1995 Managing Director and Deputy General  
 Manager, Sales Promotion Headquarters and  
 General Manager, Sales Planning Division  
 Jan. 2001 Managing Director and General Manager,  
 Sales Promotion Headquarters  
 Jun. 2004 Executive Vice President and  
 Representative Director  
 Apr. 2005 President and Representative Director  
 Oct. 2006 President and Representative Director,  
 Representative Executive Officer  
 Apr. 2019 President and Representative Director,  
 Representative Executive Officer, CEO  
 (Incumbent)  
 Jan. 2020 Executive Chairman, D2C & Co. Inc.  
 (Incumbent)

#### Participation in committees:

Management Committee (Chairman)  
 Nominating and Compensation Committee  
 Sustainability Committee (Chairman)  
 Compliance Promotion Board (Chairman)

### SELF-INTRODUCTION

I am the grandson of our founder, and I became president in 2005. I get excited when I think about our future (Futuristic\*). Since I was a child, I have loved the story of Archimedes in which he runs through the streets naked shouting "Eureka!" after noticing the water level rising when he got into a bath. I too cannot help but tell people when I have a new idea (Ideation\*). I am trying to learn a foreign language after turning 50 based on how Gandhi said, "Learn as if you were to live forever" (Learner\*). I believe that everyone has a right to live their own life, and I enjoy working with our incredibly unique management team while exercising this creed (Belief\*, Individualization\*).

\* Please refer to pages 116–117 for information on the CliftonStrengths® referenced.



#### Hiroshi Aoi

President and Representative Director,  
 Representative Executive Officer

Shares held: 1,548,700  
 Born: January 1961

### CAREER HISTORY

Apr. 1989 Joined Mitsubishi Corporation  
 Jan. 2001 Joined McKinsey & Company  
 Jul. 2005 Representative and CEO,  
 GLOBIS Management Bank  
 Jun. 2007 President & CEO, ProNova Inc. (Incumbent)  
 Jun. 2014 External Director (Incumbent)  
 Dec. 2018 Outside Director, euglena Co., Ltd. (Incumbent)

#### Participation in committees:

Nominating and Compensation Committee

### SELF-INTRODUCTION

I love people, and it makes me immensely happy to help people grow and change. I have supported the development of management teams at venture companies for nearly two decades. Some call me the "Godmother of Venture Companies." Also, I feel like I have a talent for helping people and organizations transcend their differences and the divides of their fields to create new value. My contributions to the development of ecosystems through MARUI GROUP's co-creative investment business will draw on this background. Raising my two-year-old child has sparked my passion to shape a better future, which I will direct toward supporting MARUI GROUP's aggressive forward-looking management.



#### Etsuko Okajima

External Director

Shares held: 0  
 Born: May 1966



Please refer to the following website for information on the reasons for appointment of external directors and Audit & Supervisory Board members.  
[www.0101maruigroup.co.jp/en/ci/officer/index.html](http://www.0101maruigroup.co.jp/en/ci/officer/index.html)

Note: Numbers are shares held as of October 1, 2020.



**Yoshitaka Taguchi**

External Director

Shares held: 400  
 Born: April 1961

#### SELF-INTRODUCTION

I was born in the water-filled city of Ogaki, Gifu Prefecture, and I served as the president of an overseas subsidiary of the Seino Group before becoming a director at Seino Transportation Co., Ltd., and then later taking up my current position in 2003. Exercising the management philosophy put forth by Seino's founder (my grandfather) and calling upon the relationship I formed through holding public office, I will continue to exercise my motto of "wisdom and action." As a manager from a different industry and a representative of the interests of shareholders, I hope to play my part in contributing to MARUI GROUP co-creation management, whether amid the COVID-19 pandemic or eyeing the potential future emergence of a dual society.

#### CAREER HISTORY

Mar. 1985 Joined Seino Transportation Co., Ltd. (currently Seino Holdings Co., Ltd.)  
 Jul. 1989 Director, Seino Transportation Co., Ltd.  
 Jul. 1991 Managing Director, Seino Transportation Co., Ltd.  
 Jun. 1996 Senior Managing Director, Seino Transportation Co., Ltd.  
 Oct. 1998 Representative Director and Vice President, Seino Transportation Co., Ltd.  
 Jun. 2003 President and Chief Operating Officer, Seino Transportation Co., Ltd. (Incumbent)  
 Jun. 2018 External Director (Incumbent)

#### Participation in committees:

Nominating and Compensation Committee



**Masahiro Muroi**

External Director

Shares held: 0  
 Born: July 1955

#### SELF-INTRODUCTION

Over my four decades at Nomura Research Institute, Ltd., I continued to create new solutions powered by IT. When we could not accomplish something ourselves, we reached out to numerous U.S. IT companies, partners, and, most of all, customers to engage in collaboration. To ensure that MARUI GROUP can maximize the synergies between its retailing and finance operations, I hope to create new value with IT through collaboration with start-up companies boasting innovative ideas. Calling on my experience thus far, I aim to contribute to the realization of innovation management that casts off short-term perspectives to pursue lofty ideals without fear of failure.

#### CAREER HISTORY

Apr. 1978 Joined Nomura Computer System Co., Ltd. (currently Nomura Research Institute, Ltd.)  
 Jun. 2000 Member of the Board, Nomura Research Institute, Ltd.  
 Apr. 2009 Representative and Senior Executive Managing Director, Member of the Board, Nomura Research Institute, Ltd.  
 Apr. 2013 Representative and Vice President, Member of the Board, Nomura Research Institute, Ltd.  
 Apr. 2015 Vice Chairman, Member of the Board, Nomura Research Institute, Ltd.  
 Jun. 2016 External Director, Ryoden Corporation (Incumbent)  
 Jun. 2017 External Director (Incumbent)  
 Jun. 2018 Audit & Supervisory Board Member, The Norinchukin Bank (Incumbent)



**Masao Nakamura**

Director, Senior Managing Executive Officer

Shares held: 26,500  
 Born: June 1960

#### SELF-INTRODUCTION

I joined MARUI GROUP in 1983. During the 12 years in which I could have been considered a mid-rank employee, I was in store planning departments, where I played a central role in developing the department stores that we have since moved away from. I was later placed in charge of the retailing business, a position that saw me promoting the transition to shopping centers and fixed-term rental contracts to transform the business models of the department stores I had a hand in developing. This was a massive change that felt similar to transferring to a new company in a different industry. However, it was also exhilarating as I could feel the propensity for innovation born when the entirety of MARUI GROUP was united toward a single goal. Now, I am helping developing stores that do not sell while myself feeling excited about MARUI GROUP's co-creation of value. Turning 60 this year, I look to rekindle my beginners' mind to contribute to the realization of our vision.

#### CAREER HISTORY

Apr. 1983 Joined the Company  
 Apr. 2007 Executive Officer  
 Jun. 2008 Director and Executive Officer, General Manager, Corporate Planning Division and General Manager, Business Development Division  
 Apr. 2011 Managing Director and Managing Executive Officer, President and Representative Director, MARUI CO., LTD.  
 Apr. 2015 Director and Managing Executive Officer Responsible for Retailing and Store Operation Business, President and Representative Director, MARUI CO., LTD.  
 Apr. 2016 President and Representative Director, AIM CREATE CO., LTD.  
 Oct. 2017 Director and Managing Executive Officer Responsible for FinTech Business  
 Apr. 2019 Director and Senior Managing Executive Officer Responsible for FinTech Business, In charge of Corporate Planning, Real Estate Business, and Customer Success  
 Apr. 2020 Director and Senior Managing Executive Officer in charge of Retailing Business, Corporate Planning, and Customer Success (Incumbent)

#### Participation in committees:

Management Committee  
 Sustainability Committee  
 Compliance Promotion Board  
 Public Relations IR Committee  
 Internal Control Committee (Chairman)



## CAREER HISTORY

Mar. 1987 Joined the Company  
Apr. 2015 Executive Officer and General Manager,  
Corporate Planning Division  
Jun. 2016 Director and Senior Executive Officer  
General Manager, Corporate Planning Division  
and IR Department  
Oct. 2017 Director, Senior Executive Officer,  
and CDO (Chief Digital Officer)  
General Manager, IR Department  
In charge of Corporate Planning and  
ESG Promotion  
Feb. 2018 Director, tsumiki CO., Ltd. (Incumbent)  
Apr. 2018 Senior Managing Director,  
M & C SYSTEMS CO., LTD.  
Apr. 2019 Director, Managing Executive Officer, and CFO  
In charge of IR, Finance, Investment Research,  
Sustainability, and ESG Promotion  
Jan. 2020 President and Representative Director,  
D2C & Co. Inc. (Incumbent)  
Jul. 2020 Director, Managing Executive Officer, and CFO  
In charge of IR, Finance, Sustainability, and  
ESG Promotion (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Environment and CSR Committee (Leader)  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Insider Trading Prevention Committee (Chairman)

## CAREER HISTORY

Apr. 1992 Joined MOVING CO., LTD.  
Apr. 2015 Store Manager, Shinjuku Marui Annex,  
MARUI CO., LTD.  
Oct. 2015 General Manager, Pre-Opening Development  
Office, Anime Business Department  
Apr. 2016 General Manager,  
Anime Business Department  
Apr. 2017 Executive Officer  
Apr. 2018 General Manager,  
New Business Development Department,  
In charge of Anime Business  
Apr. 2019 Senior Executive Officer  
In charge of Anime Business  
President and Representative Director,  
MARUI CO., LTD.  
Jun. 2019 Director and Senior Executive Officer  
Jul. 2020 Director and Senior Executive Officer  
General Manager, Co-Creative Investment  
Department (Incumbent)  
Director, D2C & Co. Inc. (Incumbent)

### Participation in committees:

Management Committee  
Compliance Promotion Board  
Public Relations IR Committee

## CAREER HISTORY

Mar. 1986 Joined the Company  
Oct. 2007 General Manager, Construction Department  
(Incumbent)  
Apr. 2012 Director and General Manager,  
Creative Management Department  
Deputy General Manager,  
Space Production Business Division,  
AIM CREATE CO., LTD.  
Apr. 2014 Executive Officer (Incumbent)  
Apr. 2016 Director and General Manager,  
Design Management Department  
Deputy General Manager,  
Space Production Business Division,  
AIM CREATE CO., LTD.  
Oct. 2016 Director and General Manager,  
Creative Management Department  
Deputy General Manager,  
Space Production Business Division,  
AIM CREATE CO., LTD.  
Apr. 2018 General Manager, Group Design Center  
(Incumbent)  
Apr. 2019 Director, MARUI CO., LTD. (Incumbent)  
Managing Director, AIM CREATE CO., LTD.  
(Incumbent)  
Jun. 2019 Director and Executive Officer (Incumbent)

### Participation in committees:

Management Committee  
Environment and CSR Committee  
Public Relations IR Committee

## SELF-INTRODUCTION

I am not good at describing my personality, so I did an internet search for "Leo, O blood type, personality." It would seem that the majority of people in this group are passionate, social, and attention-seeking, the polar opposite of me. However, I also found a few results stating qualities such as earnestness and justness. This made me happy as these qualities are close to integrity, which is the quality I most seek to exhibit. Being social is indispensable to investor relations work, but I feel that earnestness and justness are even more important when it comes to co-creating value with shareholders. Of course, I have not given up on being social, and I am working to improve my conversation skills, which have been even more important amid the global COVID-19 pandemic.

## SELF-INTRODUCTION

As far as my personality, I am super positive, and this influences everything I do. I am committed to seeing challenges for what they are and overcoming them with my team and more smiles than are probably necessary. I am also really good at finding hints in frontline operations that can be grown into business models through co-creation with business partners, customers, and Group employees. The anime business and our operation of Mercari Station on a contract basis were both ideas brought to fruition through this approach. Going forward, I will further MARUI GROUP's evolution through strategic co-creation with start-up companies, future generations, and other industries.

## SELF-INTRODUCTION

I am an oddity at MARUI GROUP, joining from a science background with a major in architecture because I wanted to shape the Marui stores that are at the forefront of trends. The majority of my work so far has been in line with this desire as I have been responsible for store development. The environment has changed a lot in recent years, and these changes are only accelerating amid the COVID-19 pandemic. I think my role in promoting co-creation sustainability management at MARUI GROUP to contribute to the happiness of everyone is transforming. I therefore look to play a role in creating forward-looking value through business model design strategies that account for the new era of face-to-face interaction and the ideal direction for us after the pandemic.



**Hirotsugu Kato**

Director, Managing Executive Officer

Shares held: 8,800

Born: July 1963



**Masahisa Aoki**

Director, Senior Executive Officer

Shares held: 6,600

Born: July 1969



**Yuko Ito**

Director, Executive Officer

Shares held: 10,300

Born: June 1962





### Hitoshi Kawai

Audit & Supervisory Board Member  
(Full time)

Shares held: 0  
Born: January 1967

#### SELF-INTRODUCTION

I committed myself to American football throughout my high school and university days before joining a bank in 1989 because I found the wide network and people appealing. I spent many years responsible for corporate transactions, giving me plenty of opportunities to speak with customers from various industries. I eventually found myself working with my customers and colleagues to give shape to our ideas, letting me feel the joy of creating new services and frameworks. Passion and teamwork are invaluable, whether in sports or in greater society. Looking ahead, I hope to support corporate governance at MARUI GROUP in my capacity as an Audit & Supervisory Board member to help the Company create greater levels of happiness for its customers and its other five groups of stakeholders.

#### CAREER HISTORY

Apr. 1989 Joined Mitsubishi Bank Ltd.  
(currently MUFG Bank, Ltd.)  
Jan. 2013 General Manager, Corporate Planning Division,  
Mitsubishi UFJ Morgan Stanley Securities  
Co., Ltd.  
Oct. 2014 General Manager, Corporate Banking Division  
No. 8, Corporate Banking Group No. 2,  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
(currently MUFG Bank, Ltd.)  
Jun. 2016 Executive Officer and General Manager,  
Corporate Banking Division No. 8,  
Corporate Banking Group No. 2,  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
May 2017 Executive Officer and Branch Manager,  
Kyoto Branch,  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Apr. 2020 Executive Officer, MUFG Bank, Ltd.  
Jun. 2020 Audit & Supervisory Board Member (Full time)  
(Incumbent)

#### Participation in committees:

Management Committee  
Compliance Promotion Board  
Public Relations IR Committee



### Nariaki Fuse

Audit & Supervisory Board Member  
(Full time)

Shares held: 11,900  
Born: June 1959

#### SELF-INTRODUCTION

I am a bit stubborn and lack flexibility, but this is also tied to my commitment to seeing things through and never giving up until the job is done. I am convinced that the ongoing evolution of MARUI GROUP is driven by the efforts of all of its employees to fulfill its mission of helping build an inclusive society offering happiness to all stakeholders. When I was working in the Company's IT divisions, this conviction led me to always think from the perspective of the user, as opposed to the maker, when seeking to develop systems that are convenient and a joy to use. Going forward, I hope to leverage my experience interacting with Group companies through the lens of IT to contribute to MARUI GROUP's efforts to help build an inclusive and flourishing society in my role as an Audit & Supervisory Board member.

#### CAREER HISTORY

Mar. 1982 Joined the Company  
Apr. 2007 Director, M & C SYSTEMS CO., LTD.  
Apr. 2011 Executive Officer  
Managing Executive Officer,  
M & C SYSTEMS CO., LTD.  
Apr. 2013 President and Representative Director,  
M & C SYSTEMS CO., LTD.  
Jun. 2013 Director and Executive Officer  
Apr. 2015 Senior Executive Officer  
In charge of Audit and Information Systems  
Apr. 2016 Senior Executive Officer and CIO  
In charge of Audit  
Jun. 2018 Audit & Supervisory Board Member (Full time)  
(Incumbent)

#### Participation in committees:

Compliance Promotion Board  
Internal Control Committee



### Takehiko Takagi

External Audit &  
Supervisory Board Member

Shares held: 8,600  
Born: January 1945

#### SELF-INTRODUCTION

At this time last year, no one would have imagined that we would be facing the current situation created by the global COVID-19 pandemic. This pandemic has dealt a heavy blow to our society and to the economy. In times like these, it is especially important to look at where you are today and think about tomorrow. In terms of business, this means we need to identify new demand that we need to meet and examine what new challenges should be undertaken. For this perspective, MARUI GROUP's co-creative investments are truly matched to the times. I too will aspire to respond to change through flexible thinking.

#### CAREER HISTORY

Jul. 2001 Chief, Kanazawa Regional Taxation Bureau  
Jul. 2002 President, National Tax College  
Jul. 2003 Retired from National Tax Administration  
Agency  
Aug. 2003 Registered as Certified Public Tax Accountant  
May 2006 External Audit & Supervisory Board Member,  
TOH-TEN-KOH Corporation  
Jun. 2008 External Audit & Supervisory Board Member  
(Incumbent)  
Jun. 2010 External Audit & Supervisory Board Member,  
KAWADA TECHNOLOGIES, Inc.

## CAREER HISTORY

Apr. 1998 Registered as Attorney  
Joined Takagi Law Office  
Nov. 2002 Partner, Suzuki Sogo Law Office (Incumbent)  
Apr. 2015 Auditor, Research Institute of Economy,  
Trade and Industry (Incumbent)  
Mar. 2018 Member of the Board, Bridgestone  
Corporation (Incumbent)  
Jun. 2018 Outside Director and Audit & Supervisory  
Board Member, Nippon Pigment Co., Ltd.  
(Incumbent)  
Auditor, Hitotsubashi University Collaboration  
Center  
Jun. 2020 External Audit & Supervisory Board Member  
(Incumbent)

## SELF-INTRODUCTION

I registered as an attorney in 1998, and in the years that followed I have handled a wide variety of cases centered on both corporate law and civil cases. I have met people from various industries and of all ages through this process, allowing me to gain a breadth of experience. I began working as an outside officer of listed companies in 2003. In these positions, I have been made constantly aware of the importance for companies to innovate in response to operating environment changes while also remaining true to their founding spirit and basic principles. Given this experience, I am impressed at how MARUI GROUP's co-creation philosophy puts forth a clear, shared philosophy for guiding business activities. I see myself as cheerful and positive. I also view the COVID-19 pandemic as an opportunity to accelerate digitization and the diversification of work styles.



**Yoko Suzuki**

External Audit &  
Supervisory Board Member

Shares held: 0  
Born: September 1970

## CAREER HISTORY

Mar. 1977 Joined the Company  
Jun. 2005 Director and General Manager,  
Group Corporate Planning Division  
Jun. 2008 Managing Director and Managing Executive  
Officer  
Apr. 2012 Senior Managing Director and  
Senior Managing Executive Officer  
Apr. 2015 Director and Senior Managing Executive  
Officer, and CFO  
In charge of Corporate Planning and Finance  
Responsible for Credit Card Services Business  
and Information Systems  
Jun. 2016 Senior Managing Executive Officer and CFO  
In charge of Corporate Planning,  
IR and Finance  
Apr. 2017 Senior Managing Executive Officer and CFO  
In charge of IR and Finance  
Apr. 2019 Executive Vice President and  
CSO (Chief Security Officer) (Incumbent)

### Participation in committees:

Management Committee  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Information Security Committee (Chairman)  
Safety Control Committee  
Insider Trading Prevention Committee

## SELF-INTRODUCTION

Having joined in 1977, I am MARUI GROUP's oldest employee. I think my top five strengths as identified by the CliftonStrengths® assessment (1. Woo®, 2. Achiever®, 3. Communication®, 4. Positivity®, and 5. Analytical®) match my personality.\* With regard to "positivity," in particular, I believe that the assessment that I am motivated by a strong conviction to overcome any challenge and produce positive results and to frame everything in a positive light is spot on. I even see the COVID-19 pandemic as an opportunity, specifically an opportunity to accelerate the transformation and evolution of MARUI GROUP's business structure. Also, I am constantly reminded of the fact that adopting others' perspectives is the starting point for co-creation.

\* Please refer to pages 116~117 for information on the CliftonStrengths® referenced.



**Motohiko Sato**

Executive Vice President

Shares held: 53,600  
Born: December 1953

## CAREER HISTORY

Apr. 1983 Joined the Company  
Apr. 2007 Executive Officer and General Manager,  
Group Compliance Division  
Jun. 2009 Director and Executive Officer, General  
Manager, General Affairs Division  
Apr. 2013 Director and Executive Officer,  
General Manager, Personnel Division  
Apr. 2015 Director and Managing Executive Officer,  
and Chief Operating Officer  
Healthcare Promotion and General Manager,  
Personnel Division  
In charge of General Affairs and Healthcare  
Promotion  
Apr. 2017 President and Representative Director,  
MOVING CO., LTD.  
Jun. 2018 Senior Managing Executive Officer,  
CSO (Chief Security Officer), and  
CHO (Chief Health Officer)  
In charge of Audit, General Affairs, Personnel,  
and Health Promotion  
Apr. 2019 Senior Managing Executive Officer and CHO  
In charge of Audit, General Affairs, Personnel,  
and Health Promotion  
Apr. 2020 Senior Managing Executive Officer and CHO  
In charge of Audit, Real Estate Business,  
General Affairs, Personnel, and Wellness  
Promotion (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Environment and CSR Committee  
Compliance Promotion Board  
Public Relations IR Committee (Chairman)

## SELF-INTRODUCTION

After nearly 30 years in general affairs, I was suddenly assigned to the position of general manager of the Personnel Division seven years ago. After that, I was put in charge of distribution and real estate, areas in which I had absolutely no experience, in my mid-50s. It was a rough transition for myself as well as, I assume, the team members who had to deal with my inexperience. At the time, however, our differing backgrounds made this a mutually stimulating experience, and I think that the resulting "chemical reaction" created new value, having the potential to create something new in the future. The first step in co-creation is to learn things that you lack from others while being accepting of others, both inside and outside of the Company. I turned 60 this year, but I do not want to let this deter me from engaging with a new culture.



**Tomoo Ishii**

Senior Managing Executive Officer

Shared held: 23,000  
Born: July 1960



**Toshikazu Takimoto**

Managing Executive Officer

Shares held: 5,900

Born: November 1959

#### SELF-INTRODUCTION

I am first and foremost a social person. My social nature has benefited me greatly as new encounters have led to new businesses or broadened my own horizons. I also think I have an optimistic and positive side. I was involved in developing EPOS cards right from the beginning. I had no idea what to do at first, but I sought a path by formulating theories and testing these by talking with customers. My theories often proved to be off, but this ongoing process led to success in the end with the introduction of a credit card that used an international brand. In the future, I hope to remain true to the principle of co-creation with customers and partners no matter what challenges may emerge.

#### CAREER HISTORY

Mar. 1982 Joined the Company  
Mar. 2009 Executive Officer and General Manager, Group Profit Improvement Division  
Apr. 2011 Managing Director, Epos Card Co., Ltd.  
Apr. 2012 President and Representative Director, Epos Card Co., Ltd.  
Jun. 2012 Director and Executive Officer  
Apr. 2015 Managing Executive Officer (Incumbent)  
Apr. 2016 Managing Executive Officer  
Responsible for FinTech Business  
Oct. 2017 Managing Executive Officer  
Responsible for Retailing Business  
Apr. 2018 Managing Executive Officer and CIO (Chief Information Officer)  
President and Representative Director, M & C SYSTEMS CO., LTD. (Incumbent)  
Apr. 2020 Managing Executive Officer and CIO  
In charge of Anime Business (Incumbent)  
Oct. 2020 Director, D2C & Co. Inc. (Incumbent)

#### Participation in committees:

Management Committee  
Sustainability Committee  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Information Security Committee



**Yoshinori Saito**

Managing Executive Officer

Shares held: 6,100

Born: July 1962

#### SELF-INTRODUCTION

I feel like I am more patient today than when I was young. I aspire to be fair in my interactions with people when overseeing organizations on a day-to-day basis as I seek to drive their growth by guiding them in exercising their individual talents. The COVID-19 pandemic is transforming our lifestyles and our values. Amid these changes, I aim to take an overarching perspective toward my work and the future of our business, always looking to the essence of the situation rather than being preoccupied with the superficial aspects. I am sometimes too meticulous. Going forward, I hope to strike a balance between this meticulousness and bold action to enact MARUI GROUP's philosophy of "equate the development of our people with the development of our company."

#### CAREER HISTORY

Mar. 1986 Joined the Company  
Jul. 2008 Executive Officer  
General Manager, Financial Department  
Apr. 2011 Director and General Manager, Direct Marketing Department, MARUI CO., LTD.  
Apr. 2013 Director and General Manager, Collaboration Card Business Department, Epos Card Co., Ltd.  
Oct. 2013 Director and General Manager, Sales Promotion Department, Epos Card Co., Ltd.  
Apr. 2015 Managing Director, Epos Card Co., Ltd.  
Director, M & C SYSTEMS CO., LTD.  
Apr. 2016 Senior Executive Officer  
President and Representative Director, Epos Card Co., Ltd. (Incumbent)  
Apr. 2019 Managing Executive Officer  
Apr. 2020 Managing Executive Officer  
In charge of FinTech Business (Incumbent)  
Director, MRI Co., Ltd. (Incumbent)

#### Participation in committees:

Management Committee  
Sustainability Committee  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Information Security Committee



**Hajime Sasaki**

Senior Executive Officer

Shares held: 7,400

Born: November 1963

#### SELF-INTRODUCTION

I am optimistic, and I love pondering new ideas. I can imagine nothing better than assembling a diverse team and capitalizing on their individuality to give rise to new ideas. At MARUI GROUP, our co-creation philosophy is something that has always been in our DNA; all we did was give form to this value, which we should continue to treasure going forward. I will never forget how moved I was by the words of appreciation from customers I received during the experience of starting up EPOS cards or developing MARUI's co-creation private brands. At AIM CREATE CO., LTD., which I currently oversee, as well, our greatest strength is the ability to resolve issues through co-creation with customers and society. I hope to continue to refine MARUI GROUP's shared DNA going forward in order to create new forms of happiness together with our team.

#### CAREER HISTORY

Mar. 1986 Joined the Company  
Oct. 2007 Director and General Manager, Card Planning Division, Epos Card Co., Ltd.  
Apr. 2012 Director and General Manager, Private Brand Department, MARUI CO., LTD.  
Apr. 2013 Executive Officer  
Apr. 2014 Managing Director and General Manager, Specialty Store Department, MARUI CO., LTD.  
Jun. 2014 Director  
Apr. 2015 Director and Senior Executive Officer  
Responsible for Retailing and Store Operation Business  
Senior Managing Director, MARUI CO., LTD.  
Director, Epos Card Co., Ltd.  
Apr. 2016 Senior Executive Officer  
President and Representative Director, MARUI CO., LTD.  
Apr. 2019 Senior Executive Officer  
In charge of Architecture (Incumbent)  
President and Representative Director, AIM CREATE CO., LTD. (Incumbent)

#### Participation in committees:

Management Committee  
Compliance Promotion Board  
Internal Control Committee

## CAREER HISTORY

Mar. 1984 Joined the Company  
Mar. 2008 General Manager, Women's Clothing and Accessories Department, MARUI CO., LTD.  
Apr. 2010 General Manager, Women's Fashion Department, MARUI CO., LTD.  
Apr. 2011 Director and General Manager, Business Promotion Department, MARUI CO., LTD.  
Apr. 2013 Executive Officer  
Apr. 2014 Director and General Manager, Store Business Promotion Department, MARUI CO., LTD.  
Apr. 2015 Managing Director, MARUI CO., LTD. Director, AIM CREATE CO., LTD. (Incumbent)  
Apr. 2019 Senior Executive Officer (Incumbent) Senior Managing Director, MARUI CO., LTD.  
Jul. 2020 President and Representative Director, MARUI CO., LTD. (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Safety Control Committee (Chairman)

## CAREER HISTORY

Apr. 1983 Joined the Company  
Mar. 2006 General Manager, Group Financial Department  
Apr. 2007 Executive Officer (Incumbent)  
Jul. 2008 General Manager, Personnel Division  
Oct. 2009 General Manager, Voi Business Department, MARUI CO., LTD.  
Apr. 2011 General Manager, Corporate Planning Division  
Apr. 2013 President and Representative Director, MARUI FACILITIES Co., Ltd. (Incumbent)  
Apr. 2015 Director, MARUI HOME SERVICE Co., Ltd. (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Compliance Promotion Board  
Internal Control Committee  
Safety Control Committee

## CAREER HISTORY

Mar. 1987 Joined the Company  
Apr. 2009 General Manager, New Business Department  
Oct. 2009 Deputy General Manager, Voi Business Department, MARUI CO., LTD.  
Apr. 2012 General Manager, Direct Marketing Department, MARUI CO., LTD.  
Apr. 2014 Director and General Manager, Direct Marketing Department, MARUI CO., LTD.  
Apr. 2015 Executive Officer (Incumbent) Director, MOVING CO., LTD.  
Apr. 2016 Director and General Manager, Omni-Channel Retailing Division, MARUI CO., LTD.  
Apr. 2019 President and Representative Director, MOVING CO., LTD. (Incumbent)

### Participation in committees:

Management Committee  
Compliance Promotion Board  
Internal Control Committee

## SELF-INTRODUCTION

I am responsible for the Retailing segment. The COVID-19 pandemic has cast light on previously unapparent connections with customers and business partners. For example, we got a lot of emails from customers while our stores were on hiatus asking us to reopen. We also received words of appreciation and encouragement from business partners when we canceled rent payments to reinforce our partnerships. MARUI GROUP is supported by countless stakeholders, and I hope we can repay them for this support through our business.



**Masahiro Aono**

Senior Executive Officer

Shares held: 3,600

Born: March 1962

## SELF-INTRODUCTION

I joined MARUI GROUP in 1983. When I was young, I was able to overcome the challenges of my daily work with the stamina I had built through sports while in school. Today, my muscle has turned to fat, so I am instead forced to call upon the breadth of experience I gained in sales and management divisions at the head office as I go about my current job in the building management field. MARUI FACILITIES looks to improve the value of all of its employees so that we can improve corporate value through building management. This company is tasked with the development of green businesses, and we are committed to accomplishing the targets for our key performance indicators. I am working to acquire building manager qualifications to spur my own growth, and I am currently fighting to understand the specialized terminology and complex machine structures.



**Yoshiaki Kogure**

Executive Officer

Shares held: 3,300

Born: September 1960

## SELF-INTRODUCTION

When people first meet me, they often think of me as methodical and stern, but the more they get to know me, the more they realize that I can be quite easygoing. I feel strongly that it is the duty of our generation to ensure that happiness is available to future generations by exercising our co-creation philosophy. Based on this belief, I solicited customer input together with a production company when I was involved in developing promotional videos for MARUI. The staff of the production company stated that this process was a first for them and also expressed how they felt, like they had forged a strong connection with MARUI and its customers as a result. The value of physical stores has been transformed as a result of the COVID-19 pandemic. At the same time, digital transformations are progressing rapidly. Given this situation, I will look to co-create businesses that expand beyond the boundaries of distribution together with people with careers in marketing and e-commerce in my efforts to contribute to society.



**Mayuki Igayama**

Executive Officer

Shares held: 7,400

Born: June 1964





**Junko Tsuda**

Executive Officer

Shares held: 5,800

Born: May 1972

#### SELF-INTRODUCTION

I am drawn to strengths and differences. I have always believed that strengths and differences are important for realizing one's ideals, but I have recently noticed how strongly my approach has been colored by my own characteristics. A team is a collection of strengths, and I get joy from finding success by working toward new possibilities as a team. MARUI GROUP's mission of making happiness available to all is no easy task, but I think it is a goal worth pursuing. I will do everything in my power to overcome the challenges we face in order to shape a brighter tomorrow for future generations. I respond to change with the positivity and ideation needed to turn adversity into opportunities, and this drive inspires me to create maximized services even in the midst of the COVID-19 pandemic.

#### CAREER HISTORY

Mar. 1995 Joined the Company  
Apr. 2014 Store Manager, Nakano Marui, MARUI CO., LTD.  
Apr. 2015 Executive Officer (Incumbent)  
Director and Store Manager,  
Marui Family Shiki, MARUI CO., LTD.  
Apr. 2017 Executive Officer and General Manager  
New Business Development Department  
Apr. 2018 Director and Store Manager,  
Marui Family Mizonokuchi, MARUI CO., LTD.  
Apr. 2019 Director and General Manager,  
Cardholder Service Department,  
Epos Card Co., Ltd.  
Oct. 2020 Director and General Manager,  
Sales Promotion Department,  
Epos Card Co., Ltd. (Incumbent)

**Participation in committees:**  
Management Committee



**Miyuki Kawara**

Executive Officer

Shares held: 3,200

Born: August 1963

#### SELF-INTRODUCTION

My personality could be said to be cheerful, soft, spirited, driven, and flexible. I greatly enjoy sharing in the feelings of others. I do not hide my feelings, and I value both my feelings and those of others, loving when our feelings together drive us toward positive results. I am currently in charge of physical stores, and I hope to provide everyone with spaces where they can feel happiness as we transition to a post-digital world. An example of such a space would be HARA8, a new food court at Marui Family Mizonokuchi that was completed in late November 2019. It brings me great happiness when I see smiles on the faces of people of all ages enjoying this facility.

#### CAREER HISTORY

Mar. 1986 Joined the Company  
Apr. 2007 Store Manager, Kobe Marui, MARUI CO., LTD.  
Oct. 2008 General Manager, Brand Development  
Department, MARUI CO., LTD.  
Apr. 2012 General Manager, CSR Promotion Department  
Apr. 2015 Director and General Manager,  
Collaboration Card Business Department,  
Sales Promotion Department,  
Epos Card Co., Ltd.  
Apr. 2016 Executive Officer (Incumbent)  
Director and General Manager,  
Sales Promotion Department,  
Epos Card Co., Ltd.  
Apr. 2018 Director and Store Manager,  
Ueno Marui, MARUI CO., LTD.  
Apr. 2019 Director and Store Manager,  
Marui Family Mizonokuchi,  
MARUI CO., LTD. (Incumbent)

**Participation in committees:**  
Management Committee  
Environment and CSR Committee



**Tatsuo Niitsu**

Executive Officer

Shares held: 21,100

Born: November 1967

#### SELF-INTRODUCTION

People say that I pursue what I think is right with conviction and offer advice from a fresh perspective to those who are lost. I experienced the process of co-creating stores together with customers with Hakata Marui and Marui Family Mizonokuchi. Co-creation gave rise to a store development approach that was new to MARUI GROUP while also providing encouragement and opportunities to customers. Moreover, our co-creation efforts made me realize that the success of MARUI GROUP and the success of our customers are one and the same. At the same time, I recognized that changes represent opportunities. I have made it a habit to reflect on how chasing after what we see as the needs of customers often results in our giving up on what they really want from us. I am thus even more committed to innovating our business in order to serve customer needs in a manner that gives form to our co-creation philosophy.

#### CAREER HISTORY

Apr. 1991 Joined the Company  
Apr. 2014 General Manager, Sales Planning Division,  
MARUI CO., LTD.  
Apr. 2016 Director and General Manager,  
Sales Planning Division, MARUI CO., LTD.  
Apr. 2019 Executive Officer (Incumbent)  
Director and General Manager,  
Sales Planning Division,  
MARUI CO., LTD. (Incumbent)

**Participation in committees:**  
Management Committee



## CAREER HISTORY

Apr. 1991 Joined the Company  
Apr. 2012 General Manager, Customer System Development Department, M & C SYSTEMS CO., LTD.  
Apr. 2014 General Manager, Systems Department, Corporate Planning Headquarters, Epos Card Co., Ltd.  
Apr. 2018 Director and General Manager, Customer System Development Department, M & C SYSTEMS CO., LTD.  
Apr. 2019 Executive Officer and CDO (Chief Digital Officer) (Incumbent) Director and General Manager, Digital Transformation Promotion Department, M & C SYSTEMS CO., LTD. (Incumbent) Director, Epos Card Co., Ltd. (Incumbent)

### Participation in committees:

Management Committee  
Information Security Committee

## SELF-INTRODUCTION

I see myself as a little optimistic. IT systems require a careful approach, but too much caution can halt progress. A sense of balance is important. I therefore endeavor to be proactive without being excessively optimistic. When we were preparing to launch EPOS cards, Visa sent us massive tomes of English manuals with no explanations. It was at that time that I met someone who used to work at Visa. They explained everything, from how the system works to how it is implemented. Systems are supported by a number of business partners. Going forward, I aim to broaden the scope of our co-creation in order to further increase the value of MARUI GROUP.



**Takeshi Ebihara**

Executive Officer

Shares held: 1,800

Born: March 1969

## CAREER HISTORY

Mar. 2000 Acquisition of physician's license, position in general hospital  
May 2002 Regular outpatient physician, department of psychosomatic medicine at general hospital Company Physician, Furukawa Electric Co., Ltd.  
Mar. 2010 Acquisition of Doctor of Medicine  
Apr. 2011 Company Physician (Incumbent)  
Apr. 2014 General Manager, Health Management Division  
Apr. 2019 Executive Officer (Incumbent)  
Apr. 2020 General Manager, Wellbeing Promotion Department (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Environment and CSR Committee

## SELF-INTRODUCTION

When I was in school, I loved working toward a shared goal together with a lot of my friends. Even after becoming a doctor, I maintained my desire to energize people and organizations using my specialized health-care knowledge. This desire motivated me to research such energization as a graduate student, leading me to acquire my Doctor of Medicine. At MARUI GROUP, co-creation is our passion, and I am happy to be able to work toward our shared goal of making society happier together with my colleagues. It is said that people will start consistently living to be 100 in the future. Meanwhile, we are currently battling the COVID-19 pandemic. For these reasons, wellness and well-being are more important than ever to building a society in which everyone is empowered and able to exercise their individualism while living a fulfilling life. By calling upon the specialized insight I have gained studying frameworks for making happier, more energized people, I hope to help energize people while contributing to the development of society.



**Reiko Kojima**

Executive Officer

Shares held: 0

Born: September 1975

## CAREER HISTORY

Mar. 1996 Joined the Company  
Apr. 2017 General Manager, Corporate Planning Division  
Oct. 2018 General Manager, Corporate Planning Division and Customer Success Division  
Jan. 2020 Director, D2C & Co. Inc. (Incumbent)  
Apr. 2020 Executive Officer and General Manager, Customer Success Division and Corporate Planning Division (Incumbent)

### Participation in committees:

Management Committee  
Sustainability Committee  
Compliance Promotion Board  
Public Relations IR Committee  
Internal Control Committee  
Insider Trading Prevention Committee

## SELF-INTRODUCTION

In school, I learned civil engineering (city planning) while working part-time entertaining guests at a theme park and serving customers at restaurants and airports. This experience let me feel the joy of directly pleasing customers. This prompted my decision to join MARUI GROUP in 1996, as I recognized that this company would let me contribute to communities by opening new stores. However, my actual role ended up being quite different as I spent a large portion of my career in corporate planning and other back-office positions. The most cherished experiences of my time at MARUI GROUP have included being appointed to the position of director of a Shanghai subsidiary immediately after becoming a manager and taking part in the co-creation process of developing Hakata Marui as a deputy store manager. I am anxious to continue helping MARUI GROUP realize its vision going forward.



**Akikazu Aida**

Executive Officer

Shares held: 2,600

Born: November 1973





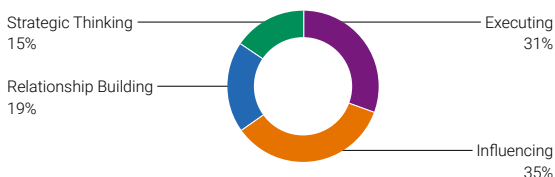
## Top 10 Characteristic Qualities of MARUI GROUP Officers

MARUI GROUP's *VISION BOOK 2050*, which was published in 2019, contained a skill map of executive officers meant to paint a multifaceted picture of the differing management skills and personalities of the officers responsible for specific areas of operation. This was the first time we had undertaken such an initiative, but a resoundingly positive response was received from both inside and outside of the Company. Based on this response, we had officers take the Myers-Briggs Type Indicator® personality test for *Co-Creation Management Report 2019*, this time expanding the scope to include all internal and external officers and Audit & Supervisory Board members. For *Co-Creation Management Report 2020*, we turned our focus toward the strengths of officers by using the CliftonStrengths® assessment\*<sup>1</sup> developed by Gallup, Inc., of the United States to investigate the qualities of all 26 officers. Discussing the results gave the officers an opportunity to better understand their own qualities as well as their differences and how they can complement one another as a management team. In this section, we will introduce the top 10 characteristic qualities of MARUI GROUP officers from among the 34 CliftonStrengths® themes.\*<sup>2</sup>

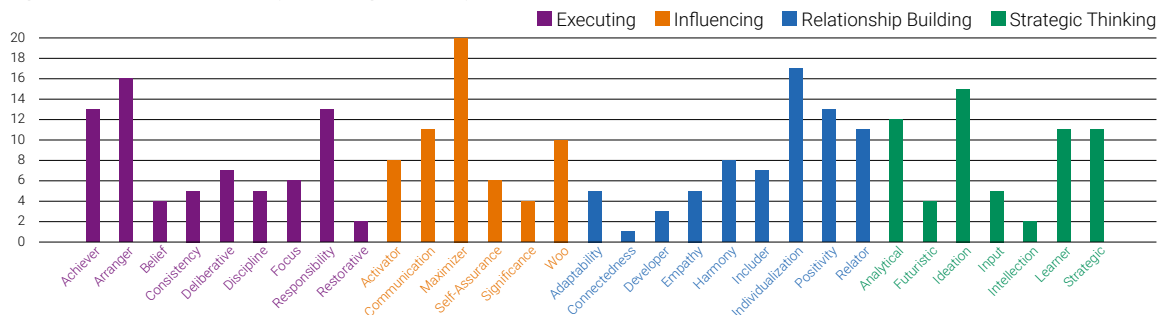
### Strengths as Defined by the CliftonStrengths® Assessment

The CliftonStrengths® assessment defines 34 CliftonStrengths® themes divided in four domains. The assessment of all 26 officers indicated strong representation of strengths in the Influencing and Executing domains. Tallying the top 10 strengths of all officers showed that a large number of officers had the Maximizer®, Individualization®, Arranger®, and Ideation® strengths. Based on these findings, it could be said that the management team at MARUI GROUP respects individuality and diversity and uses unprecedented ideas to simplify complex situations, combines resources to improve productivity, responds flexibly to change, and constantly pursues new heights without ever becoming complacent. Particularly well represented was the strength of Maximizer®, which was in the top 10 of 20 officers. This indicates a propensity for identifying the strengths and talents of others and synergizing these capacities to realize the highest possible results. In this manner, MARUI GROUP's management team is ideally suited to maximizing the value of diversity.

### Domain of Overall Strengths



### Representation of CliftonStrengths® in Top 10 Strengths of Officers



### Comments from Officers After Taking the CliftonStrengths® Assessment

I was happy to hear that our team had a lot of people that value unique forms of creativity and those who seek to forge their own unique identity.—Aoi

My love of microphones when I was little seems to be a common characteristic of people with the Woo® strength.—Sato

My motto is "wisdom and action," and this showed up in my strengths of Communication® and Activator®.—Taguchi

I spent 40 years in the National Tax Agency trying to make taxation fair and impartial. This experience translated to strength in the "Executing" domain.—Takagi

In my work as an attorney, I always focused on achieving the best possible results through positivity and strategic thinking, and this focus showed up in my strengths.—Suzuki

My strengths included Responsibility® and Restorative®. These seem to correlate to my efforts to address the unique concerns of IT systems departments related to delivery timing and avoiding issues.—Ebihara

It looks like my role on the management team is to set the mood in a comedic manner.—Aono

Japanese people seem to view overcoming one's shortcomings as a virtue. It is truly important to try and create positive advances.—Kojima

This assessment reinforced my confidence in my positivity. However, I understand that Positivity® is not always the right approach and that strengths can sometimes be weaknesses.—Aoki

This is my fourth time being assessed. I often suggest that newer employees take this assessment to heighten their self-esteem.—Tsuda



\*1 The CliftonStrengths® assessment is a test developed by Gallup, Inc., of the United States by analyzing the thought and behavioral patterns of 2 million successful individuals from around the world to produce 5,000 different patterns that have been consolidated into 34 CliftonStrengths® themes. This assessment is used in the human resource development programs of more than 90% of Fortune 500 companies. The assessment is based on positive psychology principles stating that focusing on one's strengths, as opposed to their weaknesses, makes them happier and better able to deliver their maximum performance. Moreover, understanding one's qualities and comparing them to others fosters increased understanding of individual diversity. Use of this assessment is growing rapidly in the United States as well as in Japan, with 23.4 million test takers around the world, 14.0 million of whom are in the United States and 8.9 million are in Japan.

\*2 Please refer to the following website for more information on the 34 CliftonStrengths® themes.

[www.gallup.com/cliftonstrengths/en/253715/34-cliftonstrengths-themes.aspx](http://www.gallup.com/cliftonstrengths/en/253715/34-cliftonstrengths-themes.aspx)





**Top 10 CliftonStrengths® Themes of MARUI GROUP Officers**

		Executing							Influencing							Relationship Building							Strategic Thinking												
		Ability to make things happen							Ability to influence others							Ability to build and nurture strong relationships							Ability to think about and analyze information and situations												
Name	Domain of overall strengths	Achiever	Arranger	Belief	Deliberative	Discipline	Focus	Restorative	Activator	Command	Communication	Competitive	Maximizer	Self-Assurance	Significance	Woo	Adaptability	Connectedness	Developer	Empathy	Harmony	Includer	Individualization	Positivity	Relator	Analytical	Context	Futuristic	Ideation	Input	Intellection	Learner	Strategic		
Hiroshi Aoi	Strategic Thinking			4				9	7				6						10				5					1	2			3	8		
Etsuko Okajima	Influencing	5							1		2	3				7	10						4	6						9		8			
Yoshitaka Taguchi	Influencing		5					9	1		3					4						10	2	7				6					8		
Masahiro Muroi	Strategic Thinking	1		7				6			5												8			10			4	3		2	9		
Masao Nakamura	Influencing	9	2						8		5	3				4					10		1	7	6										
Hirotsugu Kato	Relationship Building			6	4	7		3					10								1		5		8	2			9						
Masahisa Aoki	Relationship Building		8						6				2	9		7	10				3	5	4	1											
Yuko Ito	Executing	8				3	1	4	5				6										7		10	2						9			
Hitoshi Kawai	Executing	10	5	8		3		2					6	7									9						1				4		
Nariaki Fuse	Executing	5	1			7		9	2				6					10			4		8			3									
Takehiko Takagi	Executing		4		6	5	8	9	2										10		1				7	3									
Yoko Suzuki	Relationship Building	3	8							4		9				6			7			2		1	10								5		
Motohiko Sato	Influencing	2	8		9						3		7		1		10							4		5			6						
Tomoo Ishii	Executing				7		8	3	4				10	2											5	1			6			9			
Toshikazu Takimoto	Influencing								9		3		1	7	2								10	5				8	4				6		
Yoshinori Saito	Executing		9		1	8	10				7		6	4							2				5	3									
Hajime Sasaki	Strategic Thinking								10				1				4						6	8	5				3	7		9	2		
Masahiro Aono	Influencing								6				2	8		5	9						10	1	7			3		4					
Yoshiaki Kogure	Executing	1	4		5		8	10	2				9								3				6								7		
Mayuki Igayama	Executing	3	4				9	5			7		10									6				1			2			8			
Junko Tsuda	Influencing		3					10					1			5						7	6	2					4	8			9		
Miyuki Kawara	Relationship Building	4	10					5					2					6	9				3	1				8				7			
Tatsuo Niitsu	Strategic Thinking		3										4										1	7				5	2	10	8	9	6		
Takeshi Ebihara	Relationship Building		9					2	5		8							7	6		1	4		3	10										
Reiko Kojima	Influencing	4	3										1	5	7		8								10				6			2	9		
Akikazu Aida	Influencing	2									3		8			1						6	9	4		5			7				10		
Representation in top 10 strengths of officers		13	16	4	5	7	5	6	13	2	8	0	11	0	20	6	4	10	5	1	3	5	8	7	17	13	11	12	0	4	15	5	2	11	11
		71							59							70							60												

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# Overview of MARUI GROUP

As of March 31, 2020

## Company Overview

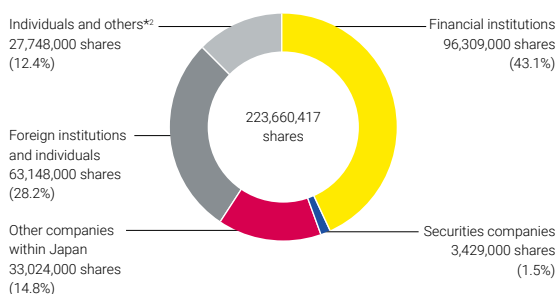
<b>Name</b>	MARUI GROUP CO., LTD.
<b>Head office</b>	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
<b>Date of foundation</b>	February 17, 1931
<b>Date of establishment</b>	March 30, 1937
<b>Capital</b>	¥35,920 million
<b>Business activities</b>	Corporate planning and management for Group companies engaged in Retailing segment and FinTech segment
<b>Stores</b>	Marui and Modi: 24 located in Kanto, Tokai, Kansai, and Kyushu regions
<b>Total sales floor area</b>	417,500 m <sup>2</sup>
<b>Number of employees</b>	5,130 (Group total, excludes temporary employees)
<b>Main banks</b>	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Development Bank of Japan Inc. Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Ltd.
<b>Accounting auditor</b>	PricewaterhouseCoopers Aarata LLC

## Stock Information

<b>Stock listing</b>	Tokyo Stock Exchange, First Section (loan margin trading issues)
<b>Securities code</b>	8252
<b>Number of authorized shares</b>	1,400,000,000
<b>Number of common shares issued<sup>*1</sup></b>	223,660,417
<b>Number of shareholders</b>	28,771

<sup>\*1</sup> Number of common shares issued includes 8,703,268 shares of treasury stock, equivalent to 3.9% of the total number of shares of common stock issued.

## Distribution of Shares Held by Shareholder Type



<sup>\*2</sup> Individuals and others includes 8,703,268 shares of treasury stock.

## Major Shareholders

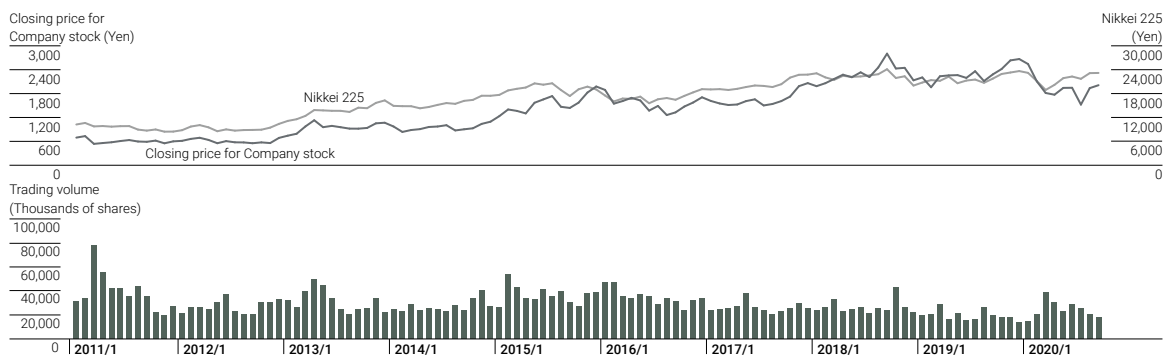
Name	Number of shares (Thousands of shares)	Percentage of total shares issued <sup>*3</sup> <sup>*4</sup> <sup>*5</sup> (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	33,401	15.5
Japan Trustee Services Bank, Ltd. (Trust Account)	17,545	8.2
Aoi Real Estate Co., Ltd.	6,019	2.8
MUFG Bank, Ltd.	5,808	2.7
Japan Trustee Services Bank, Ltd. (Trust Account 7)	5,001	2.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,886	1.8
TOHO CO., LTD.	3,779	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,675	1.7
JP MORGAN CHASE BANK 385151	3,628	1.7
The AOI SCHOLARSHIP FOUNDATION	3,242	1.5

<sup>\*3</sup> The Company holds 8,703,268 shares of treasury stock, which are excluded from the above principal shareholders.

<sup>\*4</sup> Percentage of shareholding is calculated based on the total number of shares issued and outstanding, excluding the treasury stock of 8,703,268 shares.

<sup>\*5</sup> The calculation for the percentage of shareholding includes 545,000 shares held by the Officer Compensation BIP Trust and Stock Benefit ESOP Trust.

## Stock Price





## MARUI GROUP's Business

### MARUI CO., LTD.

Retailing and store operation, internet sales, specialty store business (operation and development of directly managed sales floors and private brands)

3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
Tel: 03-3384-0101 (Receptionist)

🌐 [www.0101.co.jp/e.ex.hp.transer.com](http://www.0101.co.jp/e.ex.hp.transer.com)

### Epos Card Co., Ltd.

Credit card business, credit loan business

3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
Tel: 03-4574-0101 (Receptionist)

🌐 [www.eposcard.co.jp](http://www.eposcard.co.jp) (Japanese only)

### AIM CREATE CO., LTD.

Commercial facility design and construction, advertisement planning and creation, property management

34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan  
Tel: 03-5340-0101 (Receptionist)

🌐 [www.aim-create.co.jp](http://www.aim-create.co.jp) (Japanese only)

### MOVING CO., LTD.

Trucking business, forwarding, and other businesses

5-1, Bijogihigashi 2-chome, Toda-shi, Saitama 335-0032, Japan  
Tel: 048-233-1000 (Receptionist)

🌐 [www.moving.co.jp](http://www.moving.co.jp) (Japanese only)

### M & C SYSTEMS CO., LTD.

Software development, computer operation

3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
Tel: 03-5343-0100 (Receptionist)

🌐 [www.m-and-c.co.jp](http://www.m-and-c.co.jp) (Japanese only)

### MARUI FACILITIES Co., Ltd.

Comprehensive building management service business

34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan  
Tel: 03-3229-0101 (Receptionist)

🌐 [www.marui-facilities.co.jp](http://www.marui-facilities.co.jp) (Japanese only)

### MARUI HOME SERVICE Co., Ltd.

Real estate rental business

34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan  
Tel: 03-6361-0101 (Receptionist)

🌐 [www.marui-hs.co.jp](http://www.marui-hs.co.jp) (Japanese only)

### MRI Co., Ltd.

Collection and management of receivables business, credit check business

34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan  
Tel: 03-4574-4700 (Receptionist)

🌐 [www.mri-s.co.jp](http://www.mri-s.co.jp) (Japanese only)

### Epos Small Amount and Short Term Insurance Co., Ltd.

Small-amount short-term insurance policy business

34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan  
Tel: 03-4546-0101 (Receptionist)

🌐 [www.epos-ssi.co.jp](http://www.epos-ssi.co.jp) (Japanese only)

### tsumiki Co., Ltd.

Sale of investment trusts applicable under Tsumitate NISA through credit payment via EPOS cards

3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
Tel: 03-5343-0134 (Receptionist)

🌐 [www.tsumiki-sec.com](http://www.tsumiki-sec.com) (Japanese only)

### D2C & Co. Inc.

Investment in and financing of companies operating direct-to-consumer businesses, store opening support (contract store opening and operation services), operation of curated websites

3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
Tel: 03-3384-0101 (Receptionist)

🌐 [www.d2c.company](http://www.d2c.company) (Japanese only)

### MARUI KIT CENTER CO., LTD.

Supply pickup, product inspection, various printing services

Toda Product Center, Second Building, 5-1, Bijogihigashi 2-chome, Toda-shi, Saitama 335-0032, Japan  
Tel: 048-421-7351 (Receptionist)



Group of new university students supported in the fiscal year ended March 31, 2020

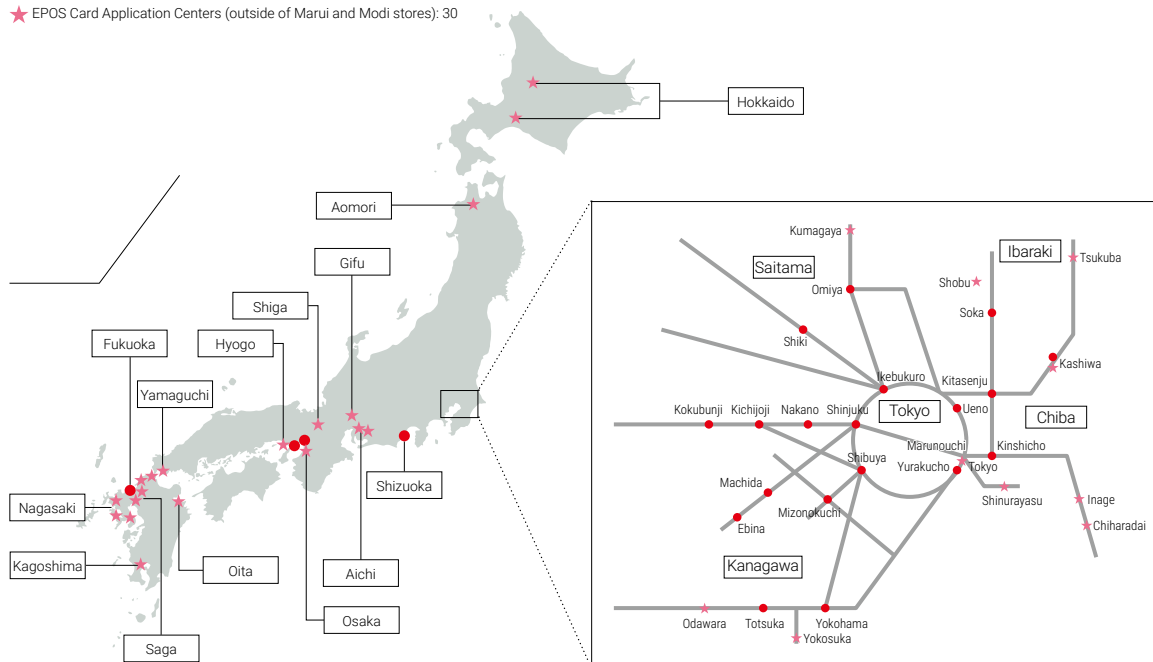
The AOI SCHOLARSHIP FOUNDATION was established by MARUI GROUP founder Chuji Aoi with the aim of contributing to the development of people that can shape the future of Japan and benefit society. Over the more than 40 years since its establishment, this foundation has helped fund the education of high school and university students while facilitating networking between students receiving scholarships and past graduates.

Established: January 1973 (became an incorporated public interest foundation in 2012)  
Director: Tadao Aoi (Honorary Chairman of MARUI GROUP)  
Total amount of scholarships provided: ¥1,980 million  
Total number of students supported: 1,660 (As of April 2020)

Office: 3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan  
(located at MARUI GROUP head office)  
Tel: 03-5343-0351

As of October 1, 2020

★ EPOS Card Application Centers (outside of Marui and Modi stores): 30



Shinjuku Marui Main Building



Yurakucho Marui



Shibuya Modi



EPOS card application center

	Name	Sales floor area (m <sup>2</sup> )	Transactions (billions of yen) (As of March 31, 2020)
Tokyo	Kitasenju Marui	35,300	34.0
	Shinjuku Marui	30,590	27.5
	Yurakucho Marui	18,500	19.0
	Machida Location	21,270	14.8
	Ueno Marui	16,390	12.1
	Kinshicho Marui	22,990	11.9
	Kokubunji Marui	14,300	10.6
	Shibuya Location	14,090	10.4
	Ikebukuro Marui	12,170	5.5
	Nakano Marui	4,950	6.2
	Kichijoji Marui	11,950	5.0

	Name	Sales floor area (m <sup>2</sup> )	Transactions (billions of yen) (As of March 31, 2020)
Kanagawa	Marui Family Mizonokuchi	32,260	21.6
	Totsuka Modi	16,580	8.9
	Marui Family Ebina	19,500	7.4
	Marui City Yokohama	16,770	8.7
Saitama	Marui Family Shiki	18,900	10.6
	Omiya Marui	13,970	6.3
	Soka Marui	16,530	4.8
Chiba	Kashiwa Location	18,810	7.8
Shizuoka	Shizuoka Location	13,460	2.3
Osaka	Namba Marui	17,000	11.2
Hyogo	Kobe Marui	6,940	4.9
Fukuoka	Hakata Marui	15,000	8.1

Note: "Shinjuku Marui" refers to Shinjuku Marui Main Building, Shinjuku Marui Annex, and Shinjuku Marui Men. "Shibuya Location," "Machida Location," "Kashiwa Location," and "Shizuoka Location" refer to both the Marui and Modi stores located at these sites.

## Store Website and Official Apps

The latest information on brands in our stores as well as other valuable information for customers is distributed on a daily basis through our store website and official apps.



Marui Store Website  
[www.0101.co.jp.e.ex.hp.transer.com/global/en.html?from=01\\_pc\\_appinfo\\_head\\_logo](http://www.0101.co.jp.e.ex.hp.transer.com/global/en.html?from=01_pc_appinfo_head_logo)



Marui Shopping App  
[www.0101.co.jp.e.ex.hp.transer.com/appinfo/](http://www.0101.co.jp.e.ex.hp.transer.com/appinfo/)



EPOS Card Official App (Japanese only)  
[www.eposcard.co.jp/appli/index.html](http://www.eposcard.co.jp/appli/index.html)



## MARUI GROUP Community Site—kono yubi to-mare

MARUI GROUP's community site—kono yubi to-mare—is an open forum in which anyone, regardless of their age, gender, or nationality, can come to ponder the various issues of all sizes that surround us and take part in forward-looking discussions. We invite readers to come and gaze at the future together with us. Various content is uploaded to this site on an ongoing basis (all content is available in Japanese only).



MARUI GROUP's community site—kono yubi to-mare  
[www.to-mare.com/](http://www.to-mare.com/)

### Talk Forum

This section showcases discussions with individuals at the forefronts of their respective fields. Discussions are filled with inside tidbits and future outlooks that cannot be found anywhere else and are sure to provide hints at what the future holds.

### Book Lounge

Bibliophile President Aoi introduces books that are particularly noteworthy from among the wide selection of books he reads. With recommendations ranging from business books to comics, there is something for every reader.

### Future View

This section contains summaries of the lectures by external lecturers conducted at MARUI GROUP. We invite you to learn about the future course of MARUI GROUP through the maxims of experts shaping the future.

### Inclusion Rally

MARUI GROUP seeks to help a diverse range of people form wide-reaching and equal relationships. This section rallies the voices of leaders in various fields through discussions and other contributions based on the themes of equality (individuality, respect for individuality, human rights) and engagement (connections, outreach, trust).

### YubiTube Videos

This section exhibits videos planned and produced by MARUI GROUP employees in which they tackle a variety of challenges to encourage people to think about what we can do to shape a better future and to take action based on the UN SDGs.

### Yubi News

Check out this section for information on the latest global news topics as well as on MARUI GROUP's ESG activities and must-see events. We hope you will also visit the physical MARUI GROUP forums introduced in this section.



MARUI GROUP has set up official Twitter accounts linked to its community site. We invite you to tweet what you think about the articles and other content on our site. Your tweet might start a wave that creates new value.



kono yubi to-mare Twitter  
[twitter.com/maruigroup](https://twitter.com/maruigroup)



kono yubi to-mare YouTube  
[www.youtube.com/channel/UCCHq6q2aRFTyyEwVOMxHYXA](https://www.youtube.com/channel/UCCHq6q2aRFTyyEwVOMxHYXA)

## Ratings, Awards, and Recognition

MARUI GROUP established the IR Department in October 2015 and then the ESG Promotion Department in October 2016 to enhance communication with institutional investors and information disclosure. We have also identified the promotion of diversity and wellness (healthcare) management as key measures under the medium-term management plan with the aim of improving corporate value.

### Global Socially Responsible Investment Indexes



MARUI GROUP has been selected for inclusion in the Dow Jones Sustainability World Index for the second consecutive year, once again making it the only Japanese retailer included in this index, and has also been included in the Dow Jones Sustainability Asia Pacific Index for three consecutive years.



In *RobecoSAM Sustainability Yearbook 2020*, a compilation of companies displaying excellence in terms of ESG initiatives and information disclosure, MARUI GROUP was included in the Silver Class, a step up from its inclusion in the Bronze Class in 2019.



MARUI GROUP has been included in the FTSE4Good Index Series,\*1 a series of indexes arranged by FTSE Russell that comprise companies meeting evaluation standards pertaining to ESG factors, for four consecutive years.



MARUI GROUP was included in the MSCI ESG Leaders Indexes,\*2 an ESG stock index with high global recognition.



MARUI GROUP was selected for inclusion in the SOMPO Sustainability Index for three consecutive years. This index is compiled by Sompo Asset Management Co., Ltd., and used in its SOMPO Sustainable Investment Fund, which prioritizes ESG ratings by investigation firms.

**JPX-Nikkei Index 400**  
MARUI GROUP was included in the JPX-Nikkei Index 400, a stock price index composed of companies with high appeal for investors that meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives.



The All-Japan Executive Team Rankings is a ranking of major listed Japanese companies compiled by U.S. financial industry magazine *Institutional Investor*, based on votes from institutional investors and securities analysts from around the world. In the 2020 ranking, MARUI GROUP was included among the Most Honored Companies in the retailing sector while also being chosen for the Best CEOs and Best ESG categories.

### Four ESG Indexes Utilized by the Government Pension Investment Fund



MARUI GROUP has been included in the FTSE Blossom Japan Index for four consecutive years. This ESG index is meant to reflect the performance of Japanese companies that meet various ESG-related requirements, and industry is therefore not considered when selecting companies for inclusion.

### 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MARUI GROUP was included in the MSCI Japan ESG Select Leaders Index\*2 for the fourth consecutive year. This ESG index comprises Japanese companies with relatively high MSCI ESG Ratings in each industry selected from among the top 700 companies in terms of market capitalization after excluding those companies with the lowest MSCI ESG Rating of CCC.

### 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

For four consecutive years, MARUI GROUP has been included in the MSCI Japan Empowering Women Index,\*2 an ESG index for Japanese stocks consisting of companies that exhibit gender diversity excellence in each industry, based on the Global Industry Classification Standard, selected from among the top 700 companies in terms of market capitalization.



MARUI GROUP was included in the S&P/JPX Carbon Efficient Index, which comprises companies included in the Tokyo Stock Price Index selected through a process that entails overweighting or underweighting companies in reflection of their disclosure of environmental information and their carbon efficiency (carbon emissions per unit of revenue).



MARUI GROUP CO., LTD., was included in the Climate A-List, which represents the highest evaluation offered by CDP, for the second consecutive year in reflection of its endorsement of the recommendations of the TCFD and other initiatives to address climate change and practice information disclosure of a level that is high even viewed from a global perspective.



MARUI GROUP's new greenhouse gas emission reduction targets, which were established in September 2019, have received certification from Science Based Targets, indicating that these targets are effective for keeping global warming below 1.5°C above pre-industrial levels.

**STOXX Climate Change Leaders Index**  
MARUI GROUP was selected for inclusion in the STOXX Climate Change Leaders Index for the second consecutive year. This index is one of a series of low-carbon indexes developed in 2016 and the world's first index to focus on inclusion of companies featured on CDP's Climate A-List.



More detailed information on these and other awards and recognition can be found on the Company's corporate website.  
[www.0101maruigroup.co.jp/en/ci/award/index.html](http://www.0101maruigroup.co.jp/en/ci/award/index.html)



ESG Finance Awards Japan is a program developed by Japan's Ministry of the Environment for the purpose of evaluating and recognizing companies engaging in ESG finance and environmental sustainability management initiatives. In 2020, MARUI GROUP was the only retailer to receive a bronze award in the environmentally sustainable company category of this award program.



MARUI GROUP's *Co-Creation Management Report 2019* integrated report and its *VISION BOOK 2050* were highly evaluated, leading the Company to receive the climate change declaration award (Minister of the Environment Award) for the first time in the 23rd Environmental Communication Awards.



MARUI GROUP received an award of excellence in the special renewable energy proliferation category of the Green Purchasing Award program out of reflection of its contributions to the expansion of green purchasing markets through initiatives such as the introduction of renewable energy and the issuance of the first green bonds to be offered by a Japanese retailer.



In the 2019 Vision Awards Annual Report Competition sponsored by League of American Communications Professionals LLC, one of the United States' two major report competitions, MARUI GROUP's *Co-Creation Management Report 2019* was presented with a Gold award for the first time in Company history.

#### Noteworthy DX Companies 2020

MARUI GROUP was included among the Ministry of Economy, Trade and Industry's Noteworthy DX Companies 2020 based on the high recognition of its efforts to develop stores that do not sell and the work style reforms that underpin these efforts.



MARUI GROUP's *Co-Creation Management Report 2019* was listed under the Honors of the Integrated AR & CSR: Traditional Format section of the Specialized Annual Reports category of the 2020 International ARC Awards, the world's foremost annual report competition held on a yearly basis by U.S. independent evaluation institution MerComm, Inc.



MARUI GROUP was included in the Health & Productivity Stock Selection for the third consecutive year in 2020, recognizing it as a company that is strategically addressing employee health and productivity management issues based on a management perspective. The Company was rated highly for its wellness management initiatives.



MARUI GROUP received its award in the IR Good Visual Award program, which recognizes single slides from the investor relations presentation materials of listed companies in Japan and presents awards for single slides that effectively communicate the corporate value of the respective company.



In 2020, MARUI GROUP earned, for the second time, the highest rank of A in Development Bank of Japan Inc.'s DBJ Employees' Health Management Rated Loan Program, in reflection of the high evaluation of MARUI GROUP's practice of wellness management—the Company's approach toward promoting and heightening the physical and mental health and energy of employees.

#### Recognition as Excellent Integrated Report

MARUI GROUP's co-creation management reports have been recognized as excellent integrated reports for four consecutive years by institutions to which the Government Pension Investment Fund outsources the management of domestic securities. Reasons for the selection of *Co-Creation Management Report 2019* include the high evaluation of its creativity and its clear medium-to-long-term vision.



MARUI GROUP was chosen for inclusion in the Nadeshiko Brand for the third consecutive year due to its positioning of diversity promotion as a management strategy, its Companywide work style reform initiatives aimed at creating foundations for the empowerment of female employees, and its cultivation of managers and leaders that can leverage employee diversity.

#### NIKKEI Annual Report Awards 2019

In NIKKEI Annual Report Awards 2019, MARUI GROUP's *Co-Creation Management Report 2019* integrated report received a runner-up award, following the special award received in the previous year, based on the high scores for its senior management messages and its medium-to-long-term financial measures.



MARUI GROUP was awarded with the highest rating of gold in the PRIDE INDEX for the third consecutive year out of recognition of its regular LGBT sensitivity training and its collaboration with Pride House Tokyo.

#### WICI Japan Award for Excellence in Integrated Reporting

MARUI GROUP's *Co-Creation Management Report 2019* received Best Integrated Reporting Grand Prize in the 2019 iteration of the WICI Japan Award for Excellence in Integrated Reporting program launched by WICI Japan, with the aim of promoting integrated reporting, following the Integrated Reporting Award obtained in 2018.



MARUI GROUP placed second for the first time in the under 1,000 employees section of the corporation category of the 2019 Forbes JAPAN WOMEN AWARD. Factors cited for this placement included the Company's high ratio of male employees taking childcare leave, high ratio of female officers, low levels of overtime, and proactive organization-wide initiatives for empowering female employees.



In 2019, MARUI GROUP was selected for the Best IR Award for the second time due to high evaluations of its ongoing, leading-edge, and sustainability-minded IR activities and the proactive stance of the president and CFO.

\*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that MARUI GROUP CO., LTD. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

\*2 THE INCLUSION OF MARUI GROUP CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF MARUI GROUP CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



## Editorial Policy

MARUI GROUP has been publishing co-creation management reports and co-creation sustainability reports as tools for stakeholder engagement since 2015. Another such tool is *VISION BOOK 2050*. These management strategy reports are forged over a process of more than 40 planning meetings a year led by President Hiroshi Aoi. Our co-creation management reports are integrated reports that focus on the financial and pre-financial information that will support the exercise of MARUI GROUP's corporate philosophy and the ongoing growth of the Company. In compiling these reports, we reference the concepts of connections between organizations and value creation for others and series of capitals contained in the *International Integrated Reporting Framework* released by the International Integrated Reporting Council in December 2013. We also referenced the idea of a dichotomy between short-term gains and investments in intangible assets contained in *Ito Report 2.0* as well as the view on value creation narratives linking values, business models, strategies, success, important indicators, and corporate governance contained in the *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment* released by the Ministry of Economy, Trade and Industry in May 2017. In addition, Director and Managing Executive Officer Hirotugu Kato regularly participates in the exchanges of opinion as a member of the Forum for Integrated Corporate Disclosure and ESG Dialogue and of the Study Group for Discussing Approaches to Making More Substantial the Dialogues for Creation of Sustainable Corporate Value arranged by the Ministry of Economy, Trade and Industry for the purpose of facilitating discussions between companies and investors based on the *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation*. Moreover, in preparing to publish *Co-Creation Management Report 2020*, we held a total of 19 planning meetings. However, we were unable to hold the face-to-face meetings with investors that have been conducted in preparation for previous reports. Accordingly, planning meetings were carried out based on previously received input from investors, investor survey results, and opinions and requests from other stakeholders.



## Overview of 19 Planning Meetings

### Attendees

President Hiroshi Aoi; CFO Hirotugu Kato; representatives from the Corporate Planning Division, the IR Department, the Financial Department, the Sustainability Department, the ESG Promotion Department, the General Affairs Department, the Investment Research Department, and EDGE INTERNATIONAL, INC. as well as external experts in the fields of sustainability, renewable energy, and veganism

### Major Discussion Themes

- Results of surveys with investors and experts
- Progress of and revision to MARUI GROUP's 2050 Vision
- Vision of stakeholder capitalization and companies
- Revisions to the MARUI GROUP Code of Conduct, the MARUI GROUP Environmental Policy, and the MARUI GROUP Human Rights Policy
- View of green businesses in light of the climate crisis
- New food options provided by veganism
- Internal and external impacts of global COVID-19 pandemic
- Ideal partnerships with stakeholders
- New business model merging retailing, fintech, and co-creative investments (investments in intangible assets)
- Officer skill map indicators and utilization methods
- View of interests and happiness in regard to corporate value

## Afterword

Thank you for reading *Co-Creation Management Report 2020* to its end.

We had to overcome several obstacles during the process of preparing this year's report. The start of the process was delayed for three months due to the global COVID-19 pandemic. Subsequently, the activities of the Groupwide project team that generally handles report preparation at MARUI GROUP had to be conducted primarily online. We were also forced to completely rethink all aspects of the report, including the expression methods and composition with regard to consistently highly rated elements such as dialogues with external experts and photographs of our energized employees. Throughout the process, the project team engaged in numerous discussions on the question of what we should communicate in this year's integrated report. Turning the spotlight toward MARUI GROUP's new business model merging retailing, fintech, and now co-creative investment, which was announced together with our financial results for the fiscal year ended March 31, 2020, we kept information on existing businesses previously communicated in other materials to a minimum. At the same time, we explain in detail the actions for the future to be taken to reduce greenhouse gas emissions as well as the corporate culture supporting those actions through dialogues. It is likely that our readers will have mixed opinions about this structure given that we have yet to announce our performance forecasts for the fiscal year ending March 31, 2021, due to the heavy impact that the closure of our stores and other developments had on our performance. Regardless, we chose to talk about the future, something we think is incredibly important, particularly at this time when there still is no end in sight for the COVID-19 pandemic. There may be some areas in which our explanations are insufficient. I therefore hope to use this report as a tool for stimulating dialogue so that we can receive a wide range of feedback from stakeholders. This feedback will guide us as we seek to engage in future-oriented co-creation activities with as many stakeholders as possible.

I look forward to your ongoing support of MARUI GROUP.

### Takahiro Matsumoto

General Manager, Public Relations Office,  
General Affairs Department, MARUI GROUP CO., LTD.  
koho-ml@0101.co.jp

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# Let's Join Hands

## CO-CREATION

### *with you*

MARUI GROUP's vision for the world of 2050  
is one in which all dichotomies have been transcended to allow future generations  
and all other individuals to live happily and as themselves.  
Realizing this vision will require that we engage in co-creation with MARUI GROUP  
employees as well as with customers, business partners,  
communities and society, investors,  
and the future and younger generations that will shape the future.  
We invite everyone who shares our vision for the future to  
join hands with us in co-creating the happiness of all people.



#### Co-Creation Management Reports

[www.0101maruigroup.co.jp/en/ir/lib/r-report.html](http://www.0101maruigroup.co.jp/en/ir/lib/r-report.html)

Annual integrated reports focused on  
management strategies



#### VISION BOOK 2050

[www.0101maruigroup.co.jp/en/sustainability/lib/s-report.html](http://www.0101maruigroup.co.jp/en/sustainability/lib/s-report.html)

Report published in March 2019 declaring  
MARUI GROUP's vision for the world of 2050



#### Co-Creation Wellness Report (Japanese only)

[www.0101maruigroup.co.jp/sustainability/lib/w-report.html](http://www.0101maruigroup.co.jp/sustainability/lib/w-report.html)

Report detailing wellness management initiatives  
going beyond the basic approach of preventing illness  
in order to foster more energized and happy employees



#### Contact

Public Relations Office, General Affairs Department  
MARUI GROUP CO., LTD.

Tel: 03-3384-0101 (Receptionist)

Email: [koho-ml@0101.co.jp](mailto:koho-ml@0101.co.jp)

Other contacts

[www.0101maruigroup.co.jp/en/question.html](http://www.0101maruigroup.co.jp/en/question.html)

Corporate information, investor relations information,  
sustainability information, recruitment information

[www.0101maruigroup.co.jp/en/](http://www.0101maruigroup.co.jp/en/)



Mailing list registration (Japanese only)

[www.0101maruigroup.co.jp/ir/infomail/reg.html](http://www.0101maruigroup.co.jp/ir/infomail/reg.html)





CO-CREATION



Publication date: December 2020

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MARUI GROUP CO., LTD.

Planning and production: EDGE INTERNATIONAL, INC.

Printed in Japan