

IMPACT TARGET 01

Creating a Future for Future Generations Together

The first theme examined when considering our desired impact was the future for future generations. Climate change moves closer to robbing us of our future and destroying the global environment every minute, and addressing this crisis must take priority above any of our other desires. In light of this crisis, MARUI GROUP seeks to provide options for contributing to a decarbonized society and fostering circular economies, both elements of a green recovery. We thereby aim to help preserve a global environment that will allow future generations to live without fear for the future.



SHAPING A BETTER FUTURE FOR FUTURE GENERATIONS

DIALOGUE 02 — SAORI IWANO — PETER DAVID PEDERSEN

Escaping a Restrictive Future by Imagining the Future as a Blank Slate

Saori Iwano is a high school student who shaved her head, parting ways with hair grown down past her shoulders, and wrote an essay on the potential of shaving one's head to help fight climate change. People have diverse ideals. There is no need to limit the ideal of feminine appeal to having long hair. Peter David Pedersen, external director at MARUI GROUP and guide in its quest for true sustainability, spoke with Iwano about the ideals she espouses.

Saori Iwano

A third-year high school student born in Tokyo in 2003, Saori Iwano is a central member of the student environmental activist organization Fridays For Future Japan. This unique Generation Z environmental activist has gained attention for her research on decentralized energy and her essay on the potential of shaving one's head to help fight climate change, which reflected her own experience of shaving her hair, which had been grown down past her shoulders.

Peter David Pedersen

Peter David Pedersen was born in Denmark in 1967. He has been involved in the formulation of business, environment, and CSR strategies for major Japanese companies, and it was Pedersen who introduced Japan to the concept of Lifestyles of Health and Sustainability (LOHAS). Today, he is devoting his efforts to fostering future leaders as the representative director of Next Leaders' Initiative for Sustainability while also acting as a professor at Shizenkan University. Pedersen assumed the position of external director at MARUI GROUP in June 2021.

Start of Environmental Activism Inspired by Inconsistency of Adults

Pedersen: I have been working with major Japanese companies over the past 25 years. I refer to innovation that is not mindful of sustainability as "trash innovation." Innovation can create new value, but innovation that only seeks economic value at the cost of the environment has no place in society. How do you, Ms. Iwano, view Japanese companies from your perspective?

Iwano: It depends on the company, but there are a lot of companies that only think about doing business through existing frameworks, and these companies formulate visions of their future based on their current state. Japanese companies love the word "innovation." However, it is also common for these companies to primarily pursue innovation

aimed at sustaining their current systems and businesses.

Pedersen: I completely agree. Those working in existing systems tend to become prisoners of these systems, and therefore have their actions limited by the systems. Based on this perspective, I would like to talk about your activities. Exactly what type of activities have you been engaged in?

Iwano: I have been involved in the activities of the student environmental activist organization Fridays For Future Japan since 2019. These activities are part of a movement calling for action to combat climate change. Due to the COVID-19 pandemic, we are currently focusing on efforts online and through other venues that do not involve close contact with others. One example of these efforts is a call for action on climate change via social media. We are also working together with the government and the



corporate sector, sometimes offering advice on government policies and coordinating with companies at the forefront of climate action. In addition, we form connections with Asian environmental activists, contribute to the efforts of the United Nations Climate Change Conference, and take other flexible actions related to these efforts.

Pedersen: I was born in Denmark. When I was 10, I remember taking part in a demonstration protesting the construction of a nuclear power plant. This demonstration resulted in Denmark making the switch to wind power. This experience opened my eyes to the importance of action. What was your call to action?

Iwano: When I was in my third year of junior high school, I listened to Severn Cullis-Suzuki's legendary speech at the Earth Summit in Rio de Janeiro about the day our world will change, which she delivered when she was only 12. In this memorable speech, Suzuki illustrates the inconsistency between the righteous action adults expect of us and their own actions. When I was still chewing on this idea, I learned that Greta Thunberg had begun her climate change activism in Sweden. Thunberg had put forth a message casting light on the same issue by questioning why adults think they can tell us what not to do while they violate their own creeds and present an inconsistent stance through the Paris Agreement. Her message matched the one of Suzuki. When I learned of Thunberg's activities, I was around the same age as her, 15. This experience, and the recognition of the inconsistency of adults, was my call to action.

Importance of Younger Generations Commenting on Company Impact

Pedersen: I understand that you wrote a very intriguing essay.

Iwano: You're talking about my paper on how cutting one's hair can help combat climate change, right? I shaved my head for that paper. My hair used to be down past my shoulders.

Pedersen: That is a really clever idea. What were the results of this experiment?

Iwano: My thesis was that shaving my head would affect how much water I used to bathe and the amount of gas consumed to heat the water as well as my usage of a hair dryer. I measured these metrics using myself as the sample to determine the impact of shaving my head, and compared the results to

other options. I found that shaving one's head has mid-range benefits for fighting climate change.

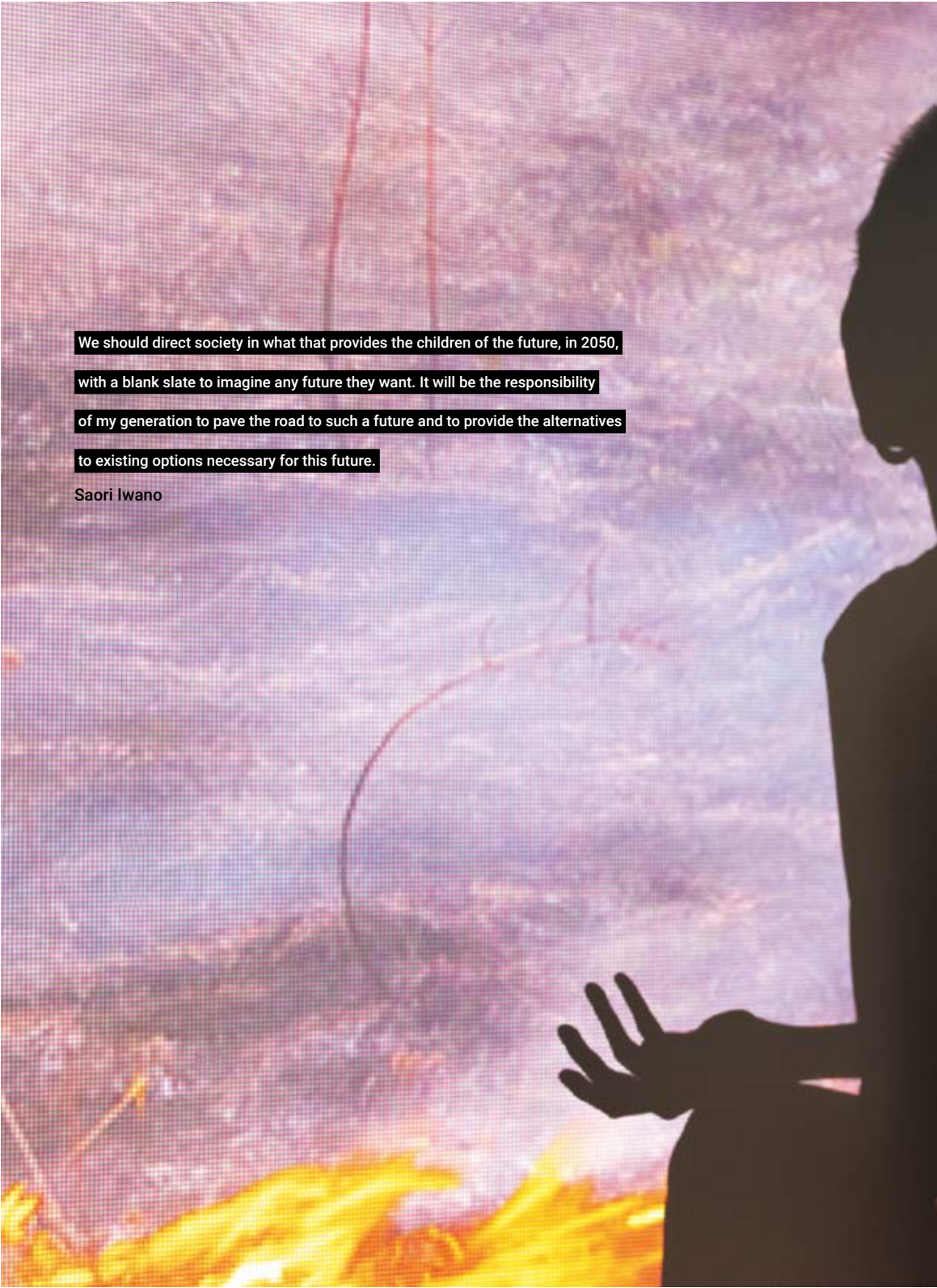
Pedersen: It is generally accepted that girls of your age tend to be interested in things like makeup and fashion. What type of response did you get from the people around you when you shaved your head?

Iwano: I get asked that a lot. On the flip side, as people often come up and ask me about my hairstyle because it is so unusual, this gives me plenty of opportunities to talk to people about our climate crisis. Also, I don't think that we need to limit the ideal of feminine appeal to having long hair. This is supposed to be an era in which people can have diverse ideals after all.

Pedersen: That is true. The idea that having long hair is feminine is an outdated preconception that is incompatible with the values of diversity. Changing gears, it is said that there is a need to enlist the aid of companies to realize positive social impacts. What are your thoughts on this topic?

Iwano: Companies have a very large impact on society. It is therefore crucial that we let companies know what the younger generations are thinking. Companies tend to formulate visions of how to generate profits, while younger generations put forth visions of how to address issues facing society. We should thus combine the visions from these two perspectives to create one overarching vision for all of society and work together as partners in accomplishing this vision. There is a book by the Japanese scholar of the history of economic thought Kohei Saito on the subject of capital theory for a new era. This book is full of insightful critiques of contemporary capitalism as well as proposals of alternative approaches based on the visions of younger generations. I have had several opportunities to speak with Mr. Saito, but in his book he does not explain a clear process toward reaching the stated ideals. I think the nitty-gritty about making and transitioning to the new systems that will be required to realize these ideals will need to be handled by companies and others in positions of power. The role of us younger generations will thus be to share our visions and to engage with this process.

Pedersen: U.K.-born, U.S.-based futurist Hazel Henderson speaks of building a love economy in contrast to the existing money economy. In the past, earning money was seen as a pursuit completely separate from exercising compassion or contributing to society. In recent years, however, we have seen a rise in companies guided by a social purpose.



We should direct society in what that provides the children of the future, in 2050,
with a blank slate to imagine any future they want. It will be the responsibility
of my generation to pave the road to such a future and to provide the alternatives
to existing options necessary for this future.

Saori Iwano

Iwano: I think that the idea of intersectionality* will become increasingly prominent in the future. MARUI GROUP values its stakeholders, and I think the idea of intersectionality aligns well with stakeholder value.

Pedersen: From one perspective, the ideas of a money economy and love economy overlap in a way similar to the categories of intersectionality. I think it would be great if companies were to team up with NPOs, with each party leveraging their respective strengths to create a more open environment, and then eventually if companies were to become more like NPOs.

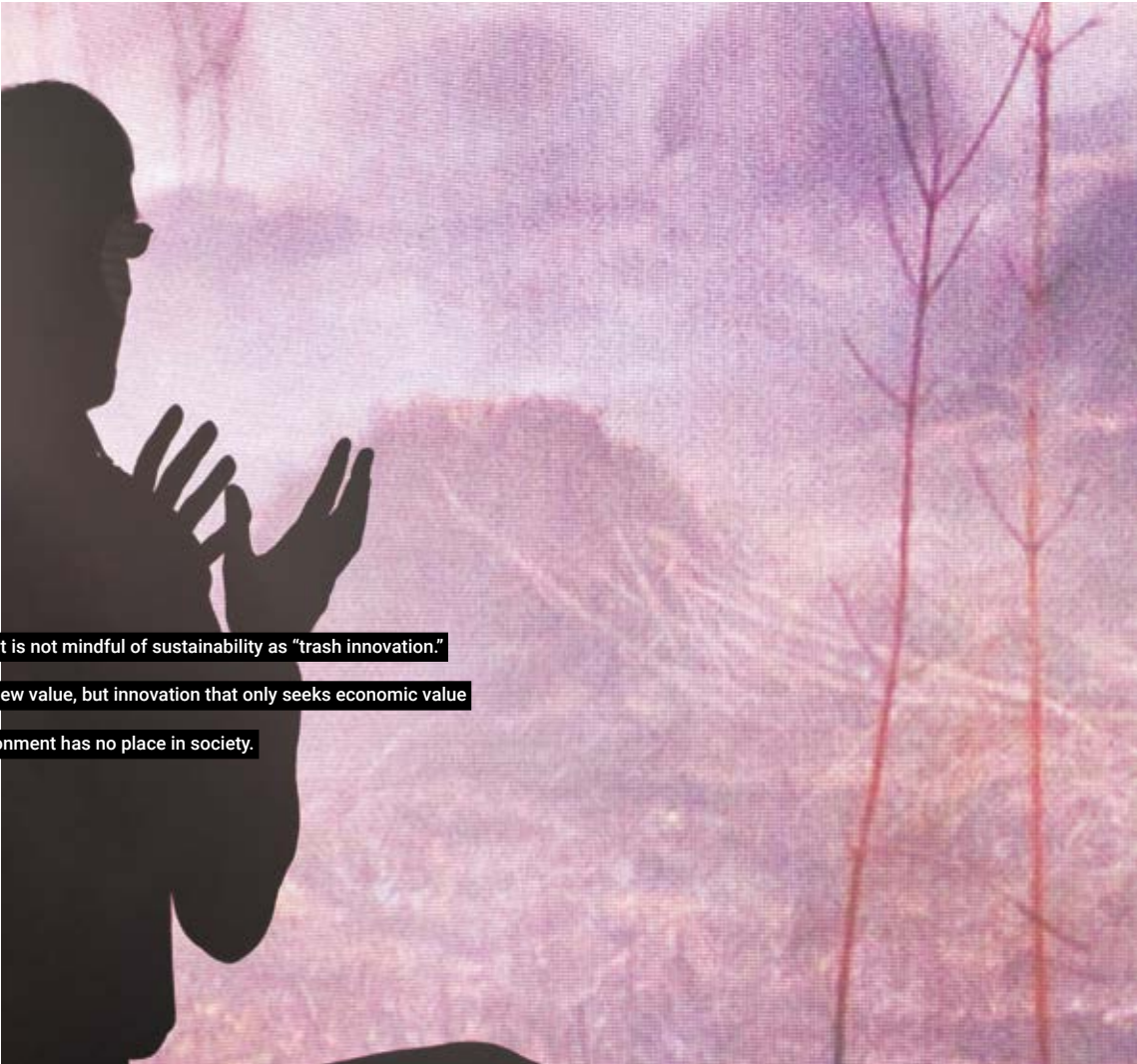
Iwano: A successful business is dependent on the people involved in the business as well as on consumers and community members. An emphasis on the interests of these various stakeholders is also important to decarbonization efforts. I think there is a strong need for MARUI GROUP to exercise

leadership in guiding community decarbonization efforts together with stakeholders by connecting various styles of consumption and returning the benefits of these activities to communities.

* An analytical framework that looks at how attributes of a person's identity, including race and gender, contribute to discrimination and privilege

Need for New Values Surpassing the Scope of Businesses Focused Purely on Resolving Issues

Pedersen: In terms of consumption, I think a change in perspective, from the prior focus on trade-offs to an emphasis on raising value, will help to realize sustainability in its truest form. Rather than relying on trade-offs, by prioritizing the economy to the detriment of the environment and supply, we should transform our lifestyles to provide options that position inclusivity and circularity as the norm. With this perspective, I look to propose alternative consumption methods and new lifestyles for Japan.



I refer to innovation that is not mindful of sustainability as “trash innovation.”

Innovation can create new value, but innovation that only seeks economic value

at the cost of the environment has no place in society.

Peter David Pedersen

Iwano: Concepts such as sustainability and ethics have become a normal part of education in Japan, leading to a rise in awareness on these subjects among high school students. However, this education is still limited to the idea of resolving social issues. The option of fair trade only exists due to the presence of issues of poverty and exploitation. Similarly, the climate crisis has given rise to the option of decarbonization. In the future, I think it will be important for businesses and products to propose new values and offer a path toward embracing these values, as opposed to simply resolving the current issues we face. By proposing new and better options, people can make new discoveries and have new encounters. These possibilities are something not present in prior issue resolution-oriented businesses.

Pedersen: MARUI GROUP is a company whose business is founded on stimulating consumption. For this reason, it will need to change the products it offers. The question then becomes, how should it undertake such a change? Ms. Iwano, what are your thoughts regarding the future of consumption?

Iwano: I don't shop at stores a lot. Even the clothes I am wearing today were hand-me-downs from my cousin. The approach of stimulating a desire for consumption does not seem suited to the coming era. I think there is more potential in promoting consumption by proposing better options. It would be great if consumers were able to purchase items based on the understanding of what went into their making, the story of each item, so to say. Understanding the feelings of the producer creates a kind of synergistic effect for the user that makes them feel more satisfied with their purchase of the item in question when they use it.

Diversity in Decision-Making Required for Inclusive Thinking

Pedersen: MARUI GROUP has defined impact targets in its new medium-term management plan. What do you think of this undertaking?

Iwano: I think the involvement of people like you, Mr. Pedersen, and representatives of various other sectors in decision-making is necessary for inclusive thinking. This is also important for promoting decarbonization while preventing the emergence of new social issues as a result of these efforts. For example, if we were only to focus on a single aspect of the United Nations Sustainable Development Goals (SDGs), we might be able to effectively

resolve the targeted issues, but it is also highly likely that we would cause a new issue in the process. This lack of inclusive thinking is a common trait of the shallow and performative approach toward the SDGs that many companies are adopting. As the standards of society change, the definition of impact will also change. It is easy to put forth the goal of decarbonization, but it is important not to rigidly define this goal as an unmoving impact target. Such rigidity will likely kill the potential of a company. A more ideal approach would be to incorporate people from diverse backgrounds into the process of developing action plans in order to make these plans more impartial.

Creation of a Blank Slate Society That Lets Children Imagine Their Own Future

Pedersen: What is your goal for the future, Ms. Iwano?

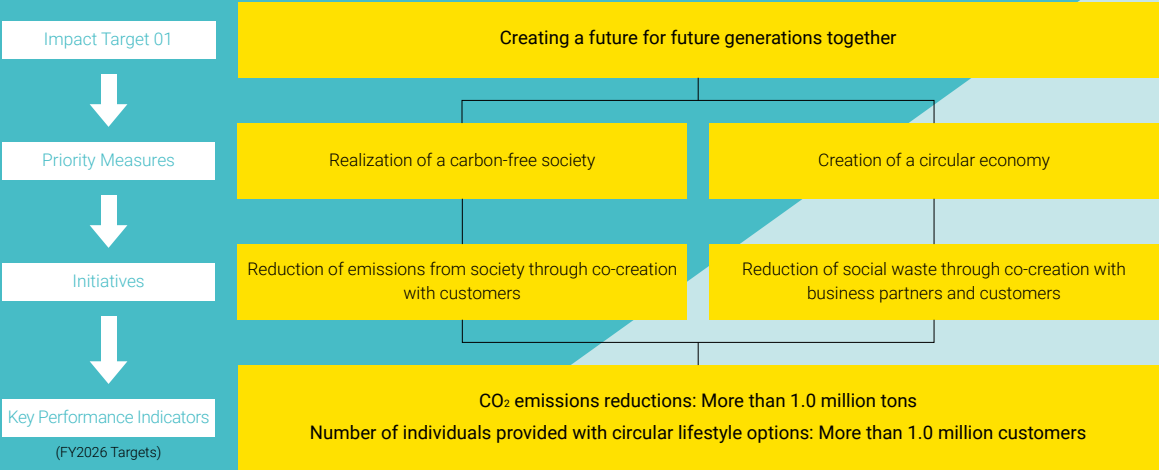
Iwano: I want to be involved in the decentralized energy cycle. I see potential for the application of decentralized blockchain technologies to decision-making processes. Blockchain is a promising tool for realizing transparent and impartial decision-making. As far as the future I hope to create, I think it is important for the future to be like a blank slate. The future we are able to imagine for ourselves in the current society is restrictive. What I mean to say is that we should direct society in what that provides the children of the future, in 2050, with a blank slate to imagine any future they want. Moreover, I hope that society will be such that the future generation of 2050 will be inspired to create a better future for the generation that follows them, and that this generation will do the same, giving birth to a consistent and virtuous cycle. It will be the responsibility of my generation to pave the road to such a future and to provide the alternatives to existing options necessary for this future. For this reason, I want to work toward this vision in various fields together with individuals from an array of sectors.

Pedersen: Collaboration with companies should be framed in terms of “with,” as opposed to “for.” I have been working together with major Japanese companies for 25 years. I try to deny the obvious standing of these companies as I work with them. This is because I think that creative self-denial is vital to companies. Rather than working “for” the companies, I want to work “with” them to build a better world.

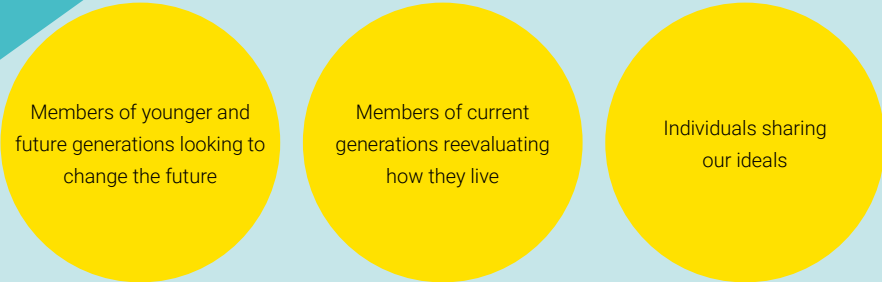
Creating a Future for Future Generations Together

MARUI GROUP seeks to create a future for a wide range of generations, including the younger millennials and Generation Z and Generation Alpha individuals who will lead the world three decades from now as well as the future generations who have yet to be born. At MARUI GROUP, we believe that corporate value entails creating harmony between the interests and happiness of all of our stakeholders and growing the intersection of these interests and happiness. We therefore recognize that we must not pursue economic development and prosperity at the expense of future generations. If we combine our existing assets and experience with the greater stock of wisdom of humanity, we will be capable of overcoming the crisis presented by climate change through co-creation and thereby reach a future characterized by happiness and prosperity in the truest sense.

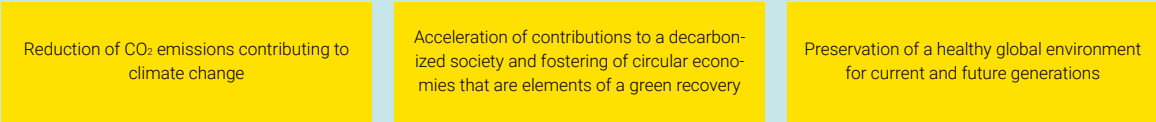
Overall Vision and Key Performance Indicators



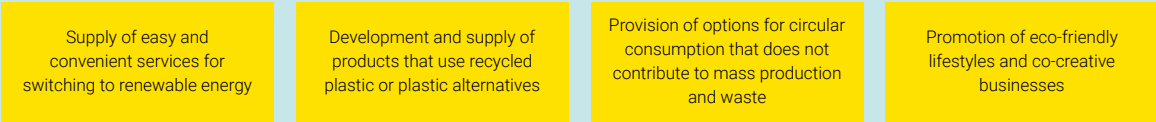
WHO?



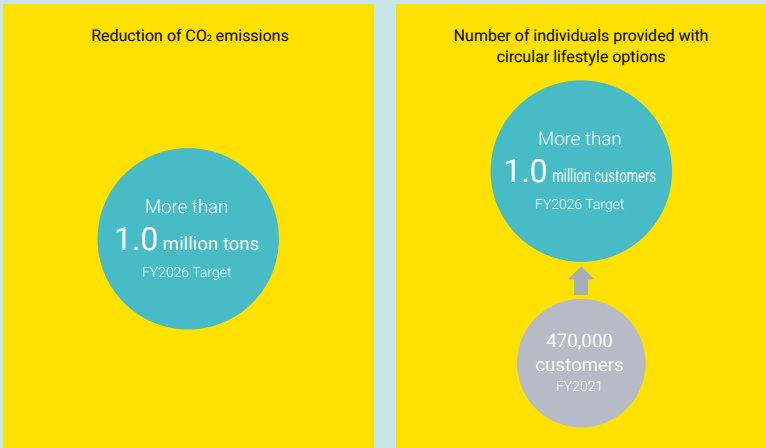
WHAT?



HOW?

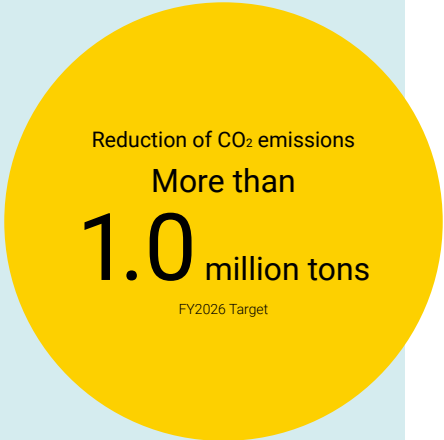


OUR IMPACT



CONTRIBUTIONS TO A DECARBONIZED SOCIETY

In July 2018, MARUI GROUP joined the RE100 international initiative with membership from companies that have declared targets of sourcing 100% of the electricity used in their business activities from renewable energy. This move signaled the start of our efforts to contribute to a decarbonized society through our business activities and together with all of our stakeholders.



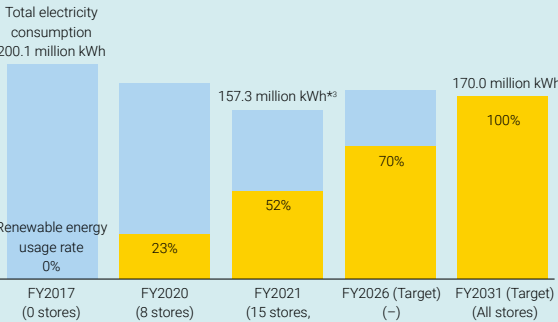
Reduction of CO₂ Emissions Together with Stakeholders

In December 2018, MARUI GROUP formed a business and capital alliance with UPDATER, Inc. (formerly Minna-denryoku, Inc.). This energy field start-up company is the first in the world to use blockchain technology to achieve commercial traceability of electricity. UPDATER uses this technology primarily to provide its Minna-denryoku service for supplying renewable energy to companies and households.

Working together with UPDATER and other renewable energy providers, MARUI GROUP is moving forward with an effort to utilize renewable energy at all of its Marui and Modi stores across Japan. In the fiscal year ended March 31, 2019, Shinjuku Marui Main Building was the only location using renewable energy, but this number has since ballooned to 15 stores and five offices in the fiscal year ended March 31, 2021, resulting in renewable energy accounting for 52% of all electricity used by the Group. We aim to increase our usage of renewable energy to account for 100% of all electricity purchased by the fiscal year ending March 31, 2031.

UPDATER's corporate website (in Japanese only)
minden.co.jp/

Road Map to 100% Use of Renewable Energy



*3 Total electricity consumption was lower than projected in the fiscal year ended March 31, 2021, as a result of store closures stemming from the impacts of the COVID-19 pandemic.

In addition to embracing renewable energy itself, MARUI GROUP is encouraging customers to switch to renewable energy to achieve further reductions in CO₂ emissions as part of a project launched in September 2020. As one facet of these efforts, we have introduced the Minna-denryoku EPOS Plan, a plan that makes it easy for holders of MARUI GROUP's EPOS cards to switch to renewable energy. We have also begun issuing Minna-denryoku EPOS Cards. As the first credit cards in Japan to be made of recycled plastic, each Minna-denryoku EPOS Card issued emits 9.8 grams less CO₂ than would be produced when issuing a conventional credit card.*¹ Moreover, ¥1,000*² will be donated to renewable energy generators upon application to help fund the maintenance and development of renewable energy generation facilities. We have set the goal of increasing the number of EPOS cardholders using the Minna-denryoku service to 500,000 by the fiscal year ending March 31, 2026. MARUI GROUP thereby looks to achieve a reduction in CO₂ emissions of more than one million tons in the aforementioned fiscal year when combining the reductions associated with this service with its own CO₂ reductions.

*¹ Based on data from credit card production companies with which MARUI GROUP has business relationships
*² Approximately U.S.\$9



Minna-denryoku EPOS Card, the first credit card in Japan to be made of recycled plastic

EPOS Net (in Japanese only)
www.eposcard.co.jp/eposnet/index.html

Information on Minna-denryoku EPOS Cards (in Japanese only)
www.eposcard.co.jp/collabo/minden/index.html

Power Plant with Visibility of Producers Created by Community Members

UPDATER currently has contracts with more than 600 power plants through its Minna-denryoku service.* One of these is the Atsugi Community Power Station located in Atsugi City, Kanagawa Prefecture. This power plant was established through funding by approximately 150 residents of Atsugi City, which was used to install solar panels on a 500-m² plot of farmland at the Ochiai farm. Approximately 33,300 kWh of electricity are generated by the power plant each year, which has contributed to a reduction in CO₂ emissions of 13.9 tons. Individuals involved with the community power plant have stated that they want to make renewable energy available to people who want to use it, and that it was this desire that inspired them to sign up for the Minna-denryoku service, which boasts thorough traceability combined with clear visibility of the producers of power.

* As of July 1, 2021



Community members involved with the Atsugi Community Power Station

Comments from Customers Using the Minna-denryoku EPOS Plan

Reason for Switching

I applied because the process of switching was so easy.

My decision was based on consideration for the environment as well as for my power bill.

I learned about the service through the EPOS card app when I was looking for a power company that didn't use nuclear power.

I was interested in renewable energy and wanted to use power that didn't hurt the environment.

Feelings after Switching

I hope for the success of renewable energy generators across Japan.

I have started thinking more about the future we will leave for our children.

I want to do what I can to help preserve the global environment.

I have become more mindful of the environment in my daily life.



VOICE



Yukito Takamura
Seconded to UPDATER, Inc.
MARUI GROUP CO., LTD.

I hope to communicate just how easy it is to switch to renewable energy.

It is said that around half of the CO₂ emitted from a standard household is from electricity. Accordingly, the best way for us to contribute to the fight against climate change is to switch to renewable energy for our household electricity use. Decarbonization is a task that will require us to fundamentally transform society. However, this transformation will only be possible if individuals also change how they think. The Minna-denryoku EPOS Plan allows users to procure 100% renewable energy at prices that are cheaper than those of major power companies. Users are also able to accrue EPOS points, making this plan beneficial for both the future and the people using it. I hope to communicate just how easy it is to switch to renewable energy in order to encourage people to make the switch.

FOSTERING OF A CIRCULAR CULTURE

Raised with a natural motivation to pursue sustainability, members of younger and future generations could be thought of as sustainability natives. The values held by such sustainability natives are projected to become mainstream going forward. Circular economies will be imperative to this new era. Here, we will introduce some of MARUI GROUP's initiatives for creating circular economies and fostering a circular culture.

Circular Culture Driven by Sustainability Natives

In 2024, sustainability natives are expected to represent a majority of the workforce in Japan. This rise indicates a pressing need to move away from prior business models founded on mass production and mass consumption to supply more-sustainable products and services.

One example of a company providing such sustainable offerings can be seen in Sparty, Inc., which manufactures and sells the MEDULLA brand of shampoo that it customizes to each individual customer. Another example would be FABRIC TOKYO Inc., which offers made-to-order business wear.



MEDULLA store offering scalp diagnosis, fragrance testing, and other experiences only possible at a physical store (Yurakucho Marui)
medulla.co.jp/ (in Japanese only)



FABRIC TOKYO store functioning as a showroom primarily used for displaying fabric samples and taking measurements (Shinjuku Marui Main Building)
fabric-tokyo.com/ (in Japanese only)



Number of individuals provided
with circular lifestyle options

More than
1.0 million customers

FY2026 Target

MARUI GROUP is developing diverse and unique businesses together with direct-to-consumer (D2C) companies such as these. In co-creation with D2C companies, MARUI GROUP's brick-and-mortar stores function as a physical platform for providing personalized experience value. This is one format for the new stores that do not sell, advocated by MARUI GROUP.

Co-creation with D2C companies and start-up companies will be a central pillar of our efforts to provide options for circular economies and sustainable lifestyles going forward.

New Circular Economy Initiatives

iKASA

MARUI GROUP is engaged in co-creation with Nature Innovation Group Co., Ltd., developer of iKASA, Japan's first umbrella sharing service designed with the goal of reducing the use of cheap plastic umbrellas that are often discarded after a single use. With this service, customers can rent an umbrella when it rains and then return it to the most convenient location after the rain has stopped. With more than 850 locations across Japan, this service boasts an aggregate total of more than 200,000 registered users. www.i-kasa.com/ (in Japanese only)



TSUKURUBA

TSUKURUBA Inc. operates the cowcamo platform for finding, buying, and selling second-hand and renovated residential properties. MARUI GROUP is working together with this company to develop a renovated rental condominium brand and associated business.

tsukuruba.com/en/



MARUI TOCLUS Kichijoji

MARUI TOCLUS Kichijoji is a share house attached to Kichijoji Marui that was developed by renovating an existing apartment complex. Based on the concept of "living with Marui," this share house offers services that address the concerns of younger generations regarding living alone and rent payments.

marui-toclus.com/ (in Japanese only)

Photograph by Takumi Ota



VOICE



Kyoko Wada
Co-Creation Promotion
Department,
Co-Creation Promotion Division,
Epos Card Co., Ltd.

I will work together with younger generations to reduce the use of cheap plastic umbrellas.

The U22 Support Plan was launched through the iKASA service in June 2021. Targeting youths under 22 across Japan, this plan was developed based on the strong commitment of MARUI GROUP and of Nature Innovation Group President Shoji Marukawa to support the lifestyles of younger generations. This plan garnered a positive response, with users mentioning how they didn't need to buy umbrellas at convenience stores anymore because there was an iKASA at their school campus or expressing their appreciation to iKASA and EPOS for saving them from being drenched by sudden downpours. These comments gave me great joy and convinced me to work together with younger generations to reduce the use of cheap plastic umbrellas as my first attempt to help resolve social issues through our business.

VOICE



Nagisa Muramatsu
Business Planning Section,
TOCLUS Business Department,
MARUI HOME SERVICE Co., Ltd.

I hope to offer easy access to opportunities to experience circular lifestyles.

MARUI HOME SERVICE is developing its TOCLUS brand of share houses as a new business pillar for supporting members of younger generations living alone. MARUI TOCLUS Kichijoji, our first such share house, was opened in March 2021. Linked to Kichijoji Marui via a bridge, this living facility proposes a new lifestyle in which a store holds a prominent position in one's everyday life. I hope to offer such easy access to opportunities to experience circular lifestyles through co-creation with business partners and thereby give customers the chance to engage with our ideals. Moreover, it is my desire to use this share house as the starting point for an enduring relationship with customers that continues even after they move out and thus contributes to lifetime value.