



CO-CREATION

Section 02 / Pages 36-87

MARUI GROUP's Co-Creation Management

What exactly is this “co-creation management” that MARUI GROUP is practicing?

In this section, we will introduce examples of MARUI GROUP co-creating value with customers, business and other partners, communities, and the greater society, with particular focus placed on store development initiatives related to Hakata Marui, which was opened in spring 2016.





Documentary of Hakata Marui's Grand Opening

Co-Created Next-Generation Marui Departing from Traditional Concept

Hakata Marui is an amalgamation of MARUI GROUP's co-creation efforts.
This store proved that true innovation means departing from the traditional concept of Marui.

On April 20, 2016, the day before the opening of Hakata Marui, our first store in Kyushu, preparations for the opening progressed amid an atmosphere of uncertainty as to whether the customers of Hakata would be receptive toward this new Marui.



Based on input received from customers during planning meetings, we had devoted around 70% of the sales floor to food, sundries, and other lifestyle category items, hoping to offer enjoyable experiences to all customers.





The day of Hakata Marui's opening, April 21, 2016, was unfortunately met with rain. Nonetheless, we found a crowd waiting outside, some of whom had waited through the night. We therefore chose to hold the grand opening of the store 30 minutes earlier than planned.



More than 80,000 customers visited on the opening day. Numerous lines formed within the store, and the draw of this co-created store was palpable. Moving ahead from this successful opening, we must now tackle the true challenge: continuing to grow together with our customers in Hakata.



Long-Awaited Opening of Hakata Marui: A Store Co-Created with Customers

Hakata Marui was built from the ideas and wishes of more than 15,000 customers over a period of roughly two years. Holding over 600 planning meetings with customers, we engaged in enthusiastic discussions with our customers on all aspects of the store. Topics discussed included the store’s name, main considerations and concept, floor layouts, product lineups, product creation initiatives, EPOS card designs, and customer service.

The co-creation store development venture was started in October 2013 based on our desire to make Hakata Marui a store that members of the community would truly embrace. In July 2014, we began inviting customers to participate in planning meetings, hoping to gain their aid in making their ideal store. We launched our first community website in November of the same year to serve as a forum for a wide range of customers to take part in the co-creation process without being restricted by place or time.

Customers offered various opinions, with some stating that they wanted a store that could be visited daily while others expressed desires for a comforting atmosphere or options to enjoy activities aside from shopping. Advancing discussions driven by these

opinions, we eventually decided that the concept for Hakata Marui should be “a store in which customers can find what suits them best.” Co-creation efforts were not limited to the store itself. We also utilized customer input to make original designs for Rakuchin Kirei Pumps (⇒□P56-57), the unique EPOS card based on traditional *Hakata Ori* fabric (⇒□P50), and various other Kyushu-based products and services. In determining the distribution of sales floors, it became apparent that customer interest in apparel was low. While Marui stores have previously devoted around 60% of their sales floor to apparel, only 30% of the sales floor at Hakata Marui was used for this category. The remaining 70% was allocated to life-style items, making Hakata Marui the first co-created next-generation lifestyle-oriented Marui store ever.

Connections with Customers in the Kyushu Region

Aggregate total of customers participating in store development

More than 15,000

Planning meetings held with customers

More than 600

Number of customers visiting during first month after opening

2.3 million

Number of EPOS cardholders in Kyushu region at time of Hakata Marui opening

More than 130,000



Hakata Marui community website (Japanese only)
hakata-fan.0101.co.jp/



Customer participants of planning meetings in front of newly opened Hakata Marui (May 2016)



Reunion with Customers Partnering in Co-Creation a Month after Opening

Planning meetings with customers took place over a span of two years. A month after the opening of Hakata Marui, the customers that had taken part in these meetings gathered once again to look back at past meetings and offer their opinions and impressions of the now-opened Hakata Marui.



Miku Nagano Sales Representative, Hakata Marui

A month has passed since the opening of Hakata Marui. I recall that many of you were unfamiliar with Marui stores when you first participated in the planning meetings. Based on your input, we devoted around 70% of the floor space to dining and lifestyle categories. This structure is radically different from traditional Marui stores.



I am originally from Tokyo, so I, of course, had an understanding of what constituted a Marui store. However, none of my friends from Hakata knew about Marui. I was incredibly excited to be chosen to participate in the planning meetings. I now feel like somewhat of a "Marui Ambassador."



I was born and raised in Hakata, and I did not know about Marui previously. However, I have been intimately connected with Marui for nearly two years through the planning meetings, and I am quite attached to this store that we have made together. I have invited friends to join me on numerous excursions to Hakata Marui, and I even applied for an EPOS card. In particular, I feel a special attachment to REC COFFEE and the FAR EAST BAZAAR dried fruits store after becoming acquainted with the store managers during the planning meetings. This type of personal connection certainly adds something to my visits.

Thank you for your input. I feel that we were truly able to incorporate the opinions of everyone that participated in the planning meetings, including tenants. As a result of this support, tenants have been able to get off to a strong start, exceeding their goals.



Dashidokoro Hyoshiro is a great place to buy gifts, especially due to the small and visually appealing packages. I was quite vocal on this topic during the planning meetings as the prior product packages tended to be too large or have logos that just felt outdated. When the store opened, I was very pleased to see the products in the packages and with the logos that had been designed for Hakata Marui based on our feedback. This satisfaction was all the greater when I learned that these Hakata Marui-style packages and logos would be introduced at other stores.



Apparel and shoes sales floors are not distinguished by size, making it easy to go shopping with friends. Stores commonly divide their floors by size or taste, which can be a cause of concern when shopping with a friend. Hakata Marui, meanwhile, eliminates this concern. This completely new store has given me the opportunity to find exquisite products and allowed me to become friends with fellow planning meeting participants.



Move from Customer to Sales Staff after Participating in Planning Meetings

Miyuki Ishida

Sundry Sales Floor Staff, Hakata Marui



By participating in planning meetings, I came to be aware of MARUI GROUP's strong commitment to invigorating the Hakata area, a sentiment that gave me great joy as someone born here. After Hakata Marui opened, I found myself wanting to make this store a bigger part of my life. I hope to help build an even more exciting Hakata together with customers as a staff member.



Interpersonal connections are important. In fact, one customer that participated in the planning meetings is now part of the sales staff at Hakata Marui.

There is a real aura of enthusiasm around the planning meeting members. Talking with people of all ages and genders at the meetings was an experience not found in my daily life. The meetings were consistently energizing as a result.



The atmosphere at planning meetings was always laid back, and this made it easy to speak frankly. The meeting proceedings themselves were shaped by our input, which really closed the gap between all members. I also often found myself posting ideas I had after getting home on the community website.



I felt a growing sense of anticipation every time I participated in a planning meeting. Many members stated that they wanted to see a store that is completely new to Kyushu, and that wish became a reality. It feels good to have your wishes fulfilled.

Hakata Marui's overall atmosphere is quite pleasant. It is open, and the lighting is superb. Even the music played in the store is excellent. I became so fond of this music that I actually play my original Hakata Marui CD at home on a regular basis.



Thank you all for joining us today. We made many new discoveries thanks to your input. We will continue to use your feedback to improve Hakata Marui going forward. Furthermore, we plan to develop other Marui stores through co-creation with customers and business partners in the future.



Videos of interviews with customers can be viewed on the following website (Japanese only).
www.0101.co.jp/090/hakata-special/introduce.html

Ajino Hyoshiro's Co-Creation Realizing Innovation, Uprooting Past Conventions

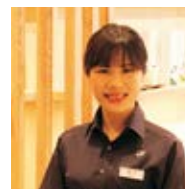
Ajino Hyoshiro and MARUI GROUP share a common trait in that they both have a corporate culture of listening to customer input that dates back to their founding. Co-creation is an innovation that goes beyond previous conceptions, uprooting past conventions to work together in creating customer happiness.

Ajino Hyoshiro's Philosophy Dating Back to 1900

Ajino Hyoshiro was the first in the world to supply Japanese soup stock containing flying fish in a special paper package designed for easy cooking. This company practices a corporate philosophy of selflessness that inspires its employees to let go of their own interests to seek the heights of compassion, effectively forgetting themselves to serve others. For this reason, the greatest joy at Ajino Hyoshiro is found in the happiness of customers, particularly when a delicious taste coaxes out an unconscious smile. With an ear turned always to the voices of customers and a critical eye toward the taste of its products, Ajino Hyoshiro forges ahead with research and development aimed at responding to the ever-changing needs of its customers. These efforts are guided by a slogan of "simple, convenient, and tasty."

Ajino Hyoshiro's history can be traced back to Kappo Hyoshiro, a restaurant that the current president's grandfather opened in Fukuoka Prefecture in Kyushu in 1900. It was the joy of the owner to look out from the kitchen to catch a glimpse of customers' happy faces as they enjoyed culinary satisfaction. Hoping to deliver this taste to customer homes in a no-hassle manner, Ajino Hyoshiro developed special packages filled with Japanese soup stock containing flying fish in 1988, sealing an easy secret to heightening the flavor of meals in every package. When this product was launched, flying fish soup stock was not yet widely known in Japanese kitchens. Ajino Hyoshiro thus had to begin by traveling to department stores across the nation to promote sales through the provision of samples. The feedback received from customers, sometimes praise with a smile for the flavor of this product, other times criticism, served as the point of origin for Ajino Hyoshiro. Due to these efforts, this company's multipurpose soup stock is now a well-loved fixture in countless kitchens, where it helps users prepare authentic cuisine with ease.

New History Born Out of Customer Input



Yuri Yokote
Manager,
Dashidokoro Hyoshiro

In setting up shop in Hakata Marui, Ajino Hyoshiro chose to take a new step and create Dashidokoro Hyoshiro, a store integrated with a dining establishment, which represents this company's debut in the restaurant industry. Ajino Hyoshiro first unveiled its menu for this establishment, a lineup of dishes that use the flying fish soup stock it prides itself on together with local Kyushu ingredients, at a planning meeting with customers held by MARUI GROUP, in November 2015. Unfortunately, the response from local customers was harsh, with comments stating that the dishes lacked a unique pull. This criticism extended to its standard products, which were deemed to have outdated package designs. Ajino Hyoshiro pursued improvements, but soon only three months remained before the opening of Hakata Marui.

Always remaining true to its flying fish soup stock traditions, Ajino Hyoshiro continued to refine its culinary creations through trial and error and was eventually able to complete its menu before opening. This menu won the approval of customers. The company also redesigned its product packages to more clearly signify its brand, making alterations to its historic logo in the process. Customers were surprised that Ajino Hyoshiro was able to complete both the menu and new packaging before the opening while also expressing their joy at having their feedback reflected. Ajino Hyoshiro remains committed to incorporating customer input to create smiles through delicious tastes.



Ajino Hyoshiro website (Japanese only)
ajino-hyoshiro.com/



Yuri Yokote, Manager of Dashidokoro Hyoshiro (right)
Jun Nishino, Store Manager of Hakata Marui (left)

Accommodation of All Customers through Empathy and Store Environments

MARUI GROUP strives to help all customers enjoy its stores, regardless of their age or gender, and this sentiment of course extends to senior citizens, people with disabilities, non-Japanese people, and members of the LGBT community. At Hakata Marui, we took steps to develop the store from the perspectives of empathy (customer service) and store environment to accommodate all customers so that everyone could enjoy shopping with peace of mind.

Store Developed Emphasizing the Comfort of All Customers

Hakata Marui was developed based on the input of specialists and customers to create a store environment that accommodates a diverse range of customers. We worked with Kyushu University and Lifestyle Design Lab*¹ to investigate and analyze the issues and concerns faced by people with disabilities. These investigations helped us find various ideas for improving customer convenience. We also invited individuals that use wheelchairs to take part in customer planning meetings in order to gather more input.

Furthermore, Mirairo Inc.*² performed a detailed inspection of the store from the perspective of people with disabilities, confirming the appropriateness of various facilities. Through accessibility verification, we were able to implement numerous improvements. For areas in which we could not adapt our store environment, we chose to respond by enhancing our empathy. Based on

this approach, we had employees take tests under Mirairo's Universal Manner Placement Examination program, which is aimed at teaching examinees how to understand other viewpoints. In addition, employees took part in this company's LGBT manner training to acquire basic knowledge about the LGBT community and how to address the needs of its members. Employees received special service caregiver training as well as training on catering to the needs of inbound travelers performed by non-Japanese lecturers. With the skills gained, we aim to foster an environment in which all customers can enjoy shopping.

➡  P62 Accommodation of All Customers

*1 Association that offers training programs taught by people with disabilities with the aim of providing people with disabilities unique opportunities to participate in society while conducting activities for improving the level of customer service and satisfaction at companies

*2 Company that advocates the concept of Barrier Value (taking a disability and turning it into some kind of value or benefit), based on which it proposes universal design goods and services for providing comfort and ease to all



Signs displaying distance to restrooms and outlets for charging electric wheelchairs installed based on ideas from Kyushu University and Lifestyle Design Lab



Detailed inspection of Hakata Marui conducted prior to opening to confirm various facilities under the guidance of Mirairo
www.mirairo.co.jp/company/enprofile



Hakata Marui as Viewed from a Customer Using a Wheelchair

Aya Shinohara

I chose to participate in the Hakata Marui planning meetings as I felt it would be a good opportunity to help contribute to the growth of Hakata. I was also interested in seeing just how much our input would be incorporated into the store. I was pleasantly surprised. The finished store not only had wide passageways and multifunction restrooms on each floor, but also featured signs displaying the distance to restrooms and rest areas with outlets in a space designated for wheelchair charging. I think it is quite rare for shopping centers in Kyushu to offer these kinds of accommodations. This consideration is apparent in customer service as staff offer courteous service while coming down to my level of sight, offering a sense of ease. Hakata Marui is no doubt a store in which wheelchair-users like myself can enjoy their time in comfort.

A Look Back at the Development of Hakata Marui

Hirai: I research inclusive design. In this field, we view the plights of people with disabilities not as physical limitations for them, but rather as social issues. We therefore look to include individuals that have traditionally been excluded from the use of products and services in various fields in the planning and development of new offerings from the early stages. By collecting input from these individuals and sharing recognition of issues in workshop format, we strive to include them in creating feasible designs that meet their needs. These initiatives mirror the concept of MARUI GROUP's co-creation and its focus on all of its customers.

Toyama: It is said that people with disabilities are not often given the opportunity to feel as though they are contributing to society. However, the opinions of these individuals come from different perspectives and are built on different thinking, and can therefore turn our eyes to things we did not previously see.

Hirai: In developing Hakata Marui, MARUI GROUP's employees worked with differently

abled individuals, discussing the issues faced around town and searching for solutions together. These solutions included improvements in store environment as well as in the ease of use of store facilities and in customer service, with improvements based on empathy. The resolution of these issues does not only benefit people with disabilities, it also makes the store more hospitable to senior citizens.

Toyama: When a store like Hakata Marui has charging spaces for electric wheelchairs, it removes some of the concerns faced by people in wheelchairs in leaving the house. In this manner, an increase in the number of such accommodating establishments would help promote participation in society by everyone. I therefore believe that MARUI GROUP's co-creation store development efforts are empowering to numerous people, and I hope that the Company will continue striving to live up to society's expectations going forward.



Yasuyuki Hirai (left)
Professor, Department of Design Strategy
Faculty of Design, Kyushu University

Professor Hirai is a leading authority on inclusive design in Japan. By considering the needs of all, he seeks to apply designs that are accommodating to everyone in public spaces.

Shoko Toyama (right)
Representative Director, Coordinator, Lifestyle Design Lab

Ms. Toyama's work as a coordinator is aimed at helping people with disabilities view their disability as a strength and design a lifestyle in which they can be themselves.
www.facebook.com/ikikatanodesign (Japanese only)

Development of EPOS Card: Collaboration Partners across Kyushu

Efforts to develop EPOS card operations have previously been based around Marui stores. Accordingly, cardholder numbers were primarily increased by recruiting customers that visited stores. However, MARUI GROUP adopted a completely new approach in Kyushu, deploying EPOS card initiatives prior to opening its first store in this region.

The decision to open Hakata Marui was made in 2013, and the Kyushu Office of Epos Card Co., Ltd., was established in the same year. A survey on the recognition of EPOS cards in Kyushu conducted in the following year found that a mere 9% of the population was aware of these cards. With two years left before the opening of Hakata Marui, we rolled out promotion campaigns to raise EPOS card recognition and began seeking out facilities to offer cardholder benefits.

One area of focus was developing collaboration partners among local companies and commercial facilities. In July 2014, HUIS TEN BOSCH became our first

partner, and five more companies subsequently followed. As a result, the number of EPOS cardholders in Kyushu climbed above 130,000 at the time of the opening of Hakata Marui, and EPOS card recognition exceeded 50%. These efforts enabled MARUI GROUP to set a new record for one-day credit card issuances of 1,182 cards at Hakata Marui.

New record for one-day credit card issuances

1,182 cards



HUIS TEN BOSCH Collaboration EPOS CARD
(Available from July 2014)



Sasebo 5bangai EPOS CARD
(Available from November 2014)



KYUDENKO EPOS CARD
(Available from December 2014)



Club Hawks EPOS CARD
(Available from February 2015)



JQ CARD EPOS CARD
(Available from March 2015)



Tachibana EPOS CARD
(Available from February 2016)

KITTE Hakata EPOS CARD Co-Created with Customers



Many customers expressed their desire for an EPOS card with a design that felt unique to Hakata. We thus invited local designers to submit design proposals, which were then voted on by customers. This led to the birth of a new card inspired by *Hakata Ori* fabric.*1

*1 A type of silk fabric traditionally produced in Hakata. Reliefs on escalator sides at Hakata Marui are also inspired by *Hakata Ori* fabric.



EPOS Card Collaboration Partners Promoting Use

6

We are promoting collaboration with local companies, theme parks, and other facilities and were able to partner first with HUIS TEN BOSCH and later with other organizations. We have 20 collaboration partners across Japan.



Card Application Centers at Partner Facilities

4

EPOS Card staff are positioned full time at card application centers that have been established at HUIS TEN BOSCH, Sasebo 5bangai, AMU PLAZA OITA, and BonBelta Tachibana.



Establishments Offering Benefits in Kyushu

300

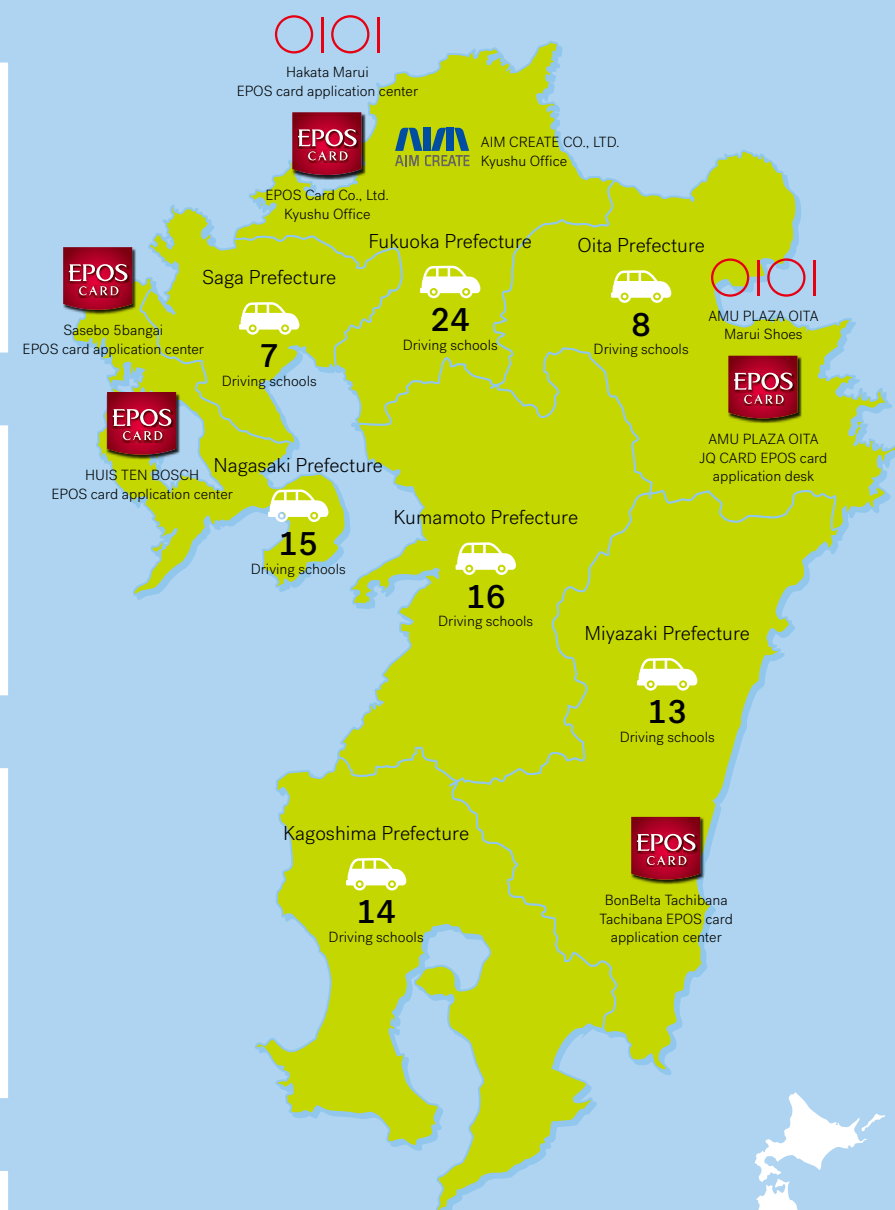
The number of establishments offering benefits to EPOS cardholders in Kyushu has risen to 300 and includes all restaurants operated by MONTEROZA Co., Ltd., as well as Big Man, a long-standing provider of local delicacy Sasebo Burgers. Benefits are available at approximately 7,000 establishments nationwide.



Driving Schools Partnered in Providing License Acquisition Financing

97

MARUI GROUP has partnered with 97 of Kyushu's 169 driving schools.



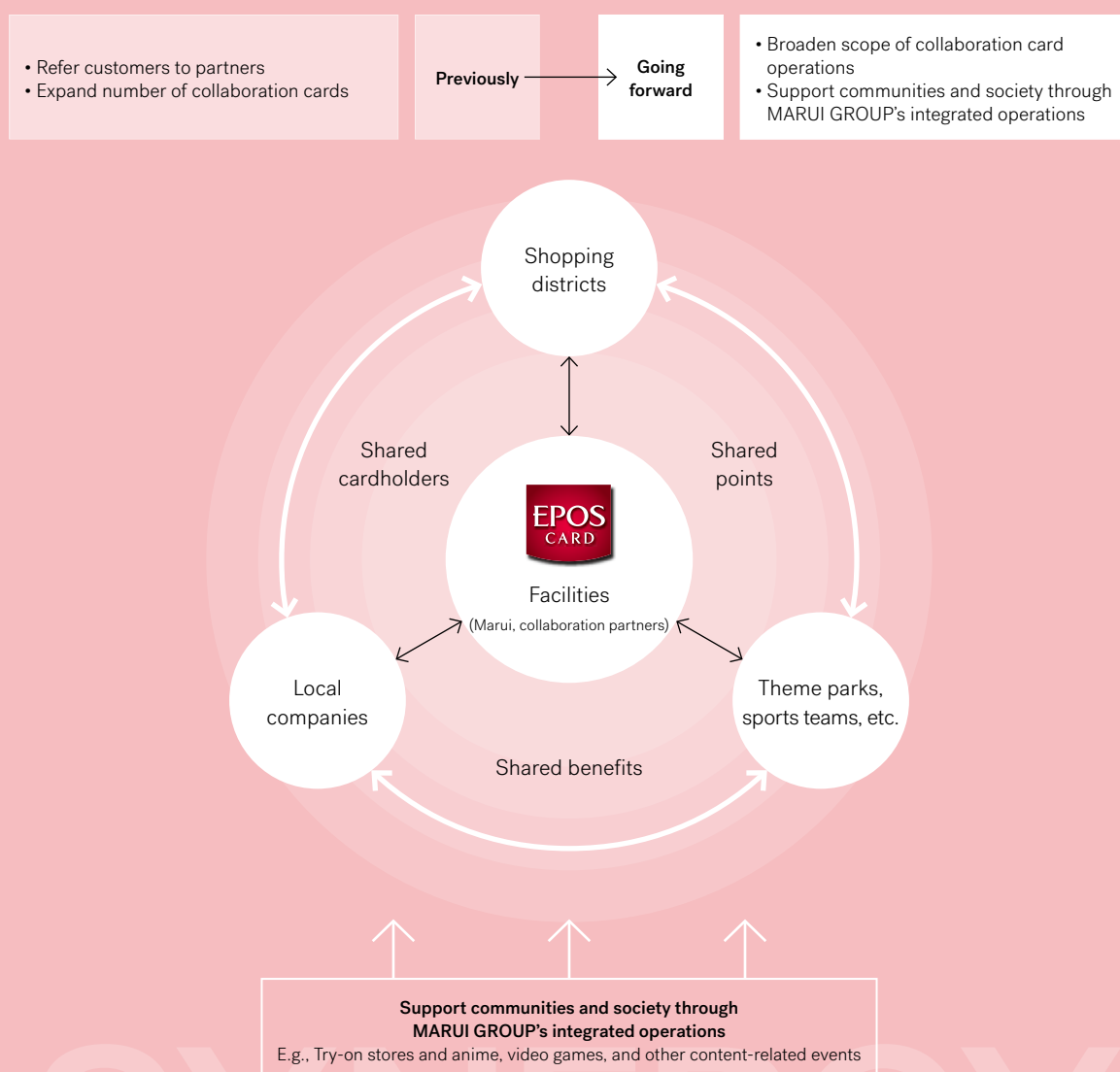
EPOS Card Recognition in Kyushu

9% → More than 50%
2013 Opening of Hakata Marui



Growing Range of Partners and New Businesses Achieved through Integrated Group Operations

Our staff of individuals with retailing experience is endeavoring to expand the range of commercial facilities, local companies, and theme parks that are collaboration partners with EPOS card. Moreover, we are pursuing the creation of new businesses by holding try-on events that unite Internet sales and physical stores (➡ P54 Marui-Style Omni-Channel Retailing) and regional development events through anime-related ventures.



Integrate Business Scope Expansion

EPOS cards allow all cardholders to receive the benefits provided by every partner company and facility, regardless of where they are issued. For this reason, an increase in the number of card application centers found across Japan will contribute to the interests of both customers and collaboration partners.

MARUI GROUP will continue to expand the scope of its collaboration card operations going forward. At the same time, we will hold events related to anime, video games, and other content and generate synergies with these events to realize integrated Group operations. We thereby aim to support the community and otherwise evolve our customer referral model.

Regional Development Business Merging Cards and Anime

The Tachibana EPOS CARD is a card that we began offering in February 2016 through collaboration with BonBelta Tachibana, a commercial facility in Miyazaki Prefecture. The goal of this card is to aid in a drive to invigorate and increase the appeal of the surrounding area through a joint effort between this facility and the neighboring shopping district. Joining this effort, MARUI GROUP added in an anime-based initiative and thereby

created a new business that energizes shopping districts in order to contribute to regional value.

In March 2016, we took part in holding the "OSOMATSU ICHI in Miyazaki" event, a collaboration between Miyazaki City and popular anime series *Osomatsu-san*. In addition to sales of merchandise, the event also featured a riddle-solving activity in which hints for solving riddles were scattered throughout the shopping district. This event drew crowds on all days with 10,000 people visiting the Miyazaki area during the event's 21-day span, many of whom applied for a Tachibana EPOS CARD. More than half of the people that attended the event came from outside the prefecture, displaying the surprising power of regional development activities that use anime to attract people.

Aggregate number of customers attending "OSOMATSU ICHI in Miyazaki" event

Cumulative **10,000**

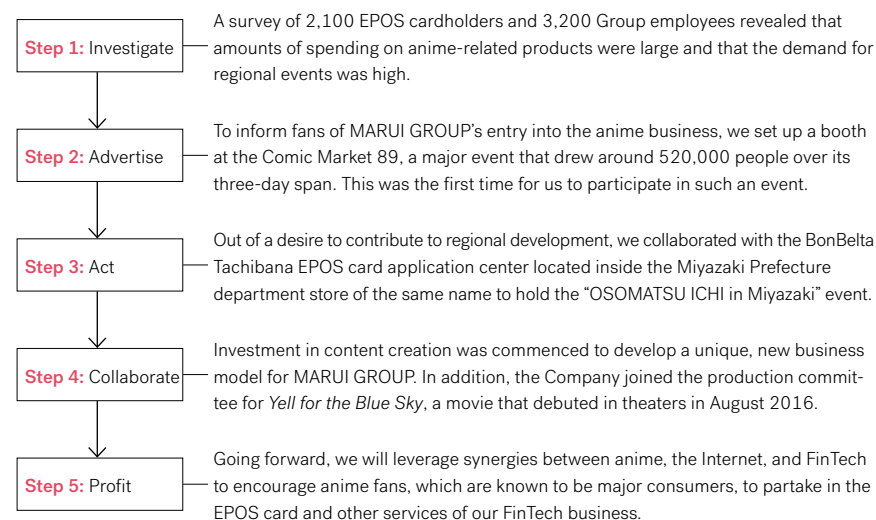


©FA/O



Customers lined up for the event

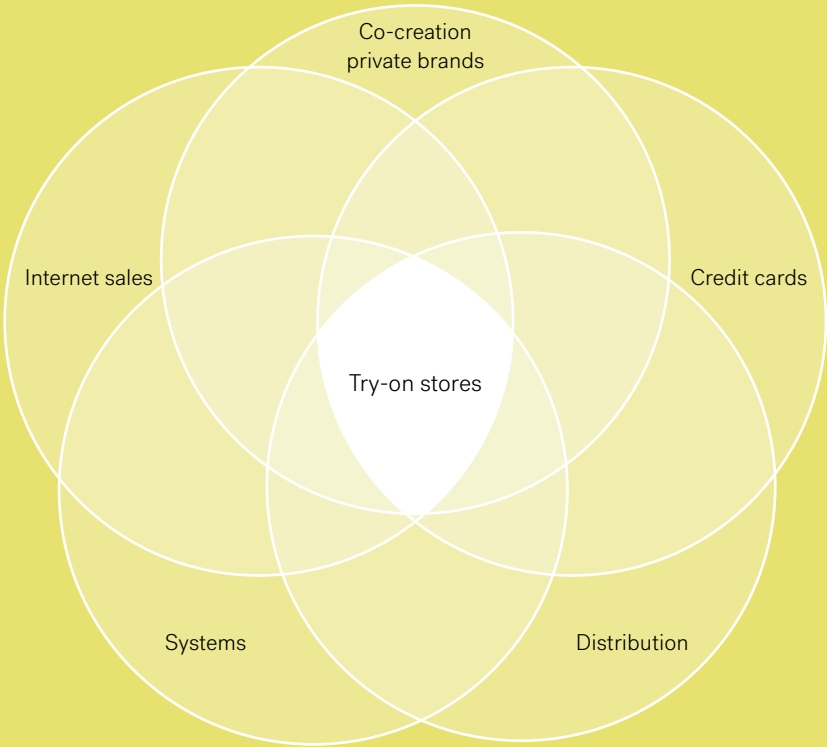
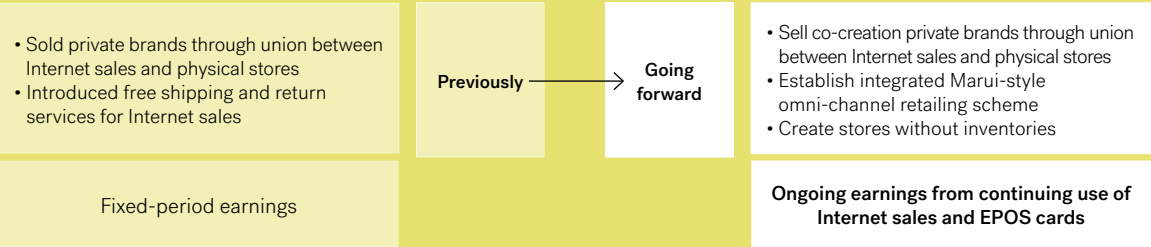
Participation in Anime and Other Content-related Businesses



Yell for the Blue Sky (Debuted in August 2016)
Starring Tao Tsuchiya
Directed by Takahiro Miki
© 2016 TOHO / Hakuhodo DY music & pictures Inc. / The Asahi Shimbun / Hakuhodo DY Media Partners / JR Kikaku / SHUEISHA / NIPPAN / KDDI / Tokyu Agency / HonPro / MARUI GROUP / HAKUHODO / GYAO
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Inventory-less Try-on Stores for Shoes Uniting Internet Sales and Physical Stores

MARUI GROUP develops certain private brands together with its customers. A representative example of such a brand would be Rakuchin Kirei Pumps, a massive hit product launched in 2010. We refer to such brands as "co-creation private brands." We have recently commenced a new try-on store initiative geared toward offering customers new value with regard to these co-creation private brands. This initiative forms a union between Internet sales and physical stores and employs a scheme that integrates Group operations with regard to its proprietary systems and distribution functions.



Try-on Store Uniting Internet Sales and Physical Stores

Try-on stores represent a new business model unique to MARUI GROUP that takes advantage of the frameworks of growing Internet sales. The ability to purchase items through the Internet is exceptionally convenient for customers. However, the inability to try on clothes to see how they feel and the difficulty in understanding the materials and sizes of products have been cause for dissatisfaction among customers. This is particularly true with regard to shoes, for which size and comfort are core concerns, a fact that has led to many customers refraining from purchasing such items online.

Our try-on stores address this issue by providing a lineup of samples that customers can try on as they please at short-term events designed to alleviate such concerns. When making purchases, customers can use one of the stores' dedicated tablets to order a product and have it sent to their home free of charge. As try-on stores are temporary stores operated over a limited period, they require less investment in store fixtures than would be necessary for opening a standard store and have lower fixed rent fees. In addition, as only samples are displayed, there is no need for inventories. Accordingly, these stores boast low costs and low risk. The first try-on store was a Rakuchin Kirei Pumps sampling event held at Nishitetsu-Fukuoka (Tenjin) Station in September 2015, after which we began to exhibit such stores across Japan.

Unique MARUI GROUP Business Scheme

Of the customers that purchase co-creation private brand shoes at try-on stores, approximately 70% also register for Internet sales site accounts and roughly 40% apply for EPOS cards. Deploying products through try-on stores allows us to link them with Internet sales and credit cards, thereby expanding our repeating customer base and generating ongoing earnings growth by encouraging these customers to continue using our Internet sales and EPOS card services. Try-on stores are being set up in commercial facilities outside the business areas of Marui stores in locations across Japan.

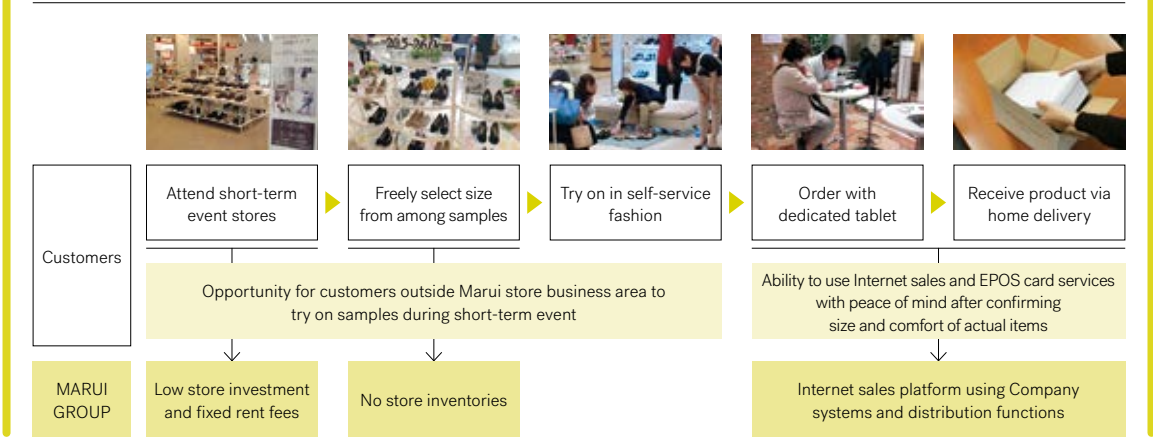
These efforts are made possible by the platform supporting the try-on store scheme, which is formed by the tablet ordering system developed by M & C SYSTEMS CO., LTD., and the Internet sales distribution services of MOVING CO., LTD. Our ability to handle all of the elements within the Group is a significant advantage that has enabled us to create such try-on stores centered on the Internet, a business scheme that is completely unique to MARUI GROUP.

Percentage of try-on store customers who:

Register for Internet sales site accounts Apply for EPOS cards

Approx. **70%** Approx. **40%**

Try-on Store Scheme



Development of Co-Creation Private Brands Together with Customers

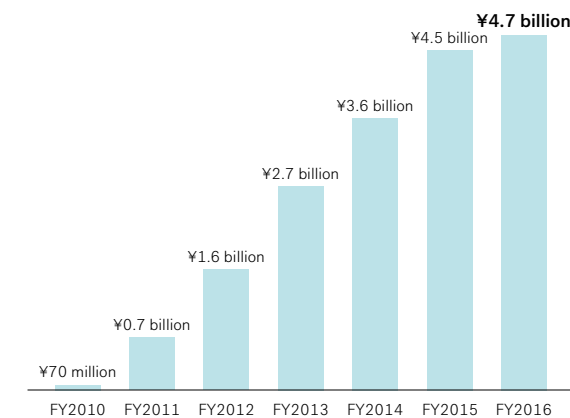
MARUI GROUP is involving customers in the process of developing private brand products with the goal of responding to the lifestyle needs of all customers. Only those products that meet the demanding standards of customers taking part in the co-creation process are commercialized.

Shoes: Marui Rakuchin series shoes (Japanese only)
voi.0101.co.jp/voi/webshop/collabo_product/index.jsp
 Pants: ru apparel brand (Japanese only)
search-voi.0101.co.jp/voi/shop/ru/

The origin of MARUI GROUP's co-creation product development can be found in its Rakuchin Kirei Pumps, which were launched in 2010. The development process started with a survey of customers indicating that around 90% of them had felt discomfort with their shoes. Moreover, it was discovered that customers were unable to find pumps that satisfied all of their needs with regard to fashion, comfort, and affordability. We thus vowed to create just such pumps. We began by measuring customers' feet and analyzing the results to make original shoe trees. We then held product development meetings together with customers who had expressed dissatisfaction with the comfort of their shoes. Approximately 1,000 customers participated in the 60 meetings held each year, at which they tried on shoes and helped us in an ongoing cycle of checks and revisions. In addition, we expanded the number of sizes of these shoes; although prior shoe lines had only been available in seven sizes, Rakuchin Kirei Pumps are offered in 12 sizes, ranging 20.5 cm to 26.0 cm, providing an option for customers who had previously been unable to purchase such shoes due to a lack of sizes. As a result, Rakuchin Kirei Pumps proved to be a massive hit, selling an aggregate total of more than 3.0 million pairs*¹ as of August 2016. Furthermore, we recently learned that many women feel similarly dissatisfied with pants sizes. We took action to address this issue by expanding the number of pants sizes offered in the Group's ru apparel brand from 10 to 12. This move won substantial customer support, thanks to which Hakata has been posting sales figures for women's pants that are six times higher than those at existing stores (as of June 30, 2016).

*¹ Total aggregate sales of Rakuchin Kirei Pumps as well as sandals, boots, and other shoes in the Rakuchin Kirei series

Sales of Women's Shoes: Co-Creation Private Brands



Power to Create Innovations for the Future

To cultivate a corporate culture of co-creation management throughout the Group, MARUI GROUP is pushing forward with human resource development programs that are blind to age and gender and spread across organizational boundaries. With a corporate philosophy that calls for us to “equate the development of our people with the development of our company,” we recognize the importance of stimulating the ongoing growth of every employee and ensuring that they possess the power to create innovations for the future. We believe that develop- ing our employees in this manner will no doubt contribute to the co-creation of customer happiness.

Corporate Culture Promoting Diversity

MARUI GROUP has defined the promotion of increased diversity as an important management policy, based on which it pur- sues the establishment of a highly productive corporate culture that is conducive to fostering innovation.

Innovation is crucial to further improvements in corporate value. As such, an organization that creates innovation with diversity is of extreme importance. This belief is based on the idea that innovation is born when various senses of value are present and are able to be seamlessly integrated.

When society as a whole is experiencing robust growth on a single continuum, it is possible to succeed simply by imitating other companies. However, in the current era of great social change, characterized by trends like globalization and the proliferation of IT, the senses of value of individuals vary, leading to the diversification of customer needs. Responding to contemporary needs and growing in this era will require employees to turn their eyes toward society and act autonomously to give rise to innovation. In this environment, MARUI GROUP had defined the promotion of increased diversity as an important management policy, based on which it pursued the establishment of a highly productive corpo- rate culture that is conducive to fostering innovation. It is, of course, crucial to promote gender diversity, but we must also focus on developing human resources that are adept at responding to change by pursuing diversity in terms of age and individual talents. It was for this reason that we are installing frameworks for cross-organizational career development, cultivating a corporate culture that supports personal growth, and fostering a workplace environment that provides opportunities to all.

Profession Change Framework

Profession changes provide an opportunity for employees to break away from their sense of normalcy and escape pre- conceptions to better practice a customer-first mentality and discover new ways of responding to customer needs.

MARUI GROUP has been implementing its profession change system since April 2013 with the aim of fostering the diversity of individual talents. Through this shared Groupwide system, we conduct personnel relocations that place employees in different divisions or Group companies. It is common for people, after having worked in a single profession for a number of years, to go about their jobs without putting much thought into their practices. Profession changes provide an opportunity for employees to break away from their sense of normalcy and escape preconceptions to better practice a customer-first mentality and discover new ways of responding to customer needs.

For example, when a member of our sales staff posi- tioned in a sales office undergoes a profession change placing them in the FinTech business at EPOS Card, they are able to provide service in their new capacity while calling upon the retailing perspective they cultivated previously. Such cross-organizational utilization of talent contributes to improved productivity for the Group. The number of people changing professions is rising at sales offices, where staff members are increasingly relocating to sales floors for different products. A new sales floor results in interaction with new customers, which in turn leads to new discoveries.



Job Forum event at which employees from different Group companies explain their motivation toward their job and other work experiences



As of April 2016, a total of 1,418 employees (or approximately 25% of all Group employees) had undergone relocations to different Group companies. To promote profession changes and provide an opportunity for employees to think about their careers, the Company holds Job Forum events once every six months. In these forums, employees from different Group companies that have experienced various positions explain their motiva- tion toward their job and other work experiences. As one facet of these Job Forum events, individual consultation events are held for each Group company. Furthermore, we distribute Job Books to all employees and otherwise support them in undertaking changes to new positions in order to stimulate their personal growth.

Total Number of Employees Changing Positions between Group Companies

	2013	2014	2015	2016
Employees changing positions	287	383	552	196
Aggregate total	287	670	1,222	1,418

Totals for number of employees changing positions in April and October of each year; April only for 2016

Ratio of employees changing positions between Group companies
Aggregate total from April 2013–April 2016 (Excludes officers and managers)

Approx. 25%



Job Forum
Individual consultation event at which employees from each Group company can be asked questions about their job and otherwise consulted



Job Book
Booklet containing business and job descriptions from various divisions at Group companies as well as messages from employees working therein

Activities of the Diversity Project Team

This cross-Group project team will provide a venue for team members from different divisions to help them learn more about their peers.

Open to all employees, the Diversity Project Team advances initiatives for the purpose of fostering a corporate culture in which all employees are accepting of one another and are properly motivated with opportunities to exercise their talents. In July 2015, a meeting was held among 46 members from across the Group that had been assembled through open application. Back at their workplaces, members have been sharing information on the matters discussed at this meeting to further advance the dialogue. These members are also central in promoting other efforts through coordination among different workplaces. The Diversity Project Team will continue to be a place for discussions on how to make the Group a livelier organization that is highly productive and conducive to fostering innovation. At the same time, this cross-Group



Diversity Book
Booklet published and distributed to employees to increase awareness regarding work-life balance support systems and to cultivate a workplace environment that fosters diversity

project team will provide a venue for team members from different divisions to help them learn more about their peers.

As one facet of this project team's activities, February 2016 was designated as Diversity Promotion Month. During this month, Diversity Books were distributed to inform employees about the work-life balance support systems available to them. As a new initiative, meetings of the Supervisors Association (a diversity forum) were held at which the supervisors who are directly responsible for managing other employees met to exchange opinions on how to better utilize diversity in management.



Diversity Project Team members from the fiscal year ended March 31, 2016



Promotion of Women's Contributions

We are promoting the contributions of women by developing support systems and improving awareness.

As of March 31, 2016, MARUI GROUP had 2,685 female employees, representing 46% of its total 5,899 employees. We are promoting the contributions of women by developing support systems and improving awareness. In the fiscal year ended March 31, 2014, we defined women's empowerment indexes for measuring our progress in this regard and set targets to be achieved by the fiscal year ending March 31, 2021. A substantial change in the attitudes and behaviors of employees was witnessed over the two years since these indexes were introduced, as indicated by increases of more than 50 percentage points in the ratio of applicable male employees taking childcare leave and 30 percentage points in the ratio of female employees returning to work full time after taking childcare leave.

Initiative Results: Grand Prix Award in Ikuboss Award 2015 Program

Kazumi Abe, a director at MARUI CO., LTD., and the store manager of Omiya Marui, received the Grand Prix Award in the Ikuboss Award 2015 program, spearheaded by

The logo for the Ikuboss Award 2015. It features the word 'BOSS' in large, bold, orange letters. Above it, in smaller text, is 'ボスの理解が、社会を変える。' (Understanding of the boss changes society). Below 'BOSS' is 'IKUBOSS AWARD 2015'.

the Ministry of Health, Labour and Welfare (MHLW). Reasons for Ms. Abe's selection included her management style that inspires her staff, as well as her consideration for the unique situations of her employees, which she achieves through meeting with them. Ms. Abe also received recognition for her efforts to cultivate a corporate culture encouraging employees to leave work on time and avoid overtime, in part by doing so herself, and to promote the use of childcare leave by male employees.

In addition, MARUI GROUP was awarded with a special encouragement award in the Ikumen Enterprise Award 2014 from the MHLW.

Platinum "Kurumin" Certification

In July 2016, MARUI GROUP received Platinum "Kurumin" certification in recognition of it being a company that actively supports children. Through the Platinum "Kurumin" program, the MHLW strives to recognize companies that have made exceptional progress in introducing and encouraging the use of systems for balancing work and child-rearing. It also aims to promote ongoing related efforts.

MARUI GROUP continues to build an environment that is even more conducive to balancing work and child-rearing and has established corporate targets and action plans to this effect.



Women's Empowerment Indexes

Fiscal years ended / ending March 31		FY2014	FY2015	FY2016	FY2017 (Target)	FY2021 (Target)
Awareness improvement and corporate culture cultivation	Recognition of contributions of female employees	37%	60%	74%	100%	100%
	Ratio of female employees pursuing upper-level positions	41%*1	64%*1	62%*1	60%	80%
	Ratio of applicable male employees taking childcare leave	14%	54%	66%	60%	100%
Promotion of women's contributions	Ratio of female employees returning to work full time after taking childcare leave*2	36%	55%	66%	70%	90%
	Number of female leaders	545	576	603	650	900
	Number of female managers	24	28	29	35	55
	Ratio of female managers	7%	8%	8.9%	11%	17%

*1 Ratio of female employees pursuing upper-level positions is based on the results of surveys conducted in June 2014, June 2015, and April 2016.
*2 Ratio of female employees returning to work full time after taking childcare leave is the ratio of female employees returning to work full time to the total number of female employees that returned to work shortened hours after childcare leave within a given year.

Activities of the Marui Future Project Team



The members of this cross-organizational project team think about the future of Japan and MARUI GROUP's role in this future.

The Marui Future Project Team is a committee open to employee participation that was established in July 2015, with the aim of further evolving the social contribution activities that we have been conducting through our business in a project format since 2011. The committee features a diverse variety of members from various age groups and workplaces and differing stores and Group companies. Banding together, the members of this cross-organizational project team think about the future of Japan and MARUI GROUP's role in this future. Discussions began with seven themes for social issues that are closely related to our daily lives. Based on these themes, we considered how the Group could help resolve the issues



A total of 59 representatives from stores and Group companies participate in the project team along with the store managers, deputy store managers, and section managers that support them

faced by society and what our customers expected of us, formulating and then implementing initiatives to accommodate senior citizens, people with disabilities, and all of our other customers.

Seven Themes of Discussion

1. Aging of society (population) and people with disabilities
2. Women's contributions, child-rearing, and the declining birthrate
3. Non-Japanese customers and inbound travelers
4. LGBT community
5. Tokyo 2020 Olympic and Paralympic Games
6. Global warming and other environmental issues
7. Regional development

Accommodation of All Customers

Almost all employees have undergone Service Care-Fitter training*1 to learn how to accommodate elderly customers and customers with disabilities. These training programs are performed by nine employees that have acquired instructor qualifications.

*1 Training program operated by The Nippon Care-Fit Education Institute



Training for assisting customers using wheelchairs in which employees learn how to operate wheelchairs through actual use



Senior citizen simulation training in which employees wear special goggles to show how objects appear to someone with cataracts



"LGBT Friendly" badge and Shibuya Modi during event period

MARUI GROUP took part in TOKYO RAINBOW PRIDE 2016, an event sponsored by TOKYO RAINBOW PRIDE*2 in April 2016. During this event, the five buildings of the Marui and Modi stores located in Shinjuku and Shibuya participated, and rainbow flags were displayed on the front of these stores, garnering much attention. Prior to this event, 243 employees underwent LGBT manner training,*3 and employees greeted customers while wearing "LGBT Friendly" badges during the event period.

*2 Organization that seeks to help create a society in which LGBT individuals and other sexual minorities are able to live optimistically and to be themselves, while remaining free from discrimination and prejudice; the name "TOKYO RAINBOW PRIDE" is also used for the organization's events

*3 Training offered by Mirairo Inc. that supplies knowledge about the LGBT community, provides specific examples of its members, and explains factors needing to be considered in addressing their needs

Activities of the Medium-Term Management Visionary Committee



Active discussion is conducted among members that are selected from the approximately 1,000 applications received for each meeting.

The Medium-Term Management Visionary Committee is a forum for discussing various topics that will be important to the future of Group management. In the past, meetings were primarily focused on explanations of management policies and other such matters. However, topics are now selected that require a medium-term perspective and for which initiatives will be advanced with a timeline of three-to-five years. While this committee was previously only open to members of Group management, from January 2016 any interested employee is able to apply for participation, and meetings have been held almost every month since. Active discussion is conducted among members that are selected from the approximately 1,000 applications received for each meeting. Furthermore, we regularly invite outside lecturers to conduct special lectures.

2016 Committee Meeting Discussion Topics

January	Corporate value as viewed by the market, special lecture Report on activities of Credit Card Evolution Project Team
February	Accommodation of all customers—LGBT community, special lecture
March	Corporate value as viewed by the market 2, special lecture
April	Analysis of MARUI GROUP's operating environment and future projections
June	Medium-term management plan for Retailing segment Medium-term management plan for FinTech segment Report on anime business activities
July	Hakata Marui co-creation initiatives Report on interactions with investors (investor relations activity report) Retailing business and MARUI GROUP as seen by analysts, special lecture



Lively question and answer sessions held after each lecture

COLUMN

Workplace Environment Supporting Energetic Sales Staff



Breaks are incredibly important to ensuring that members of our sales staff are able to work with vigor. It was for this reason that we spared no expense with regard to the employee breakrooms at Hakata Marui, which was opened in April 2016, and also took other steps to ensure a comfortable workplace environment.

This store features two break rooms with atmospheres much like a café that allow staff to have a more enriching break experience. Facilities include counter seats at which one may sit alone as well as tables where several people may sit together. Also, the breakrooms are equipped with automatic water heaters to remove any concern for hot water running out as well as powder rooms and smartphone chargers—additions made based on staff requests. These highly comfortable breakrooms are available to all sales staff members, including those of tenants.



Partitioned counter seats based on requests for a place where sales staff can comfortably enjoy time to themselves

New Meaning of “Healthcare” for the Eye of the Company Physician

Proactive and Preventive Healthcare

In MARUI GROUP’s healthcare management, we strive to encourage employees, important partners in our co-creation management initiatives, to think through the lens of health in order to invigorate the organization and improve labor productivity and thereby increase corporate value and make social contributions.

Ishii: Part of MARUI GROUP’s corporate philosophy is to “equate the development of our people with the development of our company.” Of course, health is absolutely essential to the growth of employees. However, in addition to pursuing improvements in the numeric scores of employee health examinations, I think that empowering our employees to work energetically is also an important driver behind our co-creation management activities.
Kojima: One’s state of health will always have an impact on their daily work performance. Health cannot be separated from one’s daily growth at work.

Ishii: Four years ago, MARUI GROUP introduced a profession change system that actively promotes personnel relocations between Group companies and divisions. Immediately after such relocations, employees may temporarily face difficulties performing in their new

position, a situation that can prove stressful. Regardless of this potential stress, however, profession changes have become common at MARUI GROUP. This development is likely the result of the spread of a mentality that values changing oneself to adapt to a new environment and thereby furthering one’s own capacity to grow. The dissemination of this system was spurred forward by your belief, Dr. Kojima, that growth requires both stress and rest.
Kojima: If one only rests, and is not subjected to stress, they may be able to maintain good mental health, but they will never grow more skillful. The healthcare measures of most companies are generally focused on a type of preventive healthcare approach. However, in order for people to keep growing, it is also important to implement proactive healthcare measures that are designed to

encourage employees to adapt to changes and think and act autonomously. At MARUI GROUP, I hope that the proactive measures of the Health Management Division will be accelerated, while coordinating with the preventive measures advanced by the Group’s health insurance union.
Ishii: On the healthcare front, we introduced the Resilience Program in February 2016. We began this program by encouraging managers to develop lifestyle patterns that increase their energy with regard to their body (diet, exercise, and sleep), mood, thinking, and mental state. In addition, we have included positive questions on the surveys taken by all employees when undergoing health examinations, including “I understand the goal of my work” and “I am utilizing my strengths to take on new challenges.” These initiatives have made it possible to perform cross-analyses of the degree of energy that employees are able to sustain in their work and of their diet, sleep habits, and other lifestyle patterns. We are utilizing this information in advancing proactive healthcare measures.
Kojima: As MARUI GROUP’s operating sites are spread throughout the Tokyo metropolitan area and the rest of Japan, we hold self-care training sessions*¹ 260 times a year. We are thereby endeavoring to cultivate a corporate culture that places increased emphasis on the importance of health management as an aspect of one’s work and of working happily. By assembling a force of healthy and energetic employees, we can more easily contribute

to the creation of a livelier MARUI GROUP and a happier society. As health is what powers all of our activities, healthcare measures should not be seen as entailing costs. Rather, we ought to view these measures as a form of investment in the assets that are our people.
Ishii: The health of each individual employee represents a building block for the corporate value of the Company. Seeking to entrench this belief among members of MARUI GROUP and create a corporate culture that is ingrained with this sentiment, we set up the Healthcare Promotion Project together with relevant divisions. Through this program, we designate a Healthcare Month*² as a period for improving employee health awareness, position female healthcare promotion leaders throughout Japan, and participate in the KENKO Corporation Association.*³ Acting in accordance with our corporate philosophy, I hope we can work together to enhance the effectiveness of our healthcare promotion efforts, which are fundamental to co-creation.

*¹ Type of training unique to MARUI GROUP that is aimed at helping employees to recognize their own health condition and think of ways to improve this condition
*² Initiative started in June 2016 to foster employee awareness of health and health improvement through stress checks, surveys about health and smoking, and other activities
*³ Association consisting of 36 companies created with the goal of sharing information on healthcare promotion programs and expertise to enhance the effectiveness of healthcare promotion efforts

“Of course, health is absolutely essential to the growth of employees.”

Tomoo Ishii
Director and Managing Executive Officer,
and Chief Operating Officer
Healthcare Promotion
In charge of General Affairs,
Personnel and Healthcare Promotion
MARUI GROUP CO., LTD.



“By assembling a force of healthy and energetic employees, we can more easily contribute to the creation of a livelier MARUI GROUP and a happier society.”

Reiko Kojima
MD
General Manager, Health Management Division
Company Physician
MARUI GROUP CO., LTD.

Employees Helping to Co-Create Customer Happiness

MARUI GROUP creates unique value by forming intrinsic links between the businesses and human resources of all Group companies to give rise to a united MARUI GROUP. The growth of all individual employees is absolutely essential to creating this value. We feel that this growth is best stimulated by our profession change system, which entails personnel relocations at different Group companies and divisions. This system was implemented to help employees continue to build upon their techniques and specialties and to develop human resources that are highly adept at responding to change. In this section, we will introduce some of the Group's employees, delivering messages in their own words to paint a picture of how they go about their daily duties.



Miki Hiasa

There are many obstacles that must be overcome in space production. However, when I see the finished stores and the smiles on the faces of our customers, I feel inspired to continue giving my very best during future projects.

2001 (Joined) Space Production Division
AIM CREATE CO., LTD.

2016 (Current) Direction Section 5, Design Department
Space Production Division
AIM CREATE CO., LTD.



Ryota Takahashi

It brings me great joy when I am able to make my ideas a reality. The successes and failures I experienced in my previous position in sales promotion and planning are now providing the foundation for my success in my current position.

2009 (Joined) Menswear Sales Floor, Kokubunji Marui
MARUI CO., LTD.

2016 (Current) Omni-Channel Retailing Section,
Omni-Channel Retailing Division
MARUI CO., LTD.



Rie Ogasawara

I feel the greatest joy when we first start up a new system. My job requires a capacity to consider the user's perspective, and I feel that I am making good use of my prior experience on the sales floor.

2008 (Joined) Interior Item Sales Floor, Omiya Marui
MARUI CO., LTD.

2016 (Current) Operation Data, Operation System
Development Department
Operation System Development Division
M & C SYSTEMS CO., LTD.



Kiyotaka Kosuge

I am currently responsible for dispatch and time management of trucks. I was previously a truck driver, and this experience helps smooth coordination with drivers.

1994 (Joined) Yokohama Distribution Center
MOVING CO., LTD.

2016 (Current) Vehicle Management,
Operation and Facility Management
MOVING CO., LTD.



Yuko Mizushina

In my current position, I am making good use of the customer service techniques I learned on the menswear sales floor. I always do my best to provide customers visiting our card application centers with value that exceeds their expectations.

2012 (Joined) Menswear Sales Floor, Kashiwa Marui
MARUI CO., LTD.

2016 (Current) EPOS Card Application Center,
Yurakucho Marui
Epos Card Co., Ltd.



Takayuki Matsuzaka

I strive to contribute to an environment in which all employees can feel energized in their daily work and to create opportunities for personal growth. I too hope to grow together with the individuals that I see continually tackling new challenges.

1999 (Joined) Casual Menswear Sales Floor, Ueno Marui
(currently Marui City Ueno)
MARUI CO., LTD.

2016 (Current) Personnel Section, Personnel Division
MARUI GROUP CO., LTD.



Yumi Saito

I am responsible for returns and settlement of accounts. I remain always appreciative of the support of those around me as I do my part in handling the tasks that underpin operations.

2012 (Joined) Contract Section, Planning Division
MARUI HOME SERVICE Co., Ltd.
(Temporary employee since 2003)

2016 (Current) Contract Section, Planning Division
MARUI HOME SERVICE Co., Ltd.



Yukio Kaneda

Helping new employees grow and develop is highly rewarding. I hope that younger employees will actively take on new challenges without fear of failure.

1989 (Joined) Facility Management,
Oimachi Marui (closed in 2007)
MARUI FACILITIES Co., Ltd.

2016 (Current) Facility Management Site,
Marui Family Shiki
MARUI FACILITIES Co., Ltd.



Yoshimi Ishikawa

I strive to understand the individual personalities of each differently abled employee I work with in order to be more considerate of their needs and better support them. Watching these employees grow fills me with joy.

2007 (Joined) Women's Accessory Sales Floor,
Ueno Marui (currently Marui City Ueno)
MARUI CO., LTD.

2016 (Current) Supply Management
MARUI KIT CENTER CO., LTD.



Takehide Nanbu

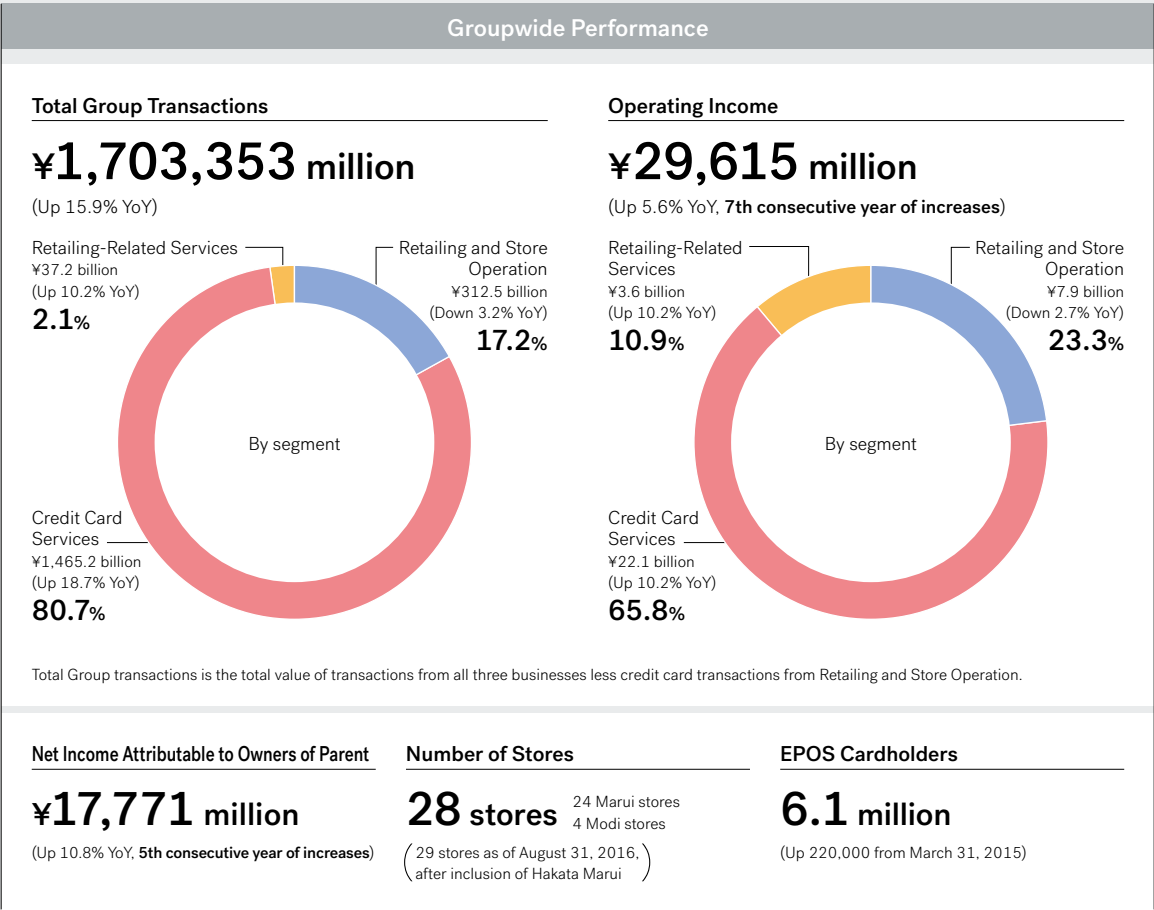
I propose payment plans to help customers get out of debt. I always listen carefully to the circumstances of customers falling behind on their payments and take a cooperative stance.

1995 (Joined) Womenswear Sales Floor,
Oimachi Marui (closed in 2007)
MARUI CO., LTD.

2016 (Current) Collection Section 1,
Receivable Collection Division
MRI Co., Ltd.

In the fiscal year ended March 31, 2016, total Group transactions for MARUI GROUP amounted to ¥1,703,353 million, of which 80.7% came from the Credit Card Services segment; 17.2% was generated in the Retailing and Store Operation segment; and 2.1% can be attributed to the Retailing-Related Services segment. Net income attributable to owners of parent rose for the fifth consecutive year, and the target of 6% for return on equity (ROE) was achieved one year in advance.

Please refer to MARUI GROUP's corporate home page for more detailed information.
www.0101maruigroup.co.jp/english.html





Establishment of New Medium-Term Management Plan Emphasizing Corporate Value

Through Groupwide reforms brought about by business structure transformations, MARUI GROUP was able to achieve the target of 6% for ROE defined in the previous medium-term management plan in the fiscal year ended March 31, 2016, one year in advance. For this reason, we decided to establish a new five-year medium-term management plan. This plan was made to emphasize improved corporate value.

Review of the Previous Medium-Term Management Plan

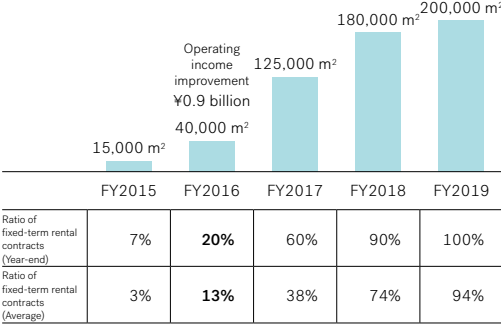
Business overview: Following the 2006 launch of the EPOS card, MARUI GROUP's business structure shifted in focus from retailing to credit cards, successfully creating a credit card-driven business structure. This structure proved capable of realizing stable growth. We then deployed the previous medium-term management plan. This plan targeted ROE of more than 6% and placed the Credit Card Services business as central to growth strategies, based on which we developed the Credit Card Services business nationwide.

In the Retailing and Store Operation business, meanwhile, we worked toward the development of lifestyle-oriented stores by transitioning to a shopping center model and the use of fixed-term rental contracts. Our current goal is to complete the transition to fixed-term

rental contracts by March 31, 2019. A ¥0.9 billion improvement in operating income was realized in the fiscal year ended March 31, 2016, as the transition reached 20% completion (see Figure 1). In our directly managed specialty stores, we selected product categories in which we excel to concentrate our efforts on. We also adjusted our Internet sales operations to focus more on strong-performing shoes and other accessories.

In the Credit Card Services business, we sought to recruit cardholders from across Japan, expanding the number of cardholders outside of the business areas of Marui stores. After deciding to open Hakata Marui, we positioned Kyushu as a strategic region, thereby increasing the number of cardholders in this region to more than 130,000 at the time of the store's opening (see Figure 2).

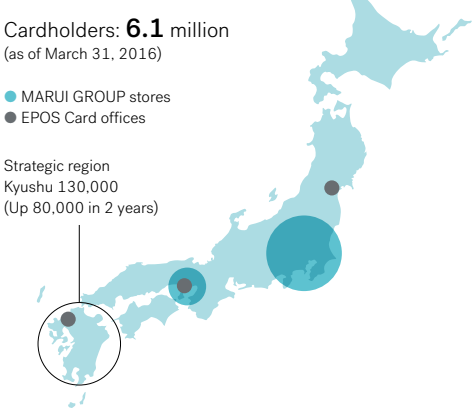
Figure 1: Total Fixed-Term Rental Contract Floor Space and Targets



Ratio of fixed-term rental contracts = Fixed-term rental contracted floor space ÷ Total floor space capable of being contracted as fixed-term rental
Sections not applicable for fixed-term rental contracts: Sections not applicable for fixed-term rental contracts based on requests of building owners, directly managed sales floors, event spaces, food sales floors, etc.

Fiscal year ended March 31, 2016:
Ratio of fixed-term rental contracts (year-end): 20%
Operating income improvement amount: ¥0.9 billion

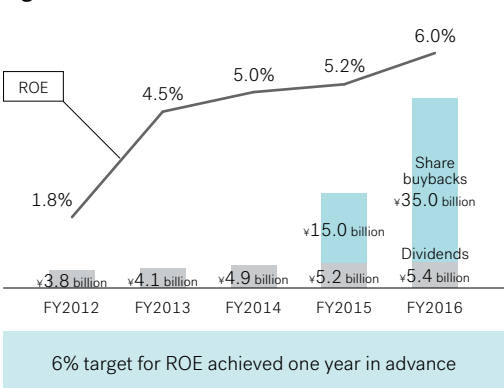
Figure 2: Nationwide Development of Credit Card Services



Total cardholders: Up 710,000 in 2 years
Number of cardholders outside of store business area: Up 1.5 times

Early achievement of 6% ROE target: In addition to business initiatives, we also actively conducted share buybacks, acquiring some ¥50.0 billion worth of Company shares in the two years leading up to March 31, 2016. As a result, ROE increased by 4.0 percentage points over a period of four years and reached 6% in the fiscal year ended March 31, 2016, reaching our target one year in advance (see Figure 3).

Figure 3: Shareholder Returns and ROE



Massive improvement in Group productivity: In conjunction with the transformation of the Group's business structure, we also began actively promoting inter-Group company personnel relocations to stimulate employee growth and give form to the concept of a united MARUI GROUP (see Figure 5).

By utilizing the retailing expertise of employees in the high-margin Credit Card Services and Retailing-Related

Figure 5: Employee Numbers by Business

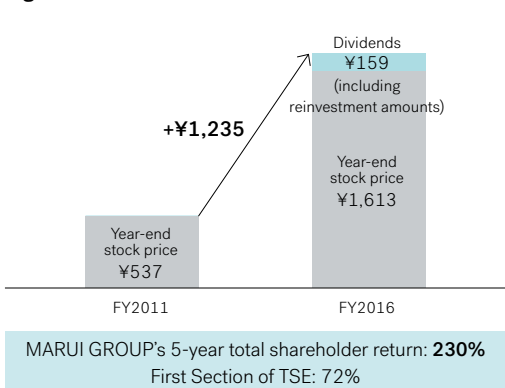
(Excluding temporary employees)

	FY2012	FY2016	Difference
Retailing-Related Services	4,539	3,566	-973
Credit Card Services	516	1,016	+500
Other	1,163	1,317	+154
Total	6,218	5,899	-319

Total number of employees changing positions: 1,418 (approx. 25%)
Aggregate total for fiscal years ended March 31, 2013-2016 (excluding officers and managers)

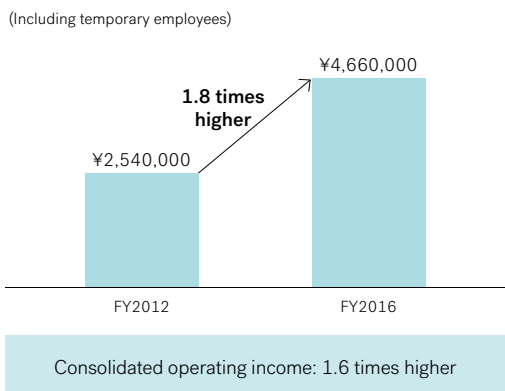
Consequently, total shareholder return, an indicator of shareholder value, was 230% over the five-year period ended March 31, 2016 (27% annual average). This level greatly exceeded the average of 72% (11% annual average) for companies listed on the First Section of the Tokyo Stock Exchange (see Figure 4).

Figure 4: Total Shareholder Return



Services, we realized a massive improvement in the Group's productivity. This increase in productivity resulted in operating income per employee being 1.8 times higher than in the fiscal year ended March 31, 2012, prior to our full-fledged promotion of inter-Group company personnel relocations, which led to consolidated operating income increasing 1.6 times compared with the fiscal year ended March 31, 2012 (see Figure 6).

Figure 6: Operating Income per Employee





Redefinition and Reorganization of Businesses

In conjunction with the start of the new medium-term management plan, we redefined our previous three business segments from a forward-looking perspective, reorganizing these segments into the Retailing and FinTech segments. With these redefined and reorganized business segments, we will advance initiatives in each business through integrated Group operations.

The reorganized Retailing segment comprises stores (shopping centers), omni-channel retailing (specialty stores, private brands, and Internet sales), and facility management and distribution operations (store renovation, distribution, building management, and other services). Meanwhile, the FinTech segment is responsible for credit cards (card shopping and cash advances), financial services (rent guarantees, insurance, and other services), and IT (system development). We believe that these segments better match the strengths and characteristics of the Group's businesses (see Figure 7).

Redefined FinTech Business (Target Business Scope)

When looking at the customer groups in the financial services field, we will see that banks and other members of the conventional financial sector tend to serve customers that are large in terms of both income and scale (see left half of Figure 8). Meanwhile, the FinTech sector takes advantage of its ability to combine both finance and technology to provide services to customer groups that the conventional financial sector did not address. We view this type of democratization of finance as the mission of FinTech as well as the mission of the MARUI GROUP, which has traditionally provided financial services for enriching the lifestyles of younger generations. Looking ahead, we will seek to expand the scope of our FinTech business from physical to digital services and from urban areas to rural and other areas across Japan (see right half of Figure 8). We will thus continue to incorporate evolving technologies to drive this business scope expansion.

Overview of the New Medium-Term Management Plan

Under the new medium-term management plan, we will form intrinsic links between the Group's redefined and reorganized businesses and integrate their operations to improve corporate value. At the same time, we will create new business through the transformation of Group businesses and work toward the development of an optimal capital structure (➡ [P83 Target Balance Sheet](#)) and further

improvement of productivity. By advancing these measures, we will target ROE of more than 10%, ROIC of more than 4%, and earnings per share (EPS) of more than ¥130 in the fiscal year ending March 31, 2021, the final year of the new medium-term management plan.

Figure 7: Redefinition and Reorganization of Businesses

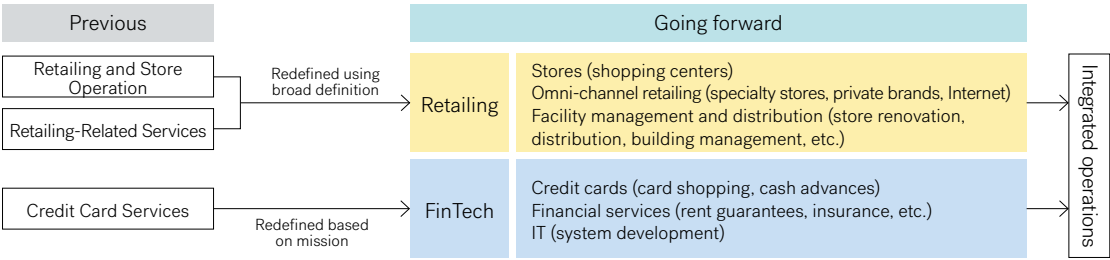
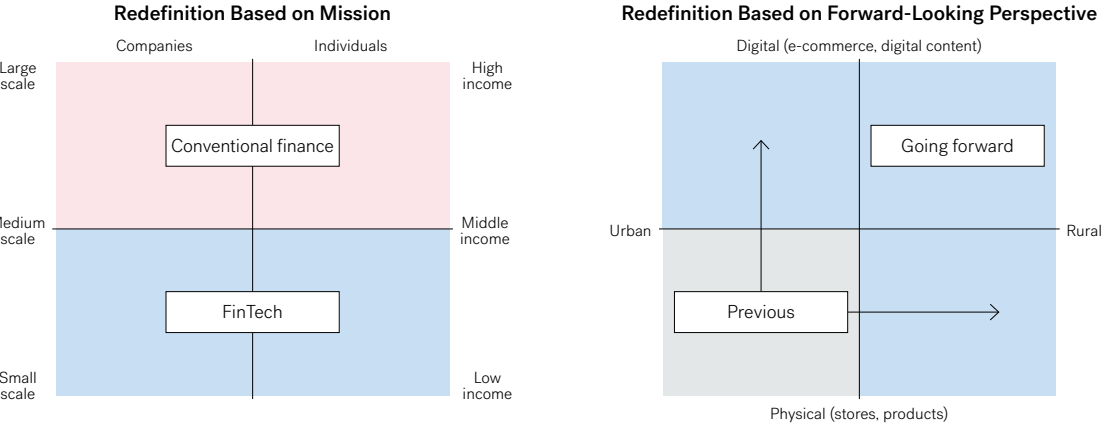


Figure 8: Redefined FinTech Business (Target Business Scope)



New Medium-Term Management Plan with the Fiscal Year Ending March 31, 2021, as its Final Year

Plan Framework		
Improvement of corporate value through integrated Group operations	Development of optimal capital structure and further improvement of productivity	Creation of new businesses through transformation of Group businesses
Specific Initiatives		
Retailing	Stores	Improve capital productivity by completing transition to a business structure focused on shopping centers and fixed-term rental contracts and deploying next-generation lifestyle-oriented shopping centers
	Omni-channel retailing	Develop business focused on Internet sales while expanding scope of try-on stores that combine Group expertise and other unique business models
	Facility management and distribution	Utilize store renovation, distribution, building management, and other retailing expertise in an integrated manner and advance business-to-business operations
FinTech	Credit cards	Increase number of EPOS card fans across Japan and reinforce collaboration with commercial facilities and companies while maintaining high profit margins and simultaneously expanding business scale
	Financial services	Expand revenues from rent guarantee, insurance, and other services utilizing credit know-how to improve ROIC through business requiring minimal invested capital
	IT	Support expansion of Group business scope by utilizing new technologies to improve customer convenience
Optimal capital structure		Create structure in which ROIC consistently exceeds capital costs by improving ROIC through income growth and establishing optimal capital structure suited to Group business structure
Growth investments		Develop commercial facilities utilizing shopping center and fixed-term rental know-how, conduct M&A activities for expanding business scope, invest in venture companies to acquire new technologies, and execute other growth investments for improving corporate value
Productivity improvement		Utilize human resources as necessitated by business portfolio as a united MARUI GROUP to further improve Group productivity

Achieve ROE of more than 10%, ROIC of more than 4%, and EPS of more than ¥130 in the fiscal year ending March 31, 2021



Masao Nakamura
Director and Managing Executive Officer
Responsible for Retailing Business

RETAILING BUSINESS

Going forward, I aim to further develop the Retailing business while generating synergies with other Group businesses.

As Japanese society matures, the focus of individuals' values is changing from the accumulation of physical goods to the pursuit of more fulfilling lifestyles. The ensuing shift in consumption from goods to experiences is becoming all the more clear as IT advances, and this trend can be expected to continue into the future (see Figure 1).

Looking at trends in the amounts of sales by store type dating back to 1995, we will see that, as sales decline among store types using the traditional sale or return arrangement, performance has been strong for shopping centers. This is most likely due to the ability of these facilities to cater to needs for the consumption of experiences (see Figure 2).

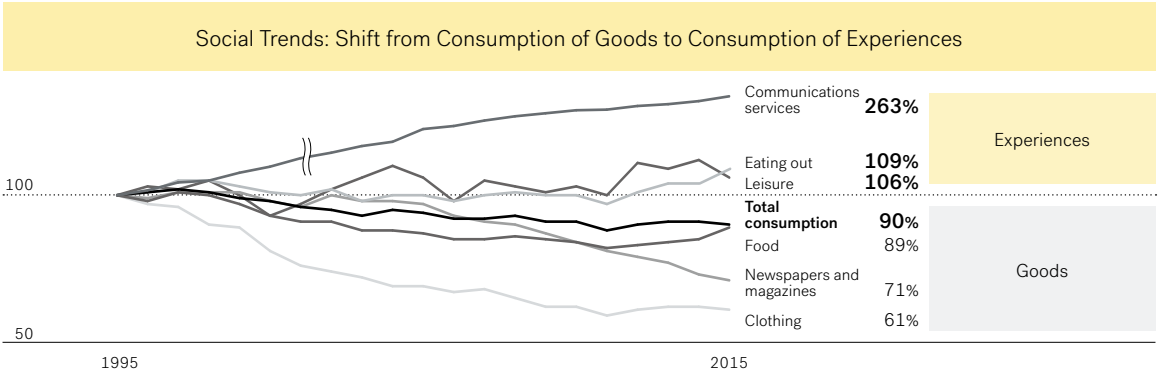
In light of this social change, MARUI GROUP's Retailing business is transitioning toward shopping centers and fixed-term rental contracts (see Figure 3).

This transformation represents a 180-degree turn away from our prior retailing frameworks in areas ranging from the form of contracts with business partners to

store operation methods. Accordingly, the decision to undertake this transformation was monumental. However, given MARUI GROUP's goal of developing stores through co-creation with customers, I am confident that this transformation will help restore the Retailing business to its former glory.

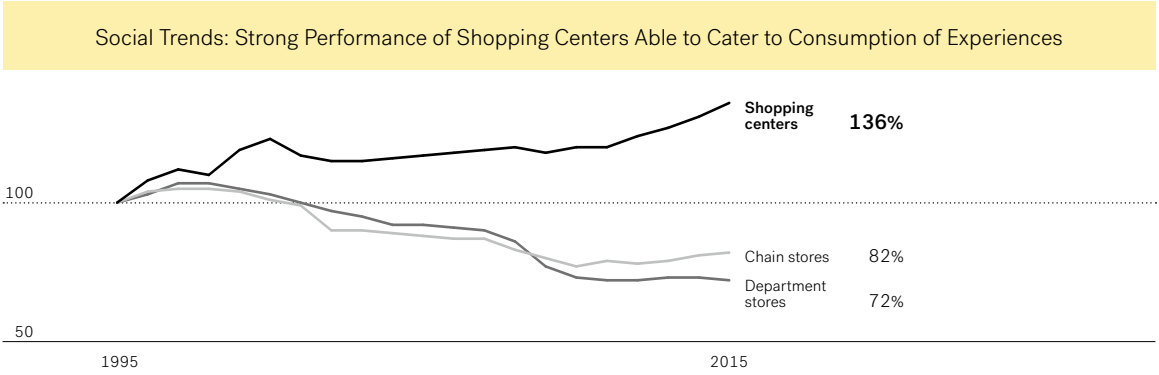
Promoting the shift toward shopping centers and fixed-term rental contracts for our stores will enable us to exercise increased flexibility in adjusting the balance of product and service categories available at our stores. This increased flexibility will no doubt be a powerful asset in developing stores that win customer support and provide joy. Retailing was the starting point for the Group's business, and even the credit card services that are now supporting our earnings are still steeped in the appeal of retailing. Going forward, I aim to further develop the Retailing business while generating synergies with other Group businesses.

Figure 1: Consumption Expenditures (1995 indexed to 100)



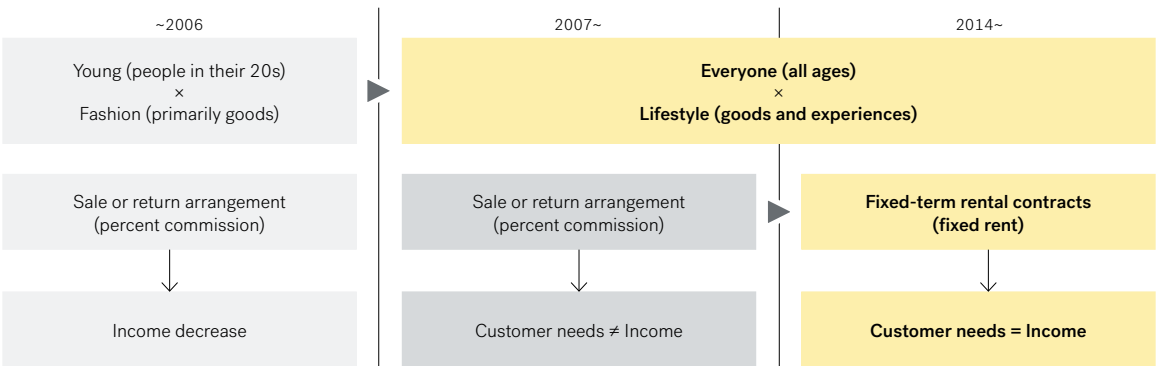
Source: Family Income and Expenditure Survey, Statistics Bureau, Ministry of Internal Affairs and Communications (two-or-more-person households in which head of household works, "food" excludes "eating out," "leisure" based on Company data)

Figure 2: Sales Amounts by Store Type (1995 indexed to 100)



Source: Japan Council of Shopping Centers, Japan Chain Stores Association, and Japan Department Stores Association

Figure 3: MARUI GROUP's Business Model Based on Social Changes



RETAILING BUSINESS



Hajime Sasaki
Senior Executive Officer
President and Representative Director, MARUI CO., LTD.

Our true worth will be put to the test in determining how we will provide customers with value and joy.



Hakata Marui opened in April 2016

Our greatest mission in the Retailing business is to once again return our operations to a growth trajectory. The shift to shopping centers and fixed-term rental contracts and the promotion of omni-channel retailing are important strategies for accomplishing this goal. However, we must remember that these strategies are merely a means to an end and not an end unto themselves. Our ultimate goal should be to provide customers with products, services, and contact points that earn their support and thereby realize ongoing growth in income. Accomplishing this goal will require us to act from a forward-looking perspective with a view to five and 10 years in the future. It is crucial to think about how customer lifestyles will change in the future. Our true worth will be put to the test in determining how we will provide customers with value and joy amid these changes.

Hakata Marui, a store opened in April 2016, turned out to be a model example of the direction we should take with our stores in the future. Going forward, we will need to steadily create more successful examples of stores developed through co-creation processes conducted together with customers and business partners as well as with community members, society, and employees.

KEY POINTS

Earnings Growth through Business Structure Transformation

The transformation of business structures in the Retailing business will be centered on the following three initiatives. By increasing earnings through the transition to fixed-term rental contracts and the promotion of omni-channel retailing, we will target operating income of more than ¥18.0 billion in the fiscal year ending March 31, 2021.

1. Transition to Shopping Centers and Fixed-Term Rental Contracts

We are renovating existing stores as part of the transition. We plan to convert almost all of our stores, excluding certain stores that will not be converted based on requests from the owners, to fixed-term contracts by March 31, 2019. At Hakata Marui, the first new store to be established under this model, we deployed fixed-term rental tenants and competitive directly operated specialty shops in a balanced manner. This store is thus expected to achieve return on investment*1 of 12% and net operating income yield*2 of more than 4%. Hakata Marui will be positioned as a model for future co-creation initiatives.

2. Promotion of Omni-Channel Retailing

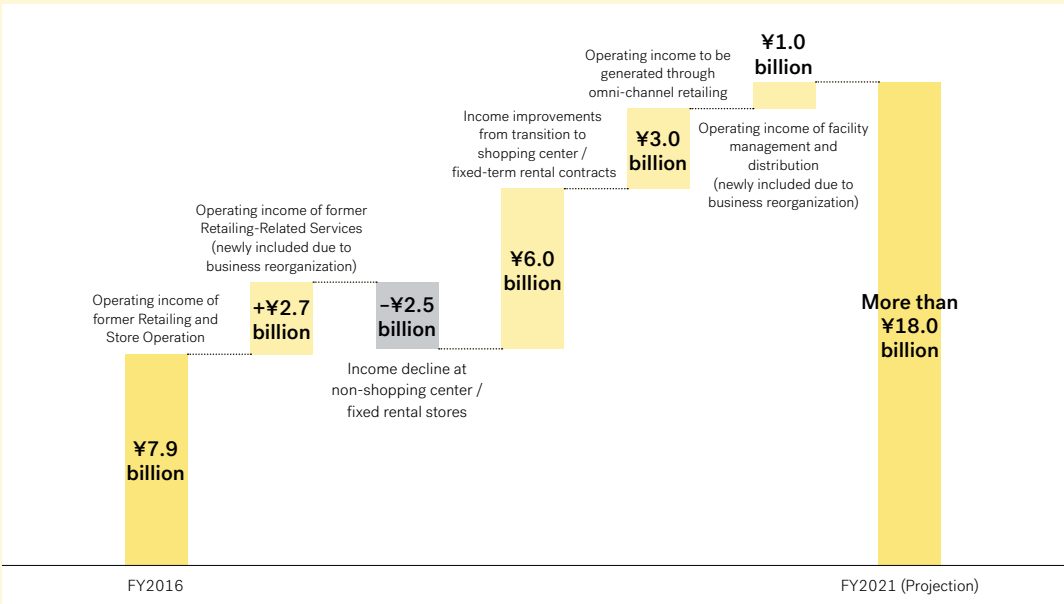
For specialty stores and private brands, we will optimize sales floor area and implement other selection and concentration measures. We will also expand the scope of our operations by creating unique business models, such as the try-on stores that leverage our bolstered accessory lineups for Internet sales and Group expertise, to grow earnings.

3. Development of Facility Management and Distribution Operations

We aim to expand our business-to-business facility management and distribution operations by combining the operations of the prior Retailing-Related Services segment, which include store renovation, distribution, building management, and IT (system development) operations, with our unique expertise related to real-time management of store and Internet inventories.

*1 Indicator of how much income is generated in comparison to the investment necessary for conducting business activities
*2 Indicator of earnings potential of real estate calculated by dividing net operating income by real estate market value

Factors Affecting Operating Income in Retailing Segment





Toshikazu Takimoto
Managing Executive Officer
Responsible for FinTech Business

FINTECH BUSINESS

**In the transition from Credit Card Services to FinTech,
we are pursuing new possibilities through co-creation with customers.**

The Japanese credit card market is still developing. It is expected that the installation of infrastructure leading up to the Tokyo 2020 Olympic and Paralympic Games will stimulate average annual growth of 8% in this market and that annual transaction amounts will increase from the current ¥50 trillion to more than ¥70 trillion. The growth of EPOS card transactions is particularly strong, exceeding the industry average, and we will target further growth in the future (see Figure 1).

The number of cardholders of EPOS Card was roughly one-fourth that of other retail-type credit card companies, standing at only 6.1 million on March 31, 2016. Similarly, while EPOS card transactions have risen above ¥1 trillion, those of other companies' cards amount to more than ¥4 trillion. Nonetheless, the amount of operating income per active EPOS card is exceptionally high in comparison to rival cards, making for impressive profit margins (see Figure 2).

In consideration of the growth potential of the credit card market and the strengths of EPOS cards, MARUI GROUP embarked on a new endeavor in its credit card operations by undertaking the transition to the FinTech

business in April 2016. We have thus redefined, and effectively expanded, the target scope of our business with the aim of realizing ongoing growth. We will continue to evolve our services to make them easy to use by a wider range of customers, regardless of the differences in their income level or the region in which they live. To customers, the appeal of EPOS cards can be found in the ever-expanding range of unique services and benefits that make customers feel they made the right decision in using their card, provide peace of mind, and offer small joys. Recently, we have been collaborating with anime and video game companies to step up initiatives for expanding the range of cardholders among the younger generation, our primary target demographic. From a business perspective, we will strive to increase operating income and boost capital efficiency. These goals will be accomplished in part by developing a highly unique business through further coordination with other Group companies, such as M & C SYSTEMS, which is lending its strengths in system development. In addition, we will leverage our customer assets and expertise to expand our financial service operations (see Figure 3).

Figure 1: Card Shopping Transaction Trends and Future Credit Card Market

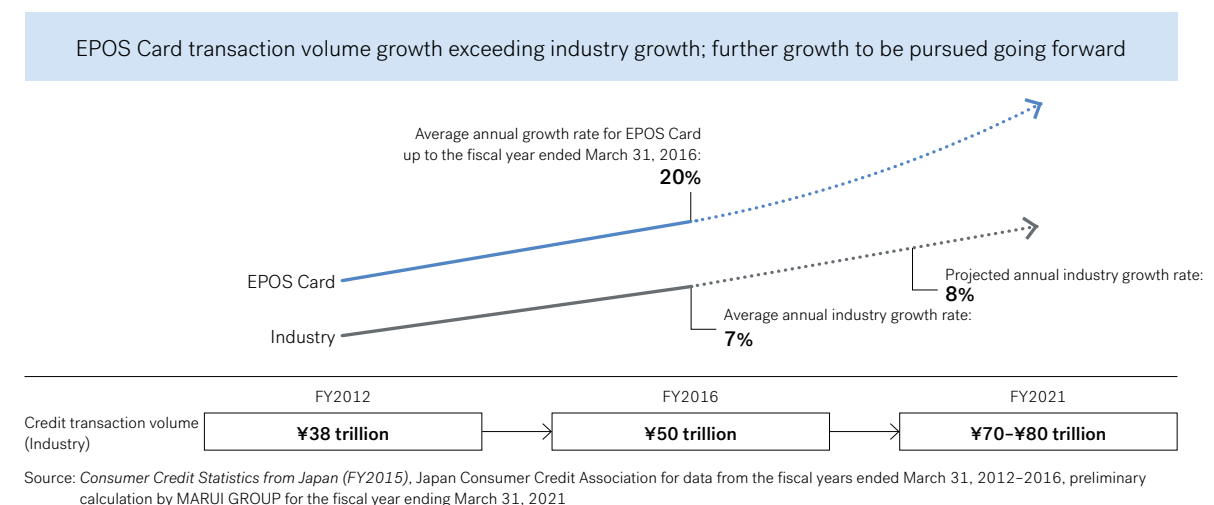


Figure 2: Comparison with Competitors (Figures from FY2016, segment based; Source: MARUI GROUP)

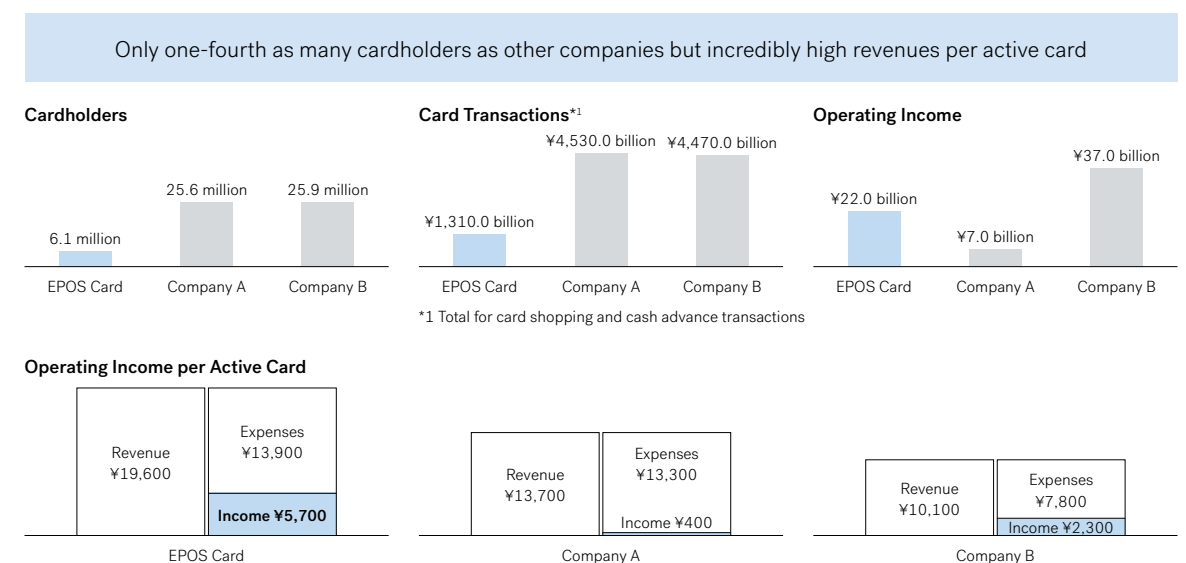
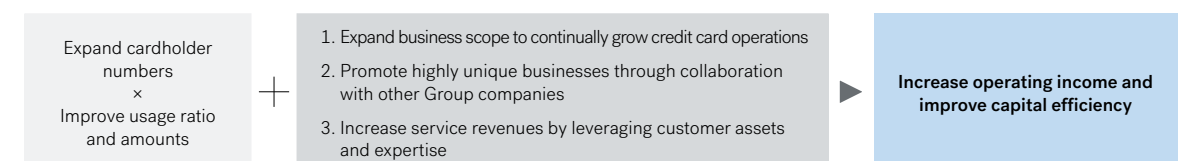


Figure 3: FinTech Growth Strategies



FINTECH BUSINESS



Yoshinori Saito
Senior Executive Officer
President and Representative Director, Epos Card Co., Ltd.

I hope to develop EPOS cards into cards that offer users joy and a sense of wonder.



The expansion of the scope of the FinTech business driven by the EPOS card is supporting growth in cardholder numbers and increases in usage ratios and amounts. Over the past several years, we have been successful in achieving a massive increase in the number of cardholders in Kyushu through efforts positioning this area as a strategic region in preparation for the opening of Hakata Marui. In addition, we have been collaborating with various commercial facilities and companies to grow the number of cards issued outside of the Group, realizing a rise in cardholder numbers outside of business areas of Marui stores. Today, the number of EPOS card fans is on the increase across Japan, and the benefits are appearing steadily.

I hope to develop EPOS cards into cards that offer users joy and a sense of wonder with their ability to be used in a variety of everyday life situations. This quest will be supported by MARUI GROUP's sophisticated systems, which are founded on its unique credit management expertise and IT. By leveraging such strengths well into the future, we will continue to offer joy to customers while growing our business.

KEY POINTS

FinTech Business Growth Strategies

In the FinTech business, we will expand the scope of collaboration with anime and video game companies and increase card usage rates and amounts, thereby targeting total transaction volumes of ¥2,500.0 billion in the fiscal year ending March 31, 2021, 1.7 times higher than the level in the fiscal year ended March 31, 2016. The strengths of the FinTech business, which centers on EPOS cards, are as follows.

1. Ability to Improve Value for Collaboration Partners through Personnel with Retailing Experience

EPOS card application centers are staffed by full-time personnel that possess both retailing and card expertise. Such personnel are able to provide fine-tuned support to partners through means including offering advice on how sales staff can encourage customers to use or apply for credit cards. This support can help create fans of partner facilities, thereby improving the value of collaboration for our partners.

2. IT Frameworks

EPOS cards are IC-chip-embedded VISA cards that can be issued on-the-spot at stores and are immediately usable. We have also introduced other frameworks taking advantage of cutting-edge IT, such as

our system for high-speed issuance of cards via tablets and our patented credit card application app. These frameworks help us limit costs while realizing high card usage ratios.

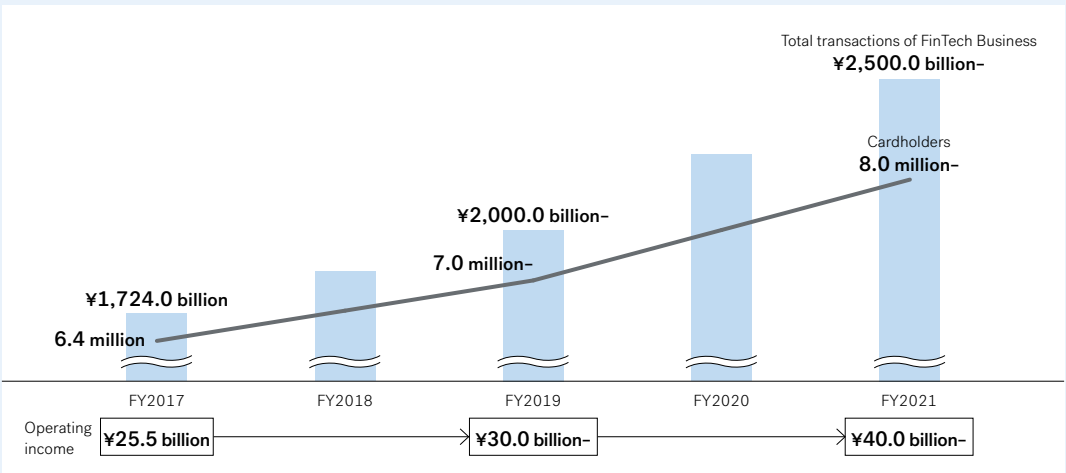
3. Unique Credit Expertise and Customer Assets

Since its founding, MARUI GROUP has operated under the basic belief that creditability should be built together with customers. As opposed to being assigned based on a customer's age, profession, or income, we feel that credit should be shaped through a customer's usage and payment records. This belief is one of the reasons that our cardholder base is characterized by a large number of young people, who tend to have large demand for credit, and women.

4. In-House Development of Systems

Our ability to exercise the strengths of the FinTech business is supported by MARUI GROUP's unique business model that integrates the operation of this business with that of the Retailing business. In addition, by working together with the Group's system development company, we have created an in-house structure capable of developing more than 100 systems a year. This type of inter-Group coordination drives the swift evolution of our business model.

FinTech: Medium-Term Transaction Volume and Operating Income Targets



It is my goal to create a unique and optimal capital structure for MARUI GROUP.

Motohiko Sato
Senior Managing Executive Officer and CFO



Beginning in the fiscal year ending March 31, 2017, MARUI GROUP will adopt three key performance indicators (KPIs) for gauging Groupwide performance. These KPIs will include return on equity (ROE) and earnings per share (EPS), which are both indicators that have been selected based on our emphasis on improvements to medium-to-long-term corporate value. The last KPI is return on invested capital (ROIC), which is an indicator of the profitability of our main business.

It is, of course, important to steadily generate earnings over the medium-to-long term. However, it is at the same time crucial to set KPIs from a balanced perspective given the fact that improvements in ROIC, an indicator of business profitability, are linked to returns to shareholders as indicated by ROE. Each Group company and operating division has set its own KPIs based on the characteristics of its business, and the aggregates of these KPIs are the management indicators of the Group as a whole. With this recent establishment of Groupwide KPIs, I feel that we have made it clear the role that Group companies and operating divisions should play in accomplishing our overall goals.

In addition, we are working to transform our balance sheet to more ideally match the business and earnings

structures that the Group will utilize going forward in consideration of the changes to our business model that have been implemented thus far. Following the 2006 switch from an in-house credit card to a multipurpose credit card, the portion of our balance sheet accounted for by credit card operating receivables increased. However, our capital structure remained relatively unchanged from when our focus was retailing. To help rectify this situation, we established a vision for our ideal balance sheet in the fiscal year ending March 31, 2021. This vision was formulated using average balance sheets for both the retailing and credit card industry as a benchmark and then simulating the growth of the Group's Retailing and FinTech businesses over the next five years.

However, as long as we continue to operate under business models for which there is no precedent at other companies, we will always have to be thinking of what equally unique capital structure will be optimal for MARUI GROUP. The next round of growth strategies will be formulated based on the growth we are able to accomplish over the next five years and the initiatives we intend to implement thereafter. When we find the next pillar of growth, it goes without saying that our ideal capital structure will also change.

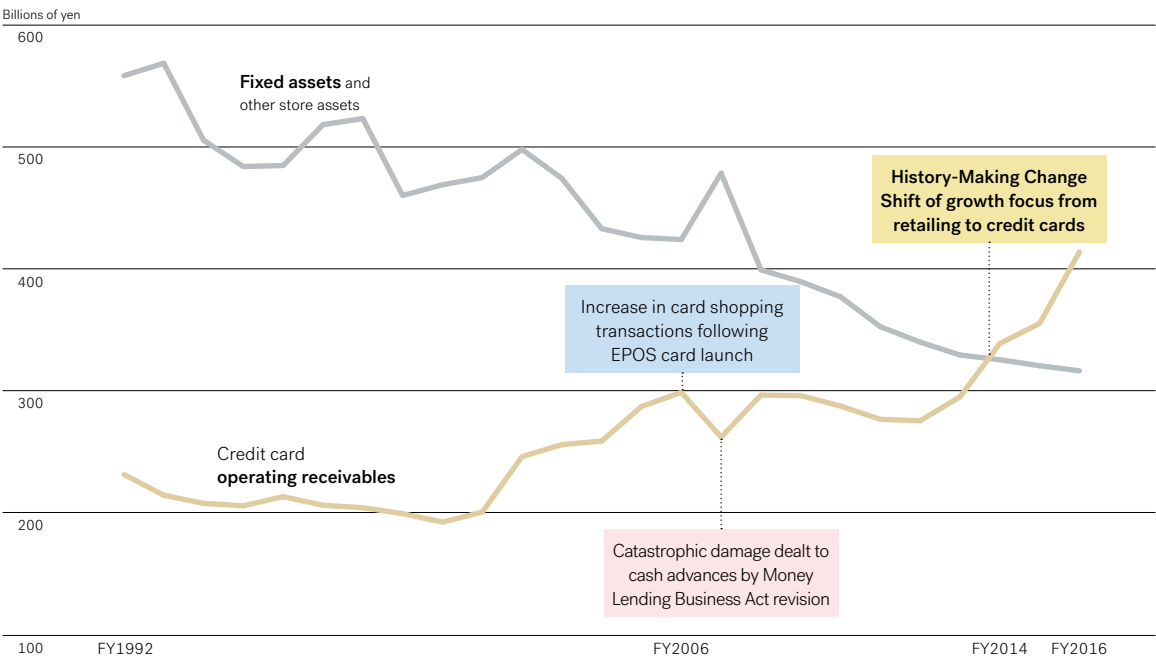
History-Making Balance Sheet Change

Transition from retailing to credit cards as main driver of growth after 2006 launch of EPOS card
Creation of a credit card-driven business structure capable of achieving stable growth

MARUI GROUP has continued to evolve its unique business model merging retailing and finance since its founding. In the past, it has been retailing that has driven growth while finance supported these operations. During this period, the credit cards offered by the Company were in-house cards only valid at Marui stores, and they primarily generated revenues through cash advances. However, the 2007 revision to the Money Lending Business Act greatly impacted these credit cards, catastrophically damaging cash advances as a revenue source. We were able to overcome this trial thanks to the EPOS card, which was launched in 2006, one year prior to the regulatory revision. This new card enabled us to increase card shopping transactions, freeing us from past dependence on cash advances and shifting the focus of

growth from retailing to credit cards. By positioning credit card services operations, which were able to generate steady income, as the main proponent of its business, the Group was successful in creating a business structure that was capable of achieving stable growth. This change was most apparent in the Company's balance sheet. While previously the asset portion of the balance sheet had primarily consisted of land, buildings, and other fixed assets for stores, in the fiscal year ended March 31, 2014, the balance of credit card operating receivables accounted for more than half of assets. These receivables thus took center stage on the balance sheet, representing a history-making change from the time of our founding.

Balance Sheet Assets



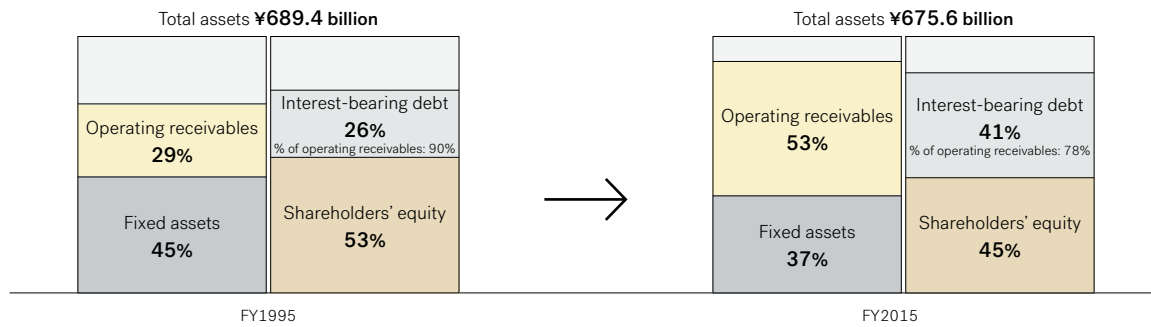


Previously

Going Forward

Increase of Operating Receivables on Asset Portion

Growth of operating receivables to represent more than half of assets despite total assets remaining relatively the same
Increase of 15 percentage points in ratio of interest-bearing debt to total assets while maintaining high shareholders' equity

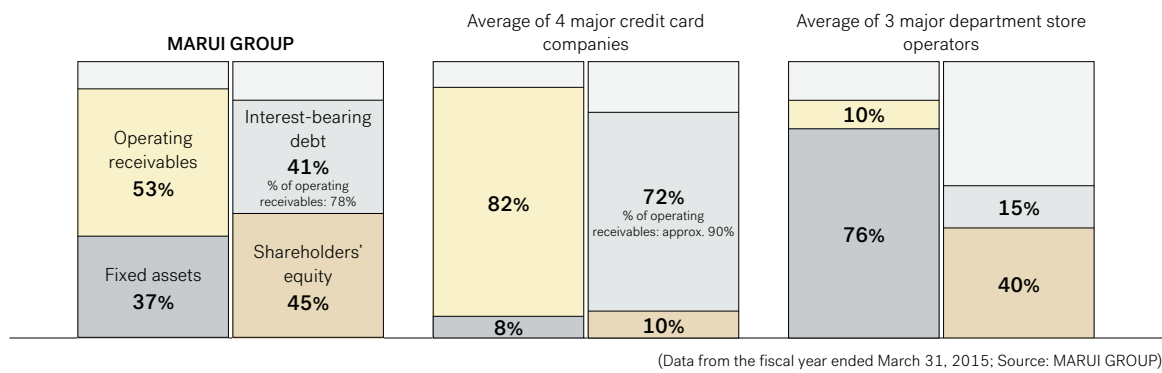


The amount of total assets on the balance sheet from the fiscal year ended March 31, 2015, was around the same level as that of the balance sheet from the year ended January 31, 1995, roughly 20 years ago. However, the structure of the balance sheet has changed as operating receivables, which represented less than

30% of assets in 1995, accounted for more than half of assets in 2015. Meanwhile, the increase in the ratio of interest-bearing debt to total assets was around 15 percentage points, and a high level of shareholders' equity has been maintained.

Comparison of Balance Sheet to Industry Peers

Imbalance between assets and liabilities on MARUI GROUP's current balance sheet
Assets now oriented toward credit cards but liabilities still geared toward retailing

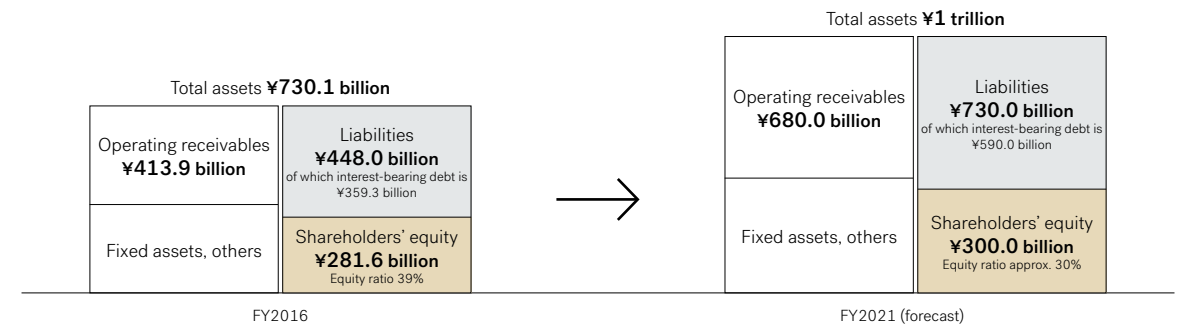


Averaging the balance sheets of four major credit cards, we will see that their ratio of interest-bearing debt to operating receivables is around 90%. For MARUI GROUP, this ratio is 78%. Meanwhile, our shareholders' equity is equivalent to 45% of total assets, greatly above the average for the four credit card companies, which is 10%.

At the same time, the ratio of stores and other fixed assets to total assets on MARUI GROUP's balance sheet is 37%, about half the average ratio for the three major department store operators. Our level of shareholders' equity exceeds the average for these department stores.

Balance Sheet Targeted by MARUI GROUP

Total assets forecast to reach ¥1 trillion in the fiscal year ending March 31, 2021, due to increased operating receivables
Optimal capital structure defined as having equity ratio of approximately 30%

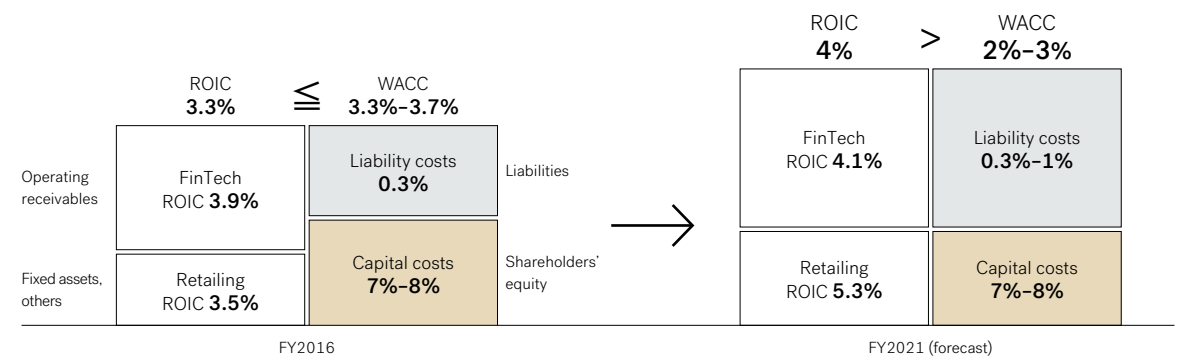


In order to achieve the balance sheet we target, we will work to bring the liabilities portion of the sheet in line with the Group's earnings structure. As operating receivables increase in the FinTech business, total assets are also expected to grow, reaching around ¥1 trillion in the

fiscal year ending March 31, 2021. Meanwhile, we will maintain a level of interest-bearing debt that is equivalent to 90% of operating receivables, while targeting an equity ratio of approximately 30%, the level we view as representing an optimal capital structure.

Creation of Corporate Value through ROIC Exceeding WACC

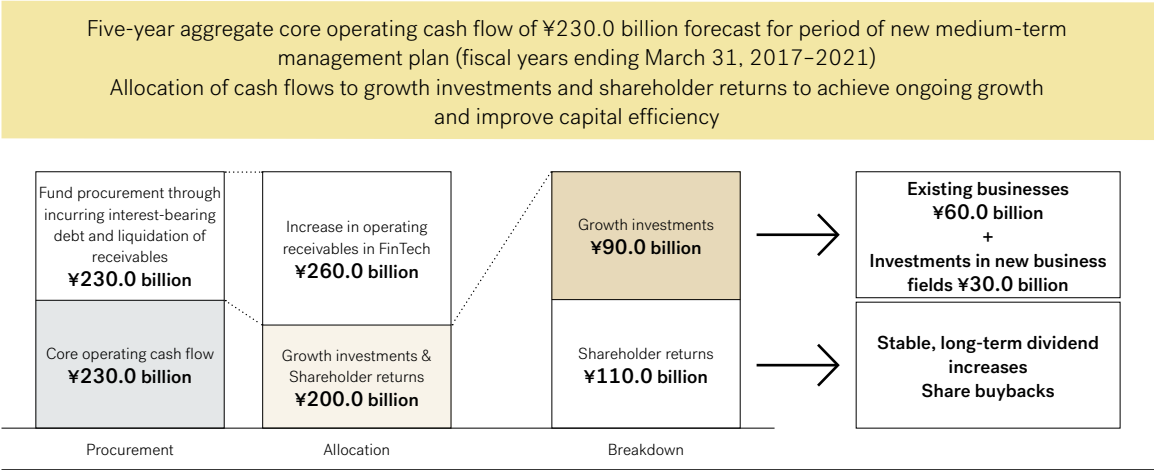
Development of structure in which ROIC consistently exceeds WACC by increasing consolidated ROIC from current 3.3% to 4.0% and lowering capital costs



We will increase ROIC by growing financial service revenues in the FinTech business and transitioning to shopping centers and fixed-term rental contracts in the Retailing business. Meanwhile, we will deploy financial strategies of increasingly procuring funds in the growing

FinTech business through low-cost interest-bearing debt to reduce the overall capital costs of the Group and thereby develop a structure in which ROIC consistently exceeds WACC.

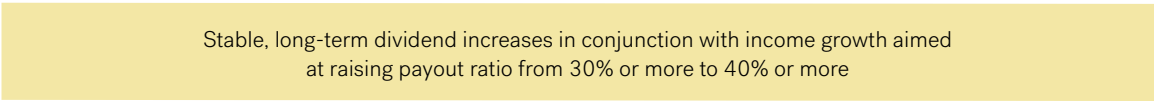
Cash Flow Forecasts



MARUI GROUP will use cash flows generated during the five-year period of the new medium-term management plan to conduct growth investments and enhance shareholder returns. Approximately 90% of the working capital requirements associated with the anticipated increase in operating receivables in the FinTech business will be funded through borrowings. Excluding this increase, core operating cash flow is expected to amount to ¥230.0 billion over the period of the plan. We plan to allocate ¥200.0 billion of this amount to growth investments and shareholder returns. Growth investments of ¥60.0 billion will be directed toward existing businesses to fund the

transition to shopping centers and fixed-term rental contracts and invest in IT systems. Meanwhile, ¥30.0 billion has been earmarked for investments in new business fields, and we are examining potential uses for this amount. We intend to use the remaining ¥110.0 billion for enhancing shareholder returns through stable, long-term dividend increases and share buybacks. We will comprehensively evaluate factors such as cash flows when considering share buybacks, targeting the ideal timing for improving capital efficiency and increasing shareholder returns. Acquired treasury stock will, in principle, be canceled.

High Growth Coupled with High Returns



MARUI GROUP positions returning profits to shareholders as an important management priority. Our basic policy is to issue stable and appropriate returns, based on which we have continued to increase dividend levels while considering performance trends and financial conditions. We had previously targeted a consolidated payout ratio of 30% or more. However, we have since received numerous requests from long-term investors and private shareholders stating that they want the Company to reconsider dividend levels, rather than focusing only on share buybacks.

Based on this feedback, we have decided to raise the target payout ratio to 40% or more beginning with the fiscal year ending March 31, 2017. Accordingly, we intend to increase dividends in this year to ¥32 per share, which is ¥10 per share higher than was issued in the fiscal year ended March 31, 2016. This level will represent a record high for dividend payment and make for our fifth consecutive year of increased dividend payments. With the fiscal year ending March 31, 2021, as its final year the new medium-term management plan targets high growth coupled with high returns to be realized through ongoing dividend increases based on long-term growth in EPS.

