

## Section 02

# Co-Creation Management Business Model

MARUI GROUP's vision is for an inclusive society in which no one is excluded and happiness is available to all. To this end, we are pursuing innovation in our business to realize both sustainability and profitability while expanding upon the happiness that exists at the intersection of the interests of all of our stakeholders.



# Innovation of Business Structure in Line with the Times

Over the 86 years since its founding, MARUI GROUP has continued to innovate and evolve its unique business model, which merges retailing and finance, and the structure of its business in line with changes in the times and in the needs of customers. Currently, finance is becoming the main driver of our growth. However, we retain our stance of not segregating retailing and finance. Rather, we will share human resources, stores, and data throughout our integrated business as we seek to improve corporate value by evolving our unique business model merging retailing and finance.

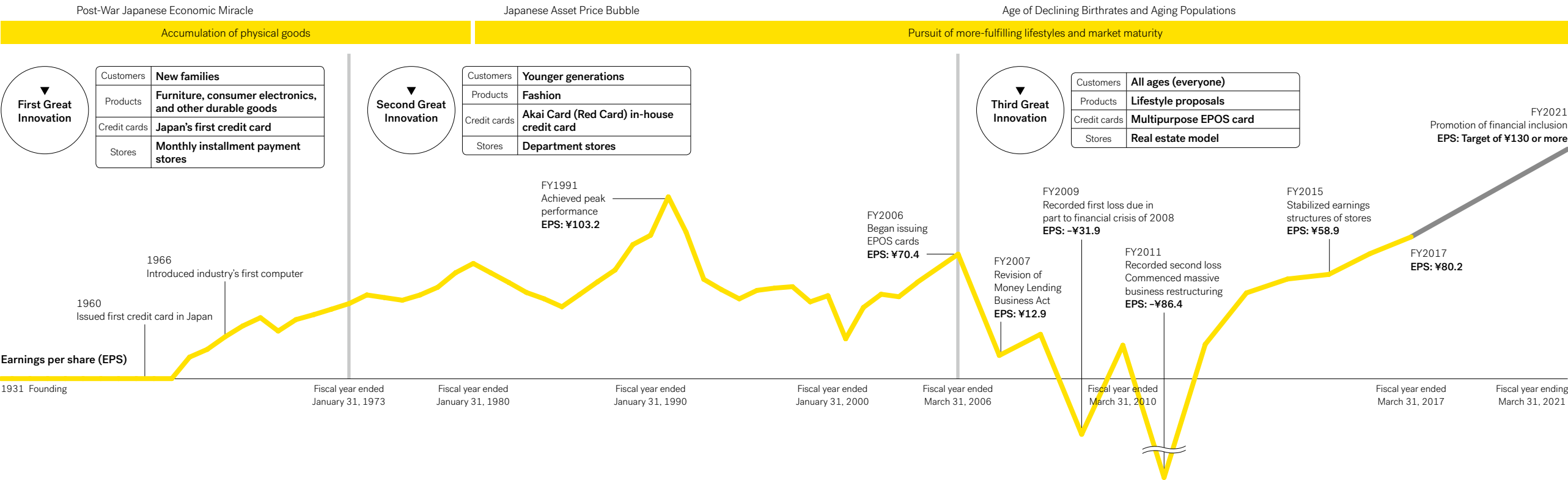
MARUI GROUP's Founding DNA  
Words of Founder Chuji Aoi

"Creditability should be built together with customers"

Unique business model merging retailing and finance

"Pioneer spirit of creating opportunities"

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



## Furniture Sales through Installment Payments

Founder: Chuji Aoi

Period as president: 1931-1972 (41 years)

At the time of its founding, MARUI GROUP's business involved selling furniture through monthly installment payments. These monthly installment payments entailed both selling furniture and providing credit, or, in other words, lending money, thus representing a business model that merges retailing and finance. In the years that followed, the Company pushed forward with the modernization of the installment payment system, issuing Japan's first credit card in 1960 and then introducing the industry's first computer in 1966.

## Sales of Fashion on Credit

Second leader: Tadao Aoi

Period as president: 1972-2005 (33 years)

During the period of the post-war Japanese economic miracle, income levels in Japan rose, leading other stores using the monthly installment payment system to focus on finance. MARUI GROUP, meanwhile, turned its attention to fashion. This transition entailed a bold shift toward younger generations as the Company's customer base. We thus came to play a part in the boom of the DC fashion brand. In addition, we began offering cash advances in 1981. By building upon these strategies, we were able to achieve our peak performance in 1991.

## Lifestyle Proposals and Card Shopping Transactions

Third leader: Hiroshi Aoi

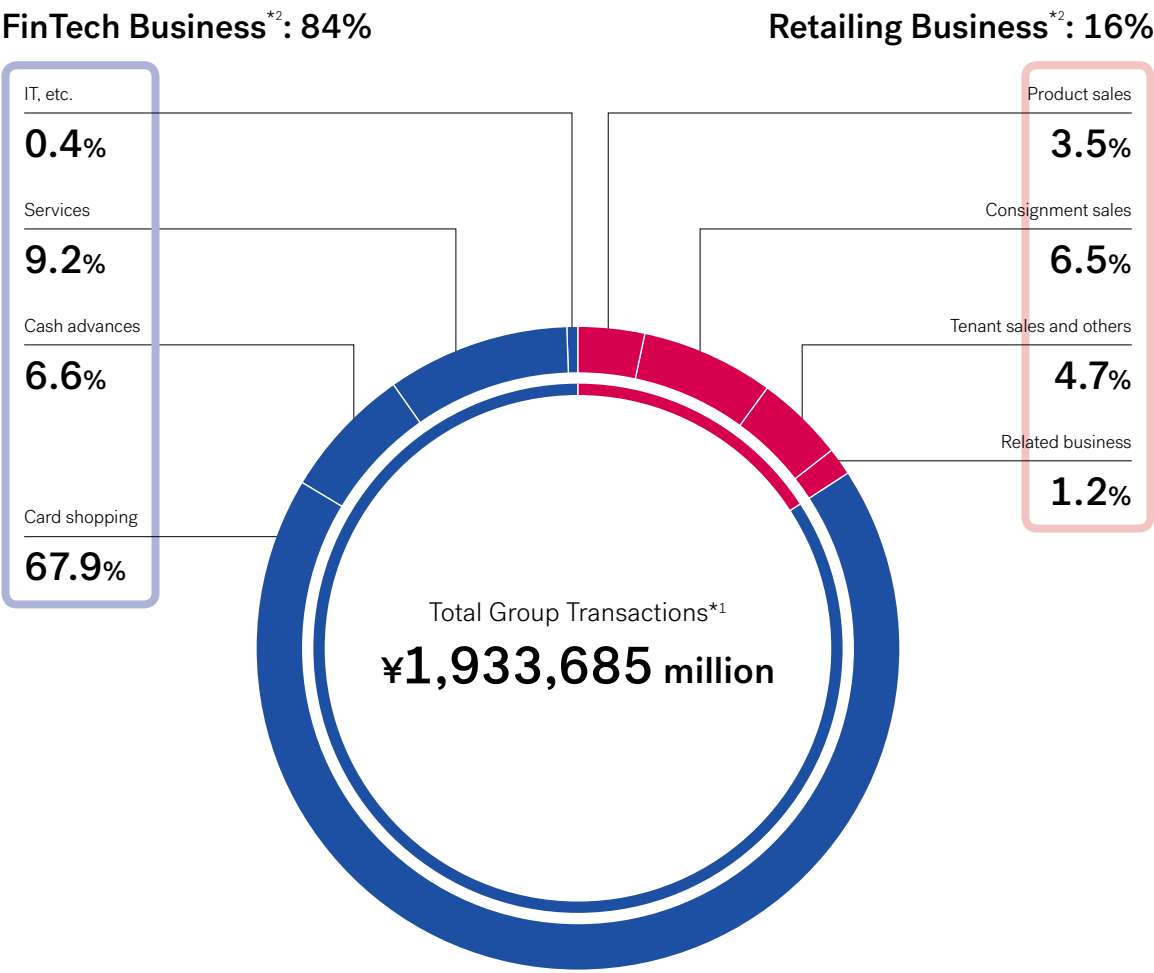
Period as president: from 2005

Due to the impacts of the 2006 revision of the Money Lending Business Act and the 2008 financial crisis, MARUI GROUP was forced to record losses on two occasions. In light of this development, we undertook a massive business restructuring. In terms of customers, we drastically realigned our focus from catering primarily to younger generations to developing a business that wins the favor of customers of all ages. The launch of the multipurpose EPOS card in 2006 brought further change as our earnings began to come less from cash advances and

more from card shopping transactions. In 2014, we started transitioning our stores toward real estate-model shopping centers to enable them to provide experiences in addition to the physical goods they had conventionally sold. This business structure transformation stabilized the earnings of stores, allowing them to realize immunity to downside risks. In addition, the transformation made it possible to undertake co-creation store development initiatives with customers and increase the number of visiting customers and purchases.

# Reverse in Relationship between Retailing and Finance

MARUI GROUP previously has been a retailer with finance functions, and the role of credit cards has thus been to support stores. This relationship began to change with the launch of the EPOS card in 2006, after which card transactions started to increase rapidly. Although MARUI GROUP's business model continued to be a merger of retailing and finance, the relationship between these functions was reversed, with finance becoming the main proponent of growth. Today, our 31 nationwide stores are supporting the growth of credit cards as application centers.



In the fiscal year ended March 31, 2017, total Group transactions<sup>\*1</sup> amounted to ¥1,933.7 billion, of which ¥326.3 billion, or approximately 16%, was attributable to the Retailing business, with the remaining 84%, or ¥1,723.3 billion, coming from the FinTech business. In this manner, the FinTech business is currently driving the overall growth of MARUI GROUP.

<sup>\*1</sup> Total Group transactions exclude intersegment transactions.  
<sup>\*2</sup> Ratios are prior to eliminations.

## Business Model Innovations

MARUI GROUP's business model has undergone innovations in three areas in response to changes in customer consumption patterns: the rise of e-commerce and cashless payment methods, the declining birthrate and aging of society, and other long-term social trends. By reinventing our business model, we will achieve immunity to downside risks while building a growth foundation capable of taking advantage of upside risks.

- Customer base innovation

► Change in focus from younger generations to all ages and inclusion of all customers
- Retailing innovation

► Shift from consignment buying system to real estate model for earnings structure and promotion of omni-channel retailing
- Credit card innovation

► Transition from in-house card to multipurpose card and expansion of business scope to include FinTech

### Immunity to Downside Risks



#### Transition from Department Store Model to Real Estate Model

The transition from department stores that procure and sell products to real estate-model shopping centers that receive payments from renting space has stabilized earnings in the Retailing business. Moreover, this transition has made it possible to introduce more tenants offering food, services, and experiences.

#### Unique Omni-Channel Retailing Strategy

MARUI GROUP is gradually replacing its specialty shops, which primarily deal in private brand products, with try-on stores, which integrate stores, credit cards, and the Internet. These stores use a completely new scheme in which customers can freely try on samples and then make purchases through the Company's e-commerce website.

### Upside Risk Growth Foundation



#### Evolution from In-House Card to Multipurpose Card

Having received a direct license from Visa Worldwide Japan Co., Ltd., we were able to evolve our in-house card into a multipurpose credit card usable anywhere in the world. Since then, card shopping transactions have been expanding rapidly in conjunction with customers' shopping, posting average annual growth rates of 17% and driving the overall growth of MARUI GROUP.

#### Redefinition of Credit Card Services as FinTech

MARUI GROUP redefined its prior Credit Card Services business as the FinTech business with the aim of providing financial services that can be used by all. Offerings in this redefined business will include various services, including new services that respond to the diversification of payment methods following the rise of cashless payment methods.

Retailing Business Earnings Structure

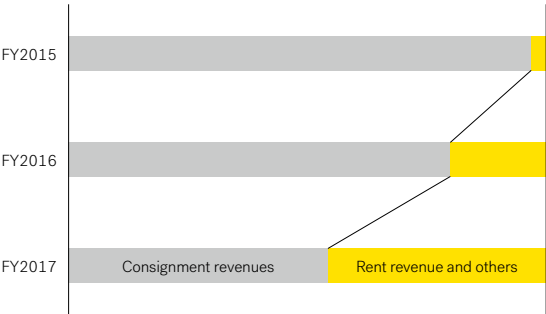
The Retailing business has previously used a model based on the consignment buying system, which entails procuring and selling products, meaning that revenue was dependent on product sales. To address this dependency, we are transitioning to a real estate model, which involves gaining rent revenues from renting out space, and will thus stabilize earnings. We aim to convert 100% of applicable floor space to this model by the fiscal year ending March 31, 2019. As we transition to this real estate model by shifting toward shopping centers and fixed-term rental contracts, the amount of consignment revenues from tenants will decrease while rent revenues from fixed-term rental tenants will increase. Accordingly, the change in the earnings structure of the Retailing business is apparent when looking at the distributions of sales under the consignment buying system, rent revenue, and other items.

In conjunction with the transition to the real estate model, the key performance indicator (KPI) for specialty stores, which primarily deal in co-creation private brand products, was changed from operating income margin to net operating income yield (NOI yield), which indicates the anticipated yield in comparison to average market rent fees. We have hurdle rates of NOI yield of more than 4% for urban stores and more than 7% for suburban stores. Based on these rates, we will monitor real estate market prices in relation to specialty shops along with income improvements in order to maximize asset efficiency for sales floors, storage space, and other assets. This KPI is linked not only to income in a given year but also to corporate value, as it incorporates consideration for medium-to-long-term income from EPOS card

Overview of Operations

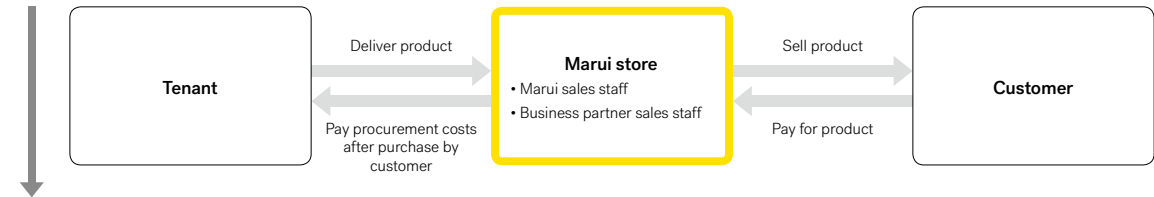
Stores	31 (25 Marui stores, 6 Modi stores)
Omni-channel retailing	Specialty stores primarily dealing in co-creation private brands MARUI Internet shopping "marui web channel" Short-term event try-on stores
Facility management and distribution	Store renovation, advertising, property management Building management Distribution, IT, etc.

Distribution of Consignment Revenues and Rent Revenue

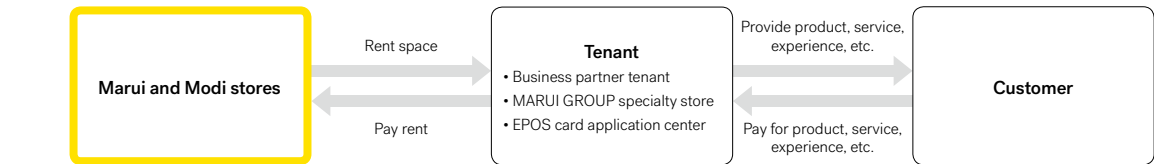


applications and registrations for e-commerce sites. Utilizing this indicator, we examine specialty shops to determine which should remain open and which should be closed.

Previously: Earnings Structure Based on Consignment Buying System



Going Forward: Earnings Structure Based on Real Estate Model



FinTech Business Earnings Structure

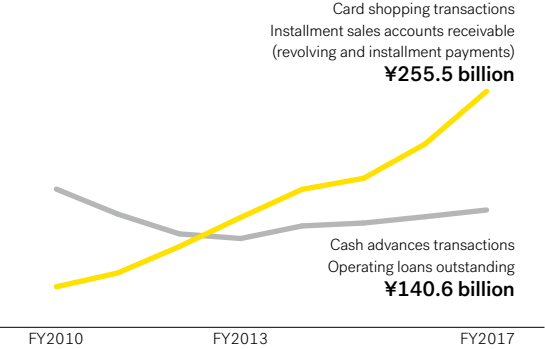
While the Japanese credit card industry has been experiencing average annual growth of 7% in card transactions, the FinTech business has been enjoying average annual growth rates of 17% in transactions using its core EPOS card. Looking at operating receivables, the amount of installment sales accounts receivable (revolving and installment payments) exceeded the amount of operating loans outstanding in the fiscal year ended March 31, 2013, illustrating the shift in the earnings structure of this business from cash advances to card shopping transactions. Today, card shopping transactions account for approximately 81% of total transactions in the FinTech business while cash advances only equate to around 8%.

The growth of credit card businesses is dependent on increases in cardholder numbers, the ratio of cardholders that remain active users, and the amount of transactions per one card. We issue EPOS cards to around 700,000 new applicants each year, of which approximately 80% apply through MARUI GROUP stores or e-commerce sites. Located predominately in major cities with high people traffic nationwide, the MARUI GROUP's stores are integral to acquiring new applicants. In addition, the transition to the real estate model for stores in the Retailing business reduces the amount of staff required to operate each store, enabling us to reallocate this staff to Epos Card Co., Ltd. We are thus able to position staff with extensive customer service experience and a retailing mind-set at EPOS card application centers in the external facilities of collaboration partners, where these full-time staff members will work to acquire new applicants. Looking at other areas of the FinTech business, revenues from housing and other rent guarantee services have recently been rising in light of

Overview of Operations

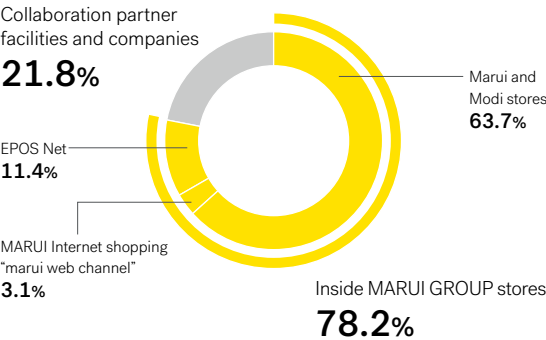
Credit cards	EPOS card
Financial services	ROOM iD advanced-payment rent guarantee service ROOM GUARD Be comprehensive renters' insurance plans
IT	System development

Transition in Earnings Structure from Cash Advances to Card Shopping

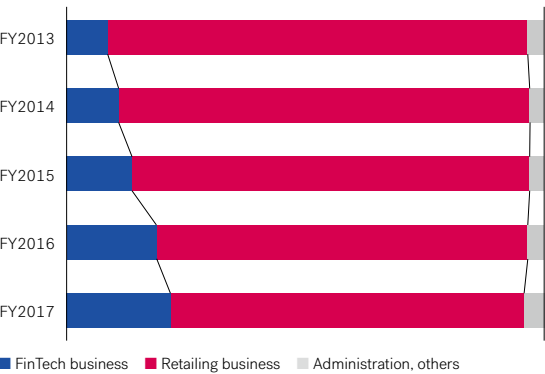


the scheduled massive revision to the Civil Code pertaining to credit, which will be the first revision of this nature in 120 years. We also plan to grow the FinTech business by increasing service revenues and expanding insurance service and other existing high-margin operations that do not require invested capital.

Distribution of EPOS Card Applications by Venue (FY2017)



Distribution of Group Employees by Business





# MARUI GROUP’s Retail-Nature Business That is Attentive to the Needs of Individual Customers

Since its founding, MARUI GROUP has remained committed to identifying the needs of individual customers based on their lifestyles, striving to attentively cater to these needs with fine-tuned responses. As the Internet spreads to every facet of our lives, MARUI GROUP will seek to evolve its retail-nature business to provide value that meets customer expectations through combinations of financial and non-financial services.

## Combinations of Financial and Non-Financial Services

In May 2017, Nobuchika Mori, commissioner of the Financial Services Agency, delivered a speech entitled “Will FinTech create shared values?” During this speech, Commissioner Mori stated that “Current product line-ups differ from player to player, but none at the moment has a combination of a wide range of financial and non-financial services that can meet the customers’ needs, be it a financial institution or otherwise.” If one were to view MARUI GROUP’s FinTech business as a provider of “financial

services” and the Company’s Retailing business as a supplier of “non-financial services,” then MARUI GROUP could be described as a “conglomerate that combines a wide range of financial and non-financial services to offer fulfilling lifestyles to all customers.” This would be an accurate way of explaining the business model merging retailing and finance that MARUI GROUP has developed since its founding.

Excerpts from “Will FinTech create shared values?” Speech Delivered by Financial Services Agency  
Commissioner Nobuchika Mori in May 2017

“Current product line-ups differ from player to player, but none at the moment has a combination of a wide range of financial and non-financial services that can meet the customers’ needs, be it a financial institution or otherwise.”

“As financial services become more sophisticated along with the advance of FinTech, the customers will not be able to assess the technologies behind the services they enjoy, and rather, they are likely to select services based on their trust in companies and their employees who provide the services.”

Source: “Will FinTech create shared values?”, Financial Services Agency  
www.fsa.go.jp/common/conference/danwa/20170525/01.pdf

## Customer-Oriented Retail-Nature Business

In the past, there have been some who have looked at the individual products and services offered by MARUI GROUP and have been led to believe that the Company’s business model was divided into retailing and finance operations. However, we see it differently. To us, retailing and finance are like two sides of the same coin, and these two concepts cannot be separated from one another in MARUI GROUP’s business. For example, EPOS cards and other financial services are provided through the retail stores that serve as our physical bases for card issuing, and our credit cards are primarily used for shopping purposes. As such, EPOS cards can be seen as a financial service intrinsically linked to non-financial services.

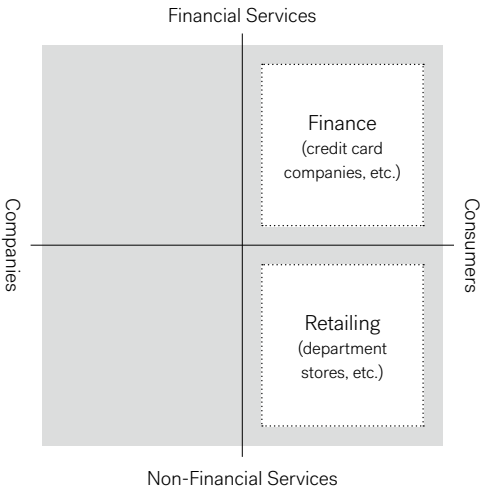
When looking at MARUI GROUP’s business from the perspective of the functions it provides customers, as opposed to the perspective of a business operator, it is clear that both the Company’s financial services and its non-financial services are inherently retail in nature as they cater to consumers instead of companies. We see the ideal form of MARUI GROUP’s retail-nature business as being one that seeks to identify the needs of individual customers based on their lifestyles in order to furnish attentive and fine-tuned responses. By providing combinations of financial and non-financial services based on this vision, we aim to contribute to the realization of a prosperous and inclusive society in which happiness is available to all.

## Leading Role as a New Player in the FinTech Market

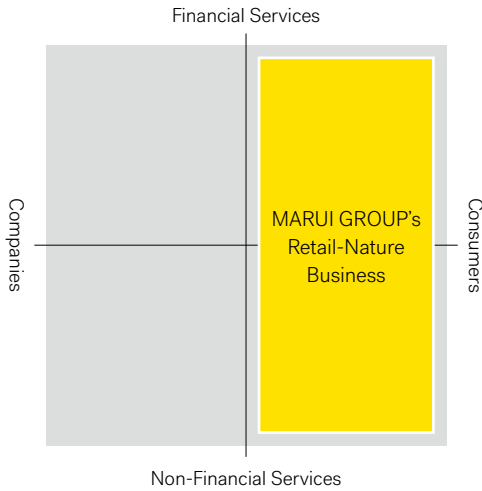
In the aforementioned speech, Financial Services Agency Commissioner Mori explains “As financial services become more sophisticated along with the advance of FinTech, the customers will not be able to assess the technologies behind the services they enjoy, and rather, they are likely to select services based on their trust in companies and their employees who provide the services.” As artificial intelligence, virtual currency, and other sophisticated financial and non-financial services emerge, the competitiveness of financial institutions and other companies will hinge on their ability to provide services that customers judge as both valuable and trustworthy.

The history of MARUI GROUP was built together with customers. Beginning with monthly installment payment sales and thus including consulting with customers about payments, there has never been a clear distinction between our financial and non-financial services. At the same time, MARUI GROUP has been a trailblazer in providing services powered by advanced technologies, issuing Japan’s first credit cards and introducing the industry’s first computer. The Company has thus evolved to possess physical stores that serve as points of contact with customers as well as both financial and non-financial services. We are confident that MARUI GROUP will be able to win customer trust and play a leading role as a new player in the FinTech market.

## Definition of Business from a Business Operator Perspective

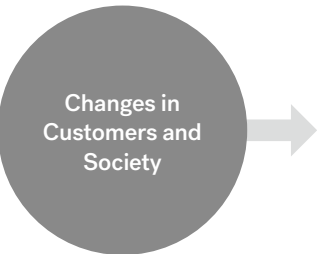


## Definition of MARUI GROUP’s Business



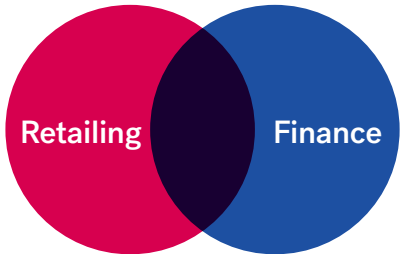
# Co-Creation Management Business Model

MARUI GROUP strives to develop a business that turns issues into value through co-creation with its various stakeholders. Japan is known for the various challenges it faces as a developed nation, in its aging population and declining birthrate, and this country has a population of approximately 126.8 million diverse individuals. It is the goal of MARUI GROUP to contribute to the realization of a prosperous and inclusive society in which no one is excluded and happiness is available to all. The path to accomplishing this goal is MARUI GROUP's vision for a co-creation management business model.



- ① Transition to e-commerce
- ② Shift from goods to experiences
- ③ Emergence of a sharing economy
- ④ Declining birthrate and aging population
- ⑤ Increase in demand from inbound travelers
- ⑥ Rise of cashless payment methods
- ⑦ Change of focus from saving to investment
- ⑧ End of era of low interest rates

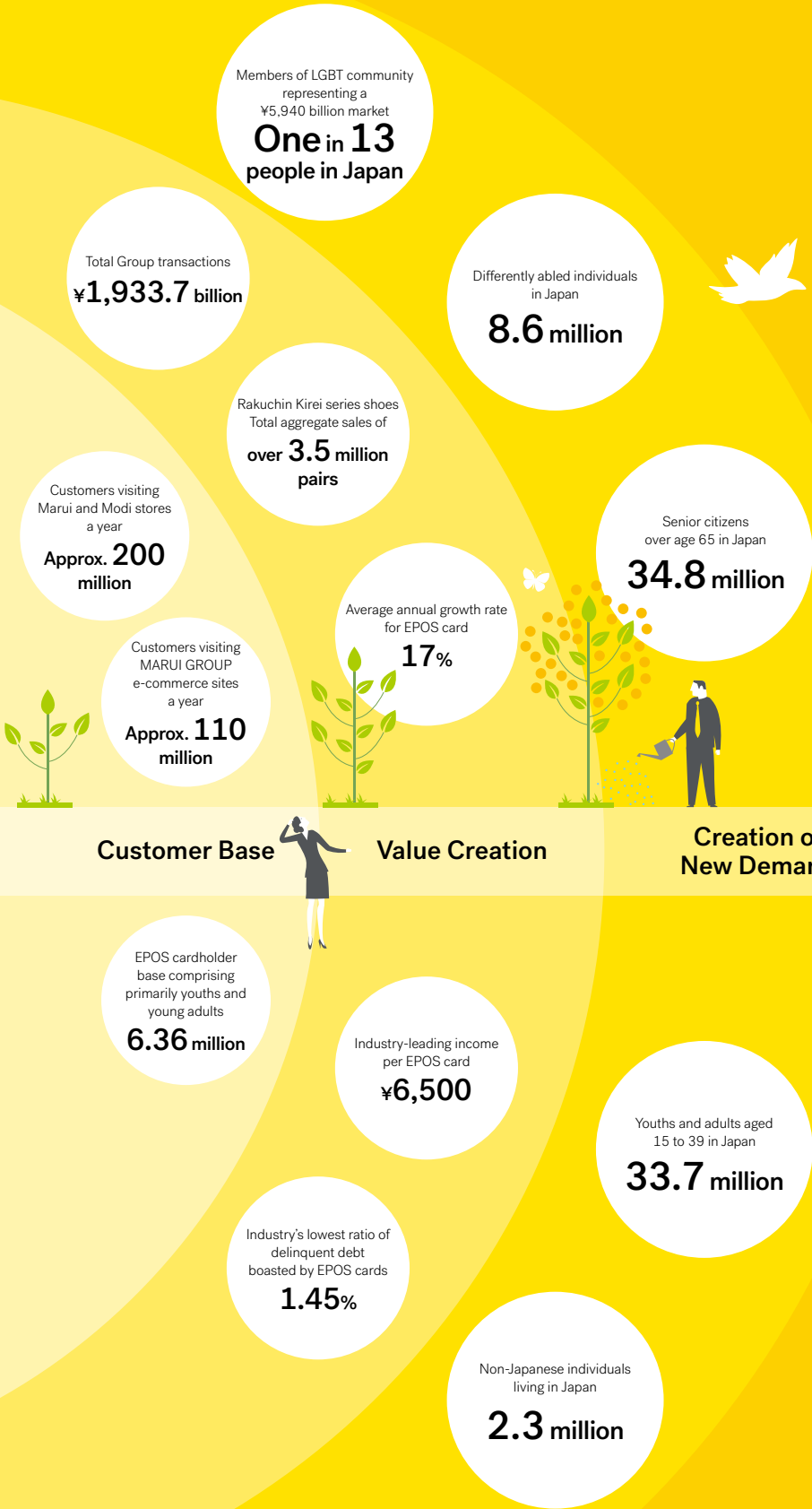
Unique Characteristics of MARUI GROUP Realized through Integrated Group Management



Customer-Focused Employees  
Co-Creation Management  
Founding DNA  
"Creditability should be built together with customers"  
"Pioneer spirit of creating opportunities"



Management Base

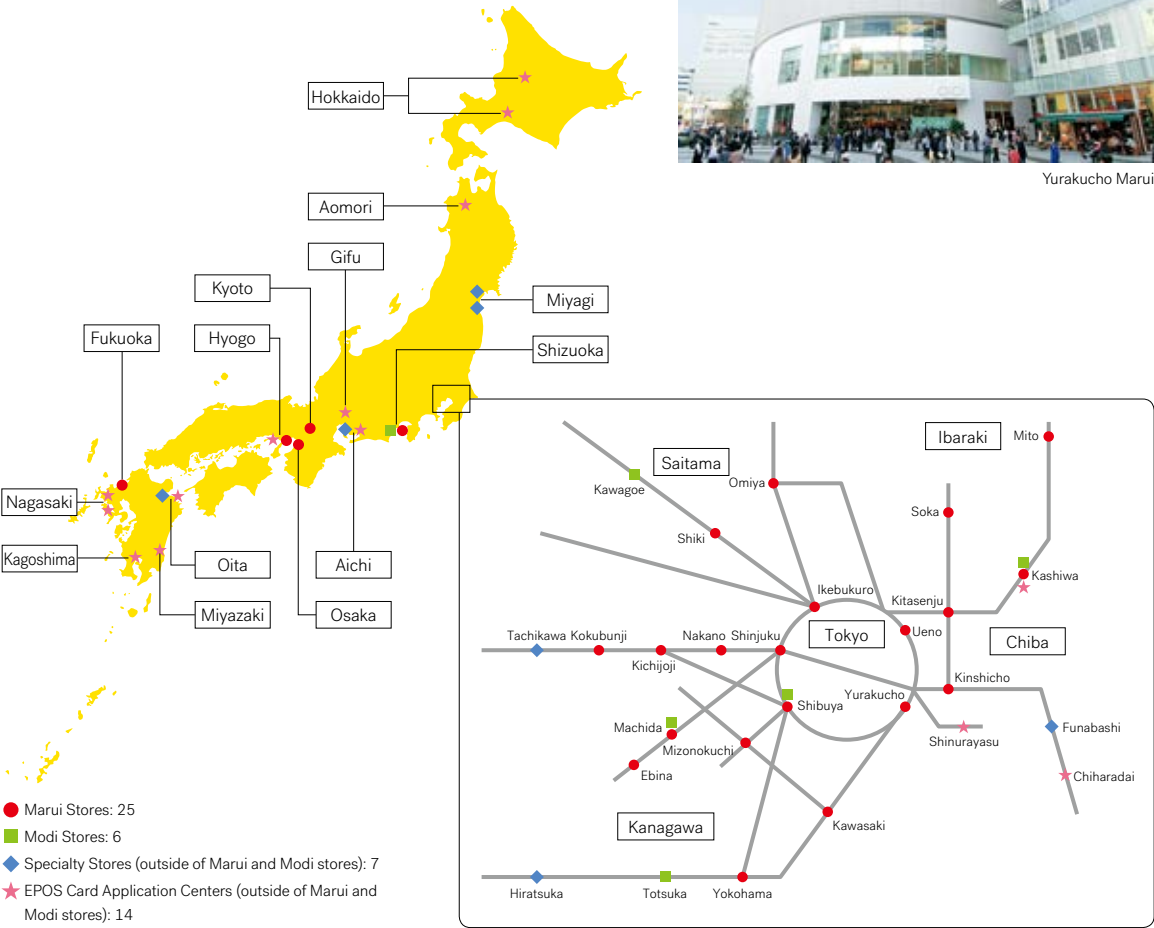


→P.92

A Flourishing and Inclusive Society  
Offering Happiness to All

# Retail Stores Serving as Points of Contact with 200 Million Customers a Year

When viewed from the perspective of retailing, MARUI GROUP's greatest strength is its retail stores, which serve as points of contact with approximately 200 million customers a year. The Company operates 31 large-scale commercial facilities predominantly located in major cities with high people traffic nationwide. The number of customers visiting these facilities is constantly increasing. We are also expanding our contact points in other locations, such as through the opening of private brand stores in commercial facilities operated by other companies and the creation of EPOS collaboration cards.



Marui Stores Located in Major Cities Nationwide

Shopping centers operated by MARUI CO., LTD.



Yurakucho Marui

POINT 1

Physical Stores in Prime Locations Functioning as Customer Contact Points

Although the overall birthrate is declining and the population is aging in Japan, the population of urban areas is actually increasing, creating greater disparities between regions. MARUI GROUP's 31 stores are located in prominent districts of major cities characterized by high convenience and people traffic. By employing new floor layouts that invite daily visits, we are creating spaces at which customers gather naturally (→P.32).



Modi Stores Based on Regional Characteristics

Commercial facilities operated by AIM CREATE CO., LTD.



Shibuya Modi

POINT 2

Opening of Specialty Stores Outside of Group Facilities and Promotion of Omni-Channel Retailing

MARUI GROUP's specialty stores deal in private brand products, most notably the Rakuchin Kirei series of shoes (→P.36). These stores are opened as tenants primarily in commercial facilities operated by other companies in areas where there are no Marui stores. We similarly set up try-on stores (→P.33) as short-term events at the facilities of other companies. Looking ahead, MARUI GROUP aims to expand its range of contact points with customers by accelerating its unique omni-channel retailing strategy, which takes advantage of the strengths of both physical stores and e-commerce.

Specialty Stores

Stores opened as tenants in other commercial facilities that sell private brand products from MARUI CO., LTD.



Rakuchin Kirei Shoes Fit Studio, AEONMALL KISOGAWA

POINT 3

Support for EPOS Collaboration Card Partner Facilities Utilizing Retailing Expertise

Employees from Epos Card Co., Ltd., with retailing experience are positioned at the commercial facilities of collaboration partners on a full-time basis. These individuals are able to explain the benefits of collaboration cards for customers and facility tenants directly to tenants, at the same time teaching them the card promotion techniques employees have honed based on their experience. In this manner, these employees help foster understanding regarding EPOS cards while also utilizing the retailing experience they have gained at Marui stores to create fans of partner facilities while expanding the Company's own cardholder base.

EPOS Card Application Centers Located in Group and Other Facilities

Application centers staffed with extensive customer service experience gained in the Retailing business



EPOS Card Application Center, Hakata Marui



# Co-Creation Store Development and Unique Omni-Channel Retailing Strategy

Amid the rapid spread of e-commerce, physical stores are faced with the need to provide services that cannot be replaced by e-commerce or that are complementary to e-commerce. Recognizing this need, MARUI GROUP invites customers to take part in the process of developing stores and new services in order to identify unapparent issues and unmet needs so that it may create new value in tune with the times.

## Store Development Based on Customers' Perspectives Rather Than Industry Conventions

MARUI GROUP's stores are currently undergoing a transition to a real estate model, which will entail its revenue source changing to rent revenues. This transition has enabled us to move away from our previous apparel-centric focus to alter the amount of floor space at our stores that is devoted to food, services, sundries, and other product categories catering to the long-term shift from consumption of goods to consumption of experiences. Moreover, planning meetings with customers and tenants are held at individual stores so that these stores can be developed based on customers' perspectives

rather than industry conventions. For example, we have positioned food vendors, which are of high demand among customers of all ages and genders, in first floor and other entrance areas. These food vendors have effectively drawn in customers that have gone on to shop on higher floors. On the upper floors of stores, we have introduced service providers that are closely linked to people's everyday lives, including mobile phone providers, clinics, and English schools. This new tenant distribution has caused customers to gather naturally at upper floors, thereby increasing earnings of these floors.



Planning meeting held together with customers and tenants



Food floor developed on first floor based on customer feedback



Service providers closely linked to people's everyday lives located on upper floors

### Confidence in Highly Varied Floor Layouts

Our co-creation store development efforts made us aware of a disparity between the conventions of the retailing industry and the actual needs of customers and tenants. At Hakata Marui, which was opened in April 2016, initiatives to respond to the needs that became apparent through planning meetings with customers included positioning food vendors on the first floor and kitchen accessory and *Kampo* (traditional Japanese) medicine stores on higher floors. This made for truly varied floor layouts. Finding tenants that catered to customer needs while also meeting the Company's requirements for net operating income yield was a struggle, and I was concerned about the low amount of floor space we were devoting to apparel products. However, Hakata Marui was able to welcome 13.4 million customers in the first year after opening its doors, a level similar to that of Yurakucho Marui. Now, I feel confident that this store development approach was the right one.



**Masahiro Aono**  
Executive officer  
Managing Director, MARUI CO., LTD.  
Director, AIM CREATE CO., LTD.

## Ideal Shopping Experiences for All

We open try-on stores at various commercial facilities located throughout Japan as short-term events. Try-on stores seamlessly link physical stores with Internet sales to create a completely new type of sales floor designed to provide customers with a smooth and highly satisfying shopping experience. These stores display samples of all sizes of certain products that customers can try on as they please, while purchases are made through the Internet. Moreover, these try-on stores serve as a venue for increasing EPOS cardholders along with the number of customers registered for our Internet sales sites, thereby contributing to medium-to-long-term income growth.



Purchases can be made through store-use tablets

### Omni-Channel Retailing Initiatives

Mail-order and Internet sales initiatives		Physical store sales initiatives
1988	Launched Voi mail-order sales catalog	
1995		Installed single-item product management system at all stores
2005		Began updating inventory information in real time based on individual product movements
2006	Established MARUI Internet shopping "marui web channel"	
2007		Commenced program referring customer to e-commerce website sales through coupons attached to receipts
2008	Completed integration of inventories for physical stores and Internet sales Began using store inventories to fill e-commerce orders	
2009	Integrated IDs for EPOS Net and MARUI Internet shopping "marui web channel"	Commenced in-store pickup service for items ordered via MARUI Internet shopping "marui web channel"
2010	Started displaying stores dealing in specific items and inventories on MARUI Internet shopping "marui web channel"	
2015	Launched artificial intelligence-powered recommendation services	
	Integrated physical store and MARUI Internet shopping "marui web channel" purchase histories	
2016	Established official LINE account	Launched nationwide try-on store initiative for private brand shoes
2017	Opened Marui store on Wowma! Internet sales site operated by KDDI CORPORATION	
	Introduced AutoStore robotic warehouse system at Company Internet sales distribution centers	

### Employee Comment



**Takayuki Shibao**  
Try-on Stores  
Omni-Channel Retailing Division  
MARUI CO., LTD.

Try-on stores utilize a framework created because some customers came to recognize the quality of Rakuchin Kirei series shoes only after trying them on. Our initial start had some bumps, but this initiative enabled us to deliver Rakuchin Kirei series shoes to regions in which there are no Marui stores. Looking ahead, I hope to further improve to help provide customers with the best possible shopping experiences.

### Employee Comment



**Mariko Hagiwara**  
Rakuchin Kirei Shoes Fit Studio  
Kinshicho Marui  
MARUI CO., LTD.

At Kinshicho Marui, we opened a try-on store with no inventory on a trial basis. Since this store was opened, we have proceeded to improve the quality of the shoes we offer so that the store can bring joy to as many customers as possible, and the number of customers commenting on the store's convenience continues to increase. These comments are a source of encouragement in my daily work.



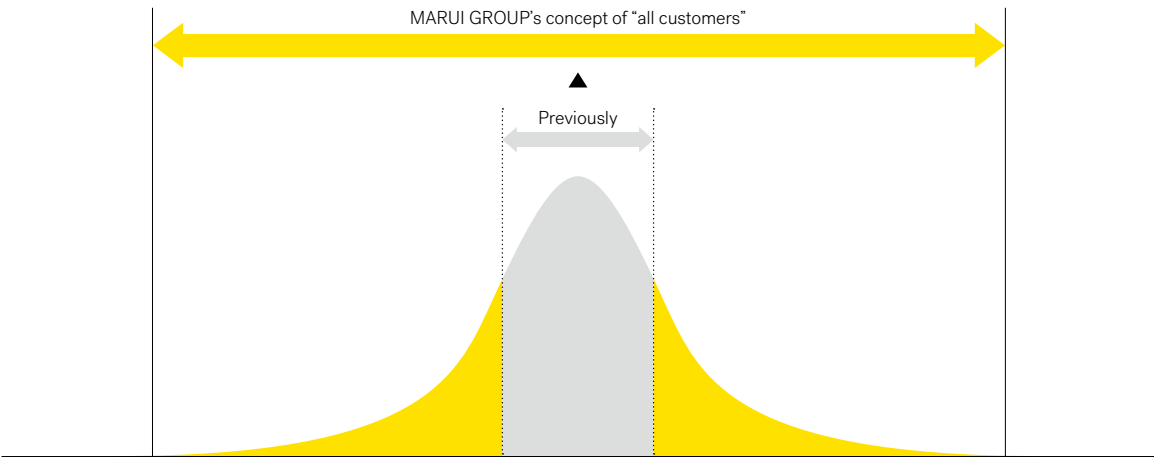
# Quest to Bring Joy to People of All Ages, Genders, and Physical Characteristics

Looking forward to 2020, the year of the upcoming Tokyo 2020 Olympic and Paralympic Games, MARUI GROUP is implementing various initiatives on its quest to bring joy to all customers, regardless of their age and including people of all genders, such as members of the LGBT community, and people with disabilities.

## Customer Diversity and Inclusion

Japan has a population of approximately 126.8 million diverse individuals. If we adopt a perspective of creating spaces in which all people can flourish, the issues faced by Japan could be turned into opportunities.

MARUI GROUP strives to develop a business that creates innovation for the benefit of everyone, effectively transforming such opportunities into value. This is the goal of our customer diversity and inclusion initiatives.



**Ratio of Senior Citizens**  
The population of senior citizens over the age of 65 in Japan is 34.8 million.

**27.5%**

Source: Population Estimates, Statistics Bureau, Ministry of Internal Affairs and Communications

**Ratio of Differently Abled Individuals**  
In Japan, 8.6 million people have physical or mental disabilities.

**6.8%**

Source: Annual Report on Government Measures for Persons with Disabilities, Cabinet Office, Government of Japan, 2017

**Ratio of LGBT Community Members**  
One in 13 people in Japan is part of the LGBT community, representing a ¥5,940 billion market.

**7.6%**

Source: LGBT Survey 2015, Dentsu Diversity Lab, DENTSU INC., 2015

## Improvement of Customer Service

Employees undergo Service Care-Fitter training to foster a spirit of hospitality and to learn how to accommodate various customers. This training is conducted in-house by 11 Group employees that have acquired official instructor qualifications. In addition, external lecturers are invited to implement training for the Universal Manner Placement Examination program and to perform LGBT training. Employees also receive training on catering to the needs of inbound travelers performed by non-Japanese lecturers. With the skills gained, we aim to improve customer service in order to foster an environment in which all customers can enjoy shopping.



In training for assisting customers using wheelchairs, employees learn how to operate wheelchairs through actual use.



Employees wear special goggles to show how objects appear to someone with cataracts in senior citizen simulation training.

## Enhanced Drive to Inform Customers

MARUI GROUP is engaged in various activities to keep its customers informed on its efforts, particularly its co-creation store development initiatives for creating stores that can be enjoyed by individuals of all genders and physical characteristics. For example, we are proactively communicating our co-creation initiatives through participation in the events of TOKYO RAINBOW PRIDE, an organization that aims to create a society in which individuals of all sexual orientations and sexual preferences are able to live optimistically and to be themselves, while remaining free from discrimination and prejudice.



Our booth at TOKYO RAINBOW PRIDE 2017 displaying Rakuchin Kirei series shoes available in a wide range of sizes



Competition sponsored by the Japan Blind Football Association, which MARUI GROUP provides with the official suits for the Japan national team through a partnership agreement

Employee Comment



**Hitomi Kanazawa**  
Marui Future Project Team  
Sustainability Department  
MARUI GROUP CO., LTD.

## Groupwide Promotion of LGBT Understanding

When we participated in TOKYO RAINBOW PRIDE in May 2016, understanding of the LGBT community within the Company was rather low. In the year that followed, however, we have seen a massive change in employee awareness, denoted by the recent rise in divisions voluntarily requesting LGBT manner training. During the period of TOKYO RAINBOW PRIDE in May 2017, rainbow flags were displayed at 12 Marui and Modi stores. Event flyers and special edition paper shopping bags made for the event were also distributed. Furthermore, a total of 80 employees volunteered to take part in the event's main draw: the parade. These employees marched in the parade while wearing original MARUI GROUP T-shirts. I view such developments as a testament to how the concept of customer diversity and inclusion has become rooted throughout the Group. I hope to plan other initiatives on this front in the future.

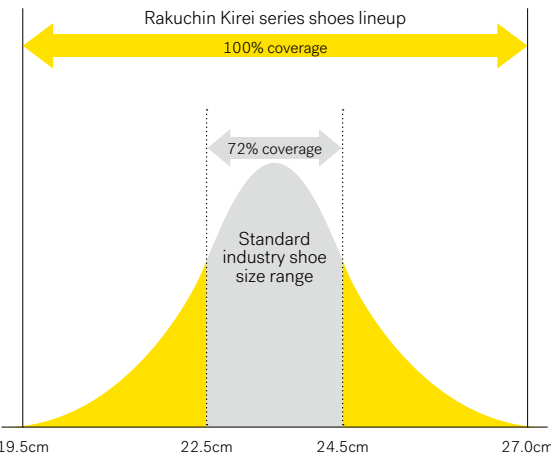
# Co-Creation of Inclusive Products with Customers

MARUI GROUP views product creation as the process of developing products that match the physical characteristics of customers. We are thus establishing development and sales frameworks for supplying products that benefit all customers, excluding no one regardless of their physical characteristics. We thereby seek to include and provide joy to all customers and to forge a business model that creates new demand.

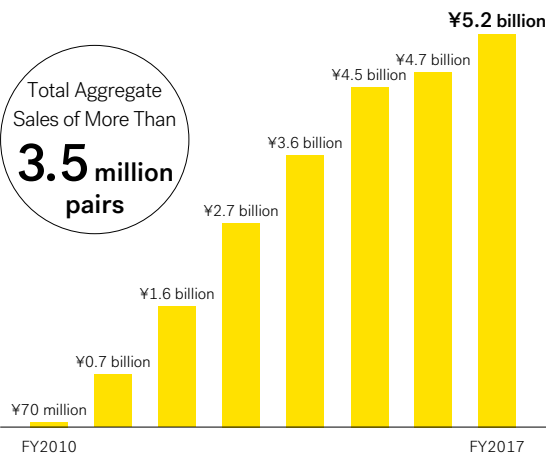
## Development of Size Lineup Accommodating All Customers

Previously	Going forward
<ul style="list-style-type: none"><li>• Standard industry sizes</li><li>• Emphasis on design and other aesthetic qualities</li></ul>	<ul style="list-style-type: none"><li>• Wide range of sizes accommodating all customers' feet</li><li>• Balanced focus on design, comfort, and price</li></ul>

### Shoe Size Range to Cover 100% of Foot Sizes



### Sales of Women's Shoes: Rakuchin Kirei Series



**Customers' Shoe-Related Concerns**  
Ratio of customers expressing dissatisfaction with the comfort of shoes  
**90%**  
Based on survey of EPOS cardholders conducted when development of Rakuchin Kirei series shoes had just begun

**Shoes that Go Unworn after Purchase**  
Ratio of customers responding that they stopped wearing shoes due to size issues or pain  
**41%**  
Based on survey of EPOS cardholders conducted when development of Rakuchin Kirei series shoes had just begun

## Customer Participation in Product Development

At the time when development of the Rakuchin Kirei series of shoes was first started, a survey of EPOS cardholders indicated that around 90% of them had felt discomfort with their shoes. This survey made it clear that customers were unable to find pumps satisfying all of their needs with regard to fashion, comfort, and affordability. We thus vowed to create just such shoes. We began by measuring customers' feet and analyzing the results to make original shoe trees. We then held planning meetings together with customers that had expressed dissatisfaction with the comfort of their shoes. The Rakuchin Kirei series of shoes only consists of those products able to meet the strict standards of customers after being refined through an ongoing cycle of thinking and creating prototypes together with customers.



Rakuchin Kirei series of shoes (Japanese only)  
vo.i.0101.co.jp/voi/webshop/customer\_portal/index.jsp

## Needs Related to Shoe Sizes

The foot sizes of adult women in Japan are said to range from 20.5 cm to 26.0 cm. However, the standard range of shoe sizes offered by the Japanese apparel industry is from 22.5 cm to 24.5 cm, which covers only 72% of this

range of foot sizes. With the Rakuchin Kirei series of shoes, we expanded the range of sizes we offer from 7 sizes to 16 sizes, covering foot sizes from 19.5 cm to 27.0 cm, in order to accommodate customers wanting to buy shoes that were previously unable to due to their physical characteristic of having small or large feet. This process led to the Rakuchin Kirei series of shoes covering 100% of foot sizes, giving all customers the opportunity to enjoy these shoes and thereby selling more than 3.5 million pairs to date.

## Product Creation Efforts for the Benefit of All Customers



**Employee Comment**

**Ai Saiki**  
Shoes Business Section  
Omni-Channel Retailing Division  
MARUI CO., LTD.

I have been involved with the Rakuchin Kirei series of shoes as a member of the sales staff since its launch, and I was well aware of customers' concerns regarding shoes. We are currently in the process of creating an environment that will encourage as many customers as possible to experience the comfort and wide range of sizes provided by these shoes. Specific efforts in this regard include renovating shoe sales floors and establishing new ones. I am driven in these efforts by the comments of satisfied customers.

**Employee Comment**

**Miki Goi**  
Shoes Business Section  
Omni-Channel Retailing Division  
MARUI CO., LTD.

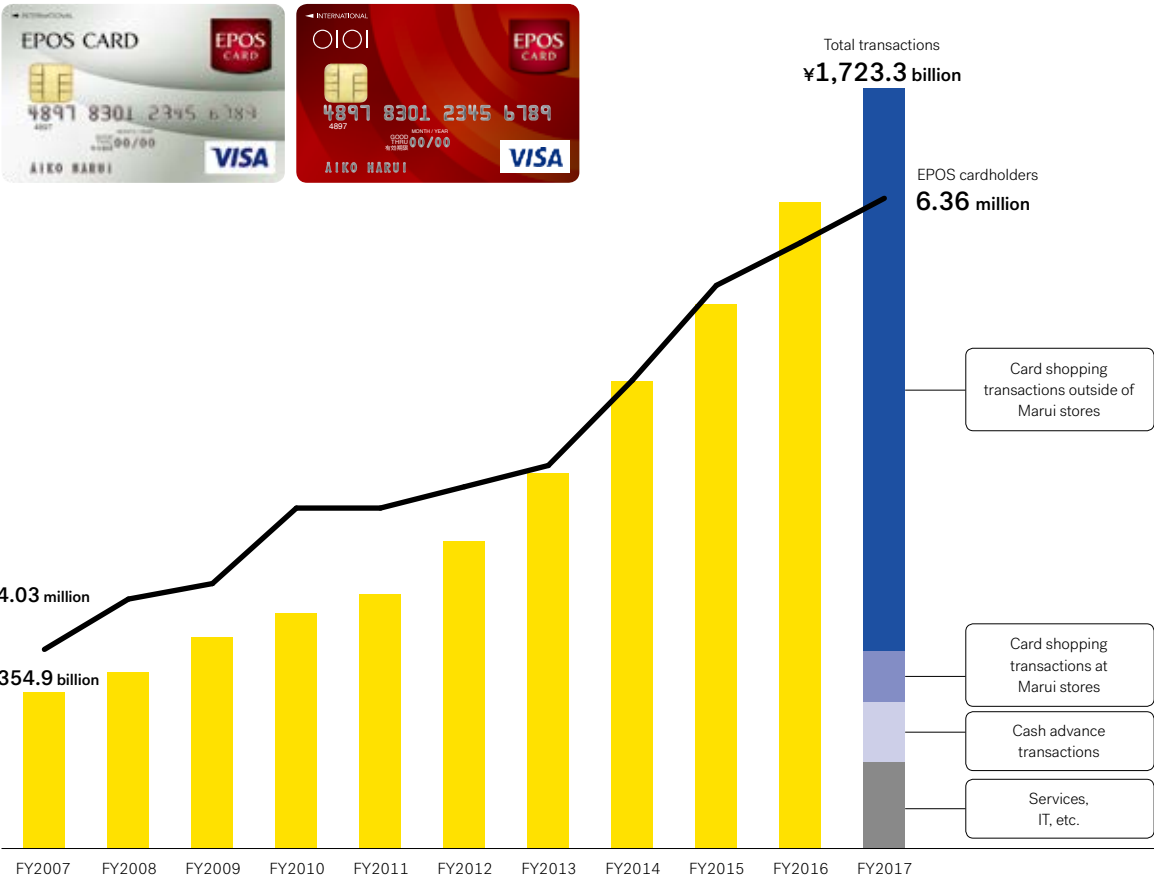
We are intensely focused on developing products that meet customer needs based on the input gathered from customers during planning meetings. After expanding our size lineup, customers expressed their appreciation by stating how they were able to feel the joy of fashion and finding shoes that fit. Knowing that I have been able to enrich the lives of customers is a major source of motivation. In future product development activities, I will maintain my approach of earnestly incorporating customer input.

# FinTech Business with Annual Growth Rates of 17%

Transactions in MARUI GROUP's FinTech business have continued to grow at an average rate of 17% per year, well above the average of 7% for the credit card industry. Previously, we offered an in-house card that was only usable at MARUI GROUP stores, but everything changed when we received a direct license from Visa Worldwide

Japan Co., Ltd., allowing us to begin offering the EPOS card, a multipurpose card that is usable anywhere in the world. Since its launch in 2006, the EPOS card has contributed to ongoing growth in card shopping transactions, driving the growth of not only the FinTech business but also of MARUI GROUP as a whole.

Transactions in MARUI GROUP's FinTech Business



POINT 1

**Cardholder Base Consisting Largely of Youths and Young Adults and Generating High Profitability**  
We set low credit limits for new applicants, making it easier for students, minors, and other individuals whose income will only start growing in the future to receive credit cards. As a result, for approximately 30%\*1 of our cardholder base, the EPOS card was their first ever credit card. In addition, we encourage cardholders to upgrade to Gold cards, which feature no annual fees, based on their usage frequency and amounts. Approximately 25% of cardholders currently carry Gold or Platinum cards. Moreover, Gold cardholders tend to maintain consistently high rates of using revolving and installment payments while making transactions in larger amounts, contributing to higher earnings.

\*1 Source: Epos Card Co., Ltd.

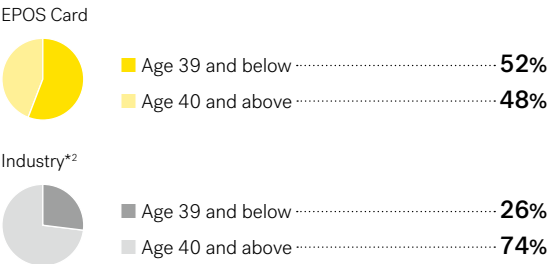
POINT 2

**On-the-Spot, In-Store Issuance Made Possible by IT-Powered Operations**  
System management and development at MARUI GROUP is handled by Group company M & C SYSTEMS CO., LTD. This company develops over 100 systems a year and is capable of delivering speedy service and installing cutting-edge technologies. Thanks to systems developed by this company, we are able to issue EPOS cards on the spot using store tablets in as little as 20 minutes, a world record. In fact, the EPOS card is an IC-chip-equipped Visa card to be issued in this manner. By enabling customers to receive their EPOS card on the spot and use it immediately, we make it more likely that their EPOS card will become their main card, thereby realizing higher rates of active card users.

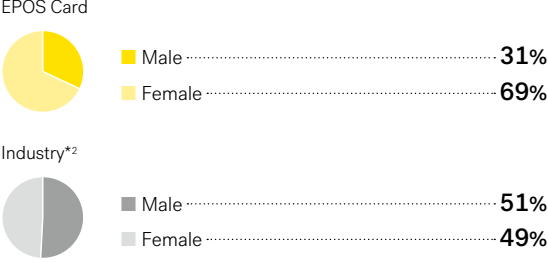
POINT 3

**Unique Collaboration Scheme Supporting Nationwide Expansion**  
As part of our efforts to expand our cardholder base, we issue collaboration cards together with partner facilities and companies from other industries. We establish EPOS card application centers as tenants at partner facilities, which allows us to position application centers across Japan. Furthermore, although standard collaboration cards only grant cardholders access to the benefits of the one partner that corresponds to their card, EPOS collaboration cards allow holders to use the benefits of all partners with just one card. This unique scheme is beneficial for customers and collaboration partners as well as for MARUI GROUP.

Cardholders by Age



Cardholders by Gender



\*2 Source: Consumer Credit Statistics from Japan (FY2016), Japan Consumer Credit Association

NEWS

Receipt of 16th Porter Prize by MARUI GROUP's Credit Card Services Business

MARUI GROUP's credit card services business has a long history dating back to its founding and the installment payments offered then that gained additional depth when the Company issued Japan's first credit card in 1960. This business was awarded the 16th Porter Prize. The rationale for this selection included a high evaluation of factors such as how we ensure the convenience of credit card issuance in recognition of our cards' position in supporting retail, how our cards are largely held by customers under the age of 40 due to our policy of building creditability together with customers, and the large ratio of revolving payment usage.

[www.porterprize.org/english/pastwinner/](http://www.porterprize.org/english/pastwinner/)

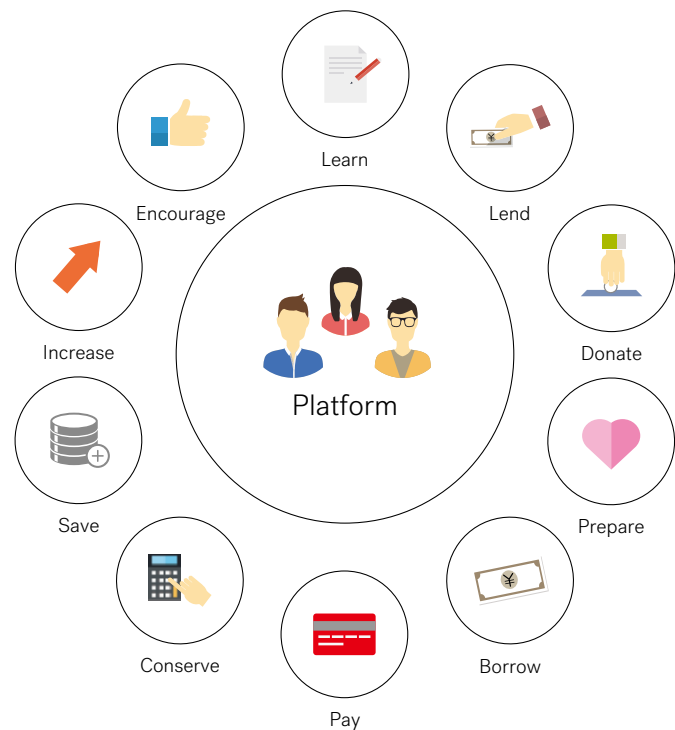
About the Porter Prize

The Porter Prize is an award that was created in July 2001 to bestow recognition on Japanese companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies based on innovations in products, processes, and ways of managing. The name of the award is derived from Professor Michael E. Porter of Harvard University.



# Financial Services in Our Daily Lives

MARUI GROUP only provides financial services, such as payment and borrowing services, through its credit cards. In the future, however, the Company will strive to expand its offerings to include services for saving, increasing, and lending money as well as for encouraging others and preparing for contingencies. We will engage in open innovation activities with venture and other FinTech companies to develop such services in various fields.



Employee Comment



**Hironobu Mamuro**  
Credit Management Department  
Epos Card Co., Ltd.

### A Card Usable by All Customers When and Where They Need It

In 2006, after receiving a direct license from Visa Worldwide Japan Co., Ltd., we began issuing EPOS cards, the world's first IC-chip-equipped Visa card to be issued on the spot in stores (system is patent pending). When the Retailing business began developing stores to cater to customers of all ages, we followed suit by starting up a Groupwide project pertaining to credit cards. Through this project, discussions regarding the ideal form of our credit card were carried out over the course of a year. The conclusion we reached was that our credit card should be a card that is usable by all customers when and where they need it. We thus decided to transition from our previous in-house credit card to a multipurpose credit card. On-the-spot, in-store issuance of an IC-chip-equipped credit card was an unprecedented feat, even for Visa, and this company's high security standards made negotiating for this privilege difficult. Luckily, MARUI GROUP had all of its system development, information security management, and card issuance procedures conducted through a Group company, which enabled us to tackle this challenge through a concerted Groupwide effort. Eventually, we succeeded in receiving approval from Visa thanks to this strength.



### Pay

#### Easy and Smooth Payment

In March 2017, it became possible to use Apple Pay with all EPOS cards. EPOS cardholders are now able to register their card with their iPhone or Apple Watch, a simple process that allows for smooth payments at convenience stores and other locations.



#### Trial Introduction of Bitcoin Virtual Currency

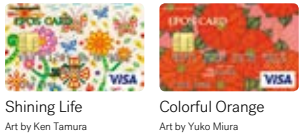
In August 2017, we introduced, on a trial basis, a service at Shinjuku Marui Annex that allows payments to be conducted using the bitcoin virtual currency. The decision to test this service was based on the April 2017 revision to the Payment Services Act as well as the rapid rise in individuals in possession of bitcoins in Japan. The service itself used the bitFlyer wallet smartphone application provided by bitFlyer, Inc., Japan's largest bitcoin broker.



### Donate

#### Cards Designed by Differently Abled Artists

We held a card design contest for differently abled artists. Two of the submissions were selected via customer vote and then transformed into actual cards in June 2017. The issuing fee for a card with one of these designs is ¥500. All of this amount is donated to SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION, an organization that supports the independence of differently abled individuals.



#### Donations through EPOS Points

MARUI GROUP has included a donation option on the list of EPOS point exchange options, providing an outlet for cardholders who wish to contribute to society. Well-meaning cardholders can choose from among 14 donation targets that have been sorted into four categories: support for children's education through UNICEF, humanitarian and refugee aid, environmental and regional support, and support for differently abled individuals.



### Learn

#### Money Seminars for EPOS Cardholders

We hold Money Seminars for EPOS cardholders conducted by financial planners. Approximately 80% of the individuals that apply for these seminars are in their 30s or younger, verifying the high level of interest in financial services among young adults.



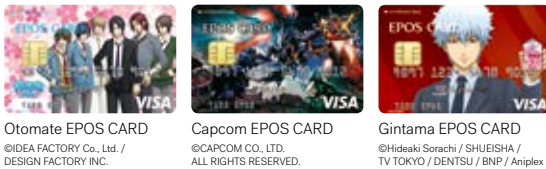
### Encourage

#### Monthly Rent Advanced-Payment Rent Guarantee Service

The ROOM iD advanced-payment rent guarantee service bundles advanced payment and guarantee services for renters. This service eliminates the need for renters to identify a guarantor when moving into an apartment, which has become increasingly more difficult due to the declining birthrate and aging population.

#### Communication of Anime Content to the World

MARUI GROUP established the Anime Business Department in April 2016 to spearhead efforts to communicate anime content to the world. Anime is an art form Japan prides itself on and is said to have a market value of ¥12 trillion on an annual basis. The department engages in collaborative initiatives that increase the value of anime works and creates EPOS cards with original anime-inspired designs, much to the delight of fans.



Employee Comment



**Yoshiki Murabayashi**  
Anime Business Department  
MARUI GROUP CO., LTD.

The Gintama EPOS CARD was issued following MARUI GROUP's participation in the production committee for the live action *Gintama* movie. This card proved immensely popular, with more than 10,000 cards being issued in only two months. I am proud to know that the card and store promotions I carried out based on my experience at Epos Card helped make *Gintama* an even greater hit.

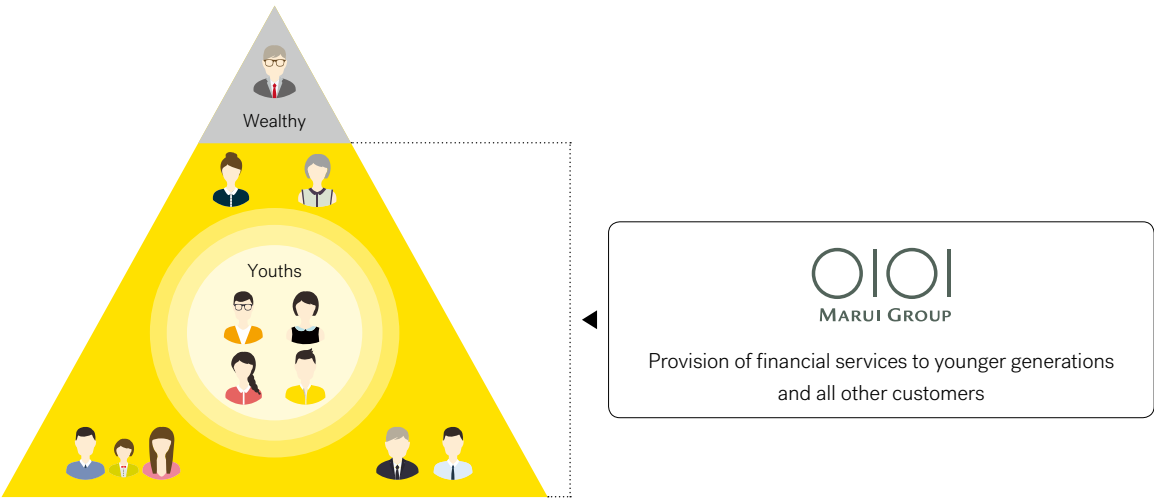
# Financial Inclusion of All Customers

MARUI GROUP's vision for financial inclusion is to provide financial services that can enrich the lives of younger generations and everyone else. This vision shares the same perspective as a core concept of the United Nations Sustainable Development Goals—the idea that no one will be left behind.

## Services for Younger Generations and Everyone Else

In the past, financial services have primarily been for the wealthy. The concept of FinTech seeks to break away from this tradition by providing financial services that can be used by everyone, regardless of their income or age. MARUI GROUP sees its mission as being to

promote financial inclusion by supplying financial services to everyone. Accordingly, we strive to provide financial services that enrich the lifestyles of everyone, particularly the youths and young adults for whom existing financial services lie out of reach.



**Inability of People under the Age of 40 to Secure Sufficient Financial Assets**

Ratio of the approximately ¥1,700 trillion worth of financial assets in Japan owned by households headed by people in their 30s or younger

**6.6%**

Based on Presentation on Inheritance Tax and Donation Tax, Ministry of Finance, October 2015

**Increasing Emphasis on Preparing for the Future Among People Aged 18-39**

Ratio of people preparing for the future through saving or investment

**58.2%**

Based on Public Opinion Survey Concerning People's Lifestyles, Cabinet Office, June 2017

## Concept of a Prosperous Society

The impetus for MARUI GROUP turning its focus to everyone was the question of what exactly constitutes a prosperous society. An issue faced by Japan is disparity between individuals. When looking at the country, we saw that, although many were successful at accumulating material wealth, there were some that were excluded from this pursuit.

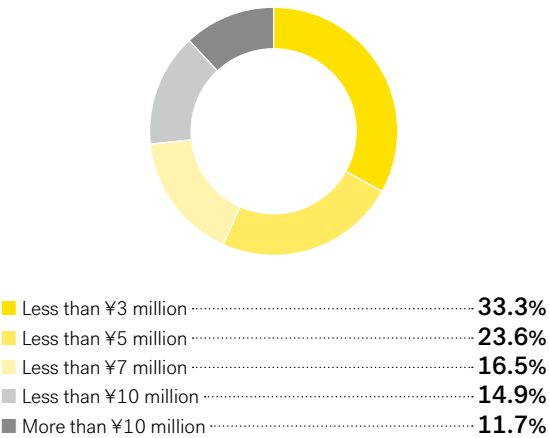
In terms of products, the industry standard sizes for women's shoes, for example, only covered the foot sizes of 72% of Japanese women, excluding many for use of these products. The world of financial services was even more exclusive, as the majority of services were only provided to a limited group of wealthy individuals. Recognizing this fact led us to conclude that society could not be said to be truly prosperous unless products and services are made available to all individuals. Moreover, we came to realize that it would not be enough to simply provide inclusive financial services as social contributions; we would need to also craft these services into a business model that could achieve sustainable growth.

## MARUI GROUP's Vision of Inclusion

A large portion of MARUI GROUP's customers are aged 18 to 39. The Company history began with a business of helping young adults that could not purchase expensive furniture in single payments, and this spirit lives on in our operations today. Based on our unique credit philosophy, we have set credit limits for new applicants lower than those of other companies in order to make it easier for university students and minors without credit card experience to apply. Accordingly, the EPOS card is the first card for many of our cardholders, and we have thus been able to forge long-term relationships with these customers.

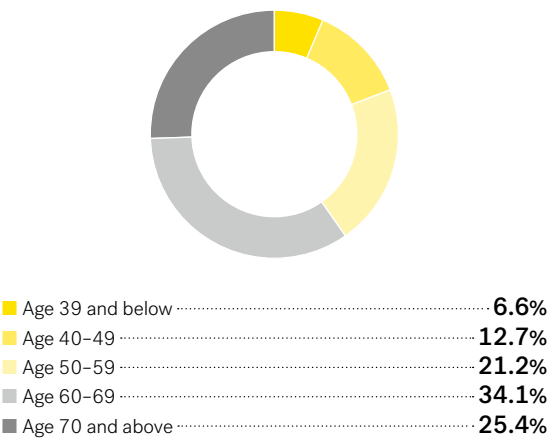
Among developed countries, the portion of financial assets that are in the form of savings is thought to be the highest in Japan. Of the approximately ¥1,700 trillion worth of financial assets in the country, only 6.6% are held by households headed by people in their 30s or below. Nonetheless, the number of youths and young adults focused on preparing for the future is rising. Looking at the social issues expected to arise in the future, MARUI GROUP is branching out from the conventional payment and borrowing services provided through credit cards to offer a wider variety of financial services in its FinTech business, including those for saving, increasing, and lending money, offering monetary encouragement, and preparing for the future. Moreover, we hope to supply these services to youths and young adults as well as to everyone else.

Households in Japan by Income Level



Based on Comprehensive Survey of Living Conditions, Ministry of Health, Labour and Welfare, 2016

Total Financial Assets in Japan by Age of Head of Household



Based on Presentation on Inheritance Tax and Donation Tax, Ministry of Finance, October 2015

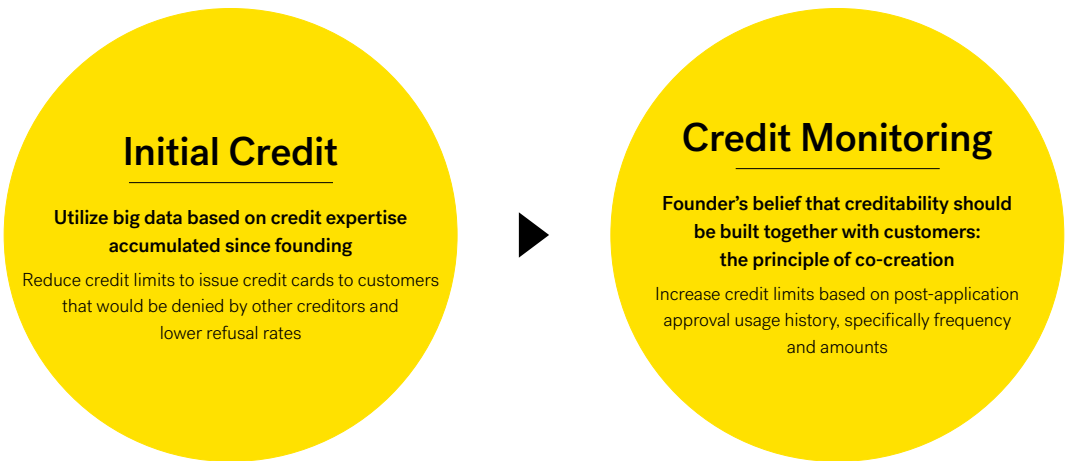
# Big Data and Co-Creation Credit Expertise Supporting MARUI GROUP

Since its founding, MARUI GROUP has operated under the basic belief that creditability should be built together with customers. As opposed to being assigned credit based on a customer's age, profession, or income, we feel that credit must be shaped through a customer's usage and payment records. This belief has led to our ratio of delinquent debt being the lowest in the industry at 1.45%.

## Basic Credit Philosophy

The credit standards MARUI GROUP uses in judging credit card applications and setting credit limits are based on the belief that creditability should be built together with customers, which we have adhered to since the time of the Company's founding. This belief clearly distinguishes MARUI GROUP from other companies, which generally

base judgments primarily on a customer's age, profession, and income, as the Company instead seeks to build trusting relationships with customers in accordance with their credit card usage frequency and amounts after application approval.

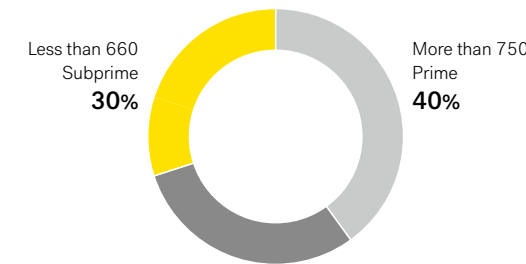


MARUI GROUP's Basic Credit Philosophy	
Credit	Creditability should be built together with customers based on usage and payment histories, regardless of age, profession, or income.
Delayed payments	Responsibility lies with both the customers and the creditor, and a payment solution should be sought together.
Customers that do not pass examinations	Such customers should be refused (while expressing appreciation for applying), and we must continue seeking to improve the accuracy of credit examinations to lower refusal rates.

## U.S. Credit Scores and MARUI GROUP's Big Data

In the United States, credit cardholders are assigned credit scores based on their credit histories, and these scores are stored by credit institutions. In addition to credit card usage, credit scores also take into account factors such as housing and automobile loan repayment history, outstanding debt amounts, and other credit information to assign individuals a score of 300–850. The average credit score is around 680, and individuals with scores of less than 660 are considered to be in the subprime range. Roughly 30% of all people in the United States are in this subprime range (see Figure 1). Credit scores are not only referenced when applying for credit cards or bank loans, but also when seeking employment or renting housing. In this manner, credit scores are used to judge various aspects of people's lives, and the level of a person's creditability is decided based on their credit history.

Figure 1: Distribution of Consumers by Credit Score in the United States



Based on Fair Isaac Corporation

Similarly, MARUI GROUP uses credit-related big data collected based on customers' payment histories. When issuing a credit card to a first-time applicant, we conduct examinations based on external credit histories while also utilizing our unique credit expertise. This expertise has been accumulated over the course of MARUI GROUP's history, beginning with the sale of furniture through monthly installment payments at the time of the Company's founding, and is based on our co-creation philosophy of building creditability together with customers. Our credit framework does not entail assigning credit to customers, but rather involves setting a credit limit that is within their means and gradually increasing this limit based on their usage history. Through this framework, our cardholder base has come to largely comprise university students and minors without credit card experience and adults aged 18 to 39. Furthermore, 30% of these individuals received their first ever credit card from MARUI GROUP. From our founding up until today, we have continued to amass extensive amounts of data on customers' credit histories. This data has allowed us to develop wide-ranging expertise with regard to credit, which helps us identify the cases in which credit limits accurately match customers' means and the cases in which a customer will likely become a credit delinquent. Based on this expertise, we are able to increase the accuracy of credit examinations. This data and expertise have evolved into the big data that serves as the initial credit standards used by MARUI GROUP in issuing credit cards.

## Credit Philosophy of Building Creditability Together with Customers

Through EPOS cards, we seek to provide customers with their first credit card and encourage them to use this card over the long term. To this end, we set initial credit limits lower than other credit providers in order to supply financial services, namely credit cards, to those customers that could not receive a card elsewhere. This approach has led to a large portion of EPOS cardholders being adults aged 18 to 39, a demographic that tends to have a strong inclination to make purchases. In monitoring customer credit, we use our credit management platform and seek to raise customers' credit limits based on usage history, and have maintained the industry's lowest ratio of delinquent debt as a result. It is common for customers without credit experience or that do not have bank accounts to fail to pass initial credit examinations and therefore not be issued a credit card. At MARUI GROUP stores, however, our refusal rate for credit card issuances is only 8%, whereas other providers exclude a much greater number of individuals, as indicated by the industry average refusal rate of 23%. This difference is a product of MARUI GROUP's credit philosophy of building creditability together with customers.



**Toshikazu Takimoto**  
Managing Executive Officer  
Responsible for FinTech Business



U.S. Credit Cycle and MARUI GROUP's Ratio of Low Delinquent Debt

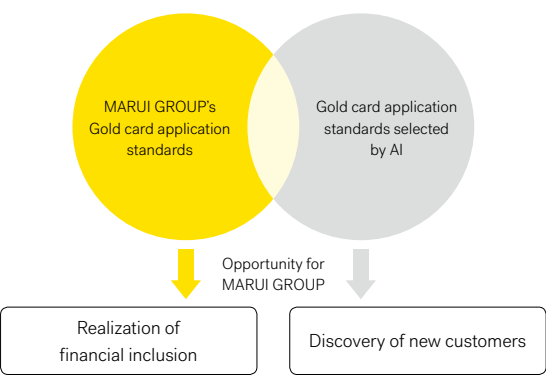
In the United States, there is an ongoing cycle in which loans to subprime individuals leads to an increase in the rate of overdue debt, which causes lenders to refrain from subsequently lending, in turn stimulating a decrease in the rate of overdue debt. This is referred to as the "credit cycle" (see Figure 3). The current stage of this cycle is the one in which its overdue debt rates rise, meaning that even credit card companies with impressive transaction volumes cannot ensure that this topline growth will translate to higher profit. When viewed from an inclusion perspective, altering lending volumes based on the credit cycle will not be at all helpful in reducing customers' concerns for their livelihood or in resolving issues surrounding subprime borrowers.

MARUI GROUP's own experience is a counter example to the credit cycle. Although the ratio of delinquent debt rose temporarily over the period from 2005 to 2008, due in part to the impacts of the revision of the Money Lending Business Act, this ratio has continued to decline thereafter, recently reaching the industry low of 1.45%. At the same time, EPOS card transactions have been growing at an average rate of 17% per year, dwarfing the Japanese credit industry average of 7% per year. This ability to defy the standard set by the U.S. credit cycle indicates that MARUI GROUP's business represents a model for achieving sustainable growth while simultaneously realizing financial inclusion (see Figure 4).

Improvement of Credit Standard Accuracy Using Artificial Intelligence

A major characteristic of MARUI GROUP's credit standards is that they are based on credit information relating to individual customers' shopping habits and lifestyles. In 2016, we conducted an experiment using artificial intelligence (AI) to verify the accuracy of our standards for Gold card applications. This experiment indicated a difference between the Gold card application standards used by the Company and those selected by AI. The results also showed that our credit standards are distinct from those of other companies using AI. At the moment, we are monitoring the usage patterns of the individuals that AI has newly selected as Gold card candidates to further improve the accuracy of our credit standards (see Figure 2).

Figure 2: Comparison of Gold Card Application Standards



**Hirotsugu Kato**  
Director and Senior Executive Officer  
General Manager, IR Department  
In charge of Corporate Planning and ESG Promotion

Unprecedented Business Model Not Seen Anywhere Else in the World

When I was visiting the United States as part of our investor relations activities in July 2017, a credit card industry analyst asked how, despite having a customer base primarily consisting of youths and young adults, we were able to achieve industry-leading levels of growth while maintaining and even decreasing the ratio of delinquent debt for EPOS cards. It was through this exchange that I first learned of the credit cycle. In the United States, if the number of subprime cardholders goes up, the rise in lending to these cardholders will almost assuredly cause an increase in the ratio of delinquent debt. This principle is common sense within the industry in the United States. However, EPOS cards deny this principle by maintaining average annual growth of 17% combined with a decreasing ratio of delinquent debt. This accomplishment is no doubt a result of the credit expertise, currently grounded in co-creation and big data, that we have unconsciously exercised since the Company's founding. This particular investor relations visit made me recognize that MARUI GROUP's business model is unprecedented, not being seen anywhere else in the world. At the same time, I came to realize that the strengths of the Company were not accurately understood. Addressing this issue will be a task for future investor relations activities.

Figure 3: Credit Card Receivables and Ratio of Overdue Debt (More Than 90 Days Overdue) in the United States

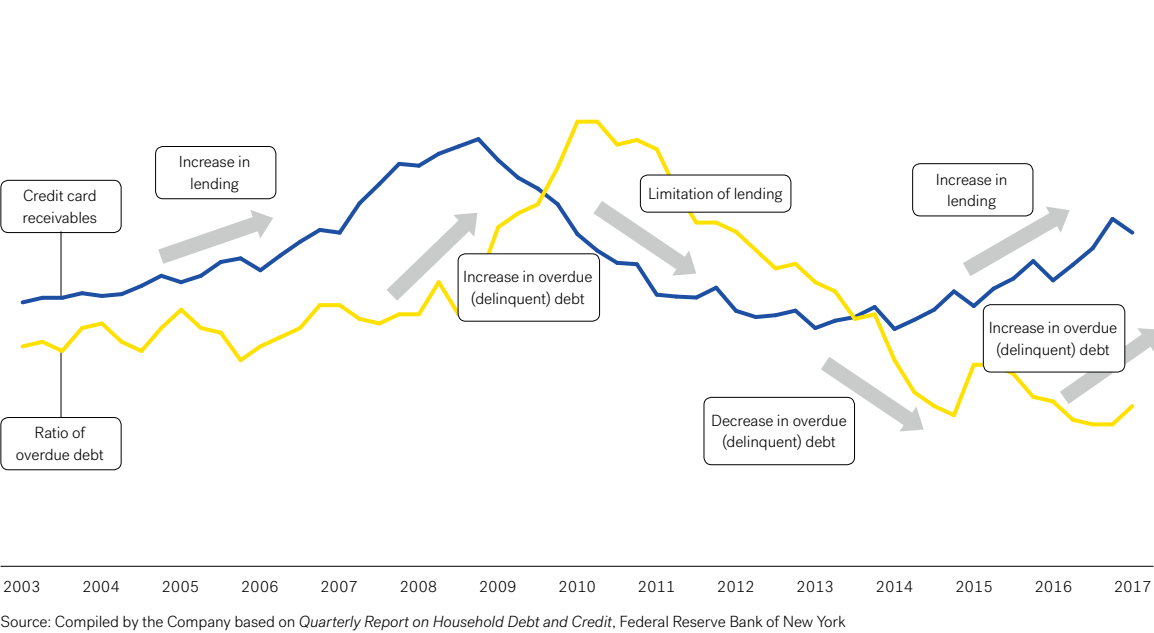
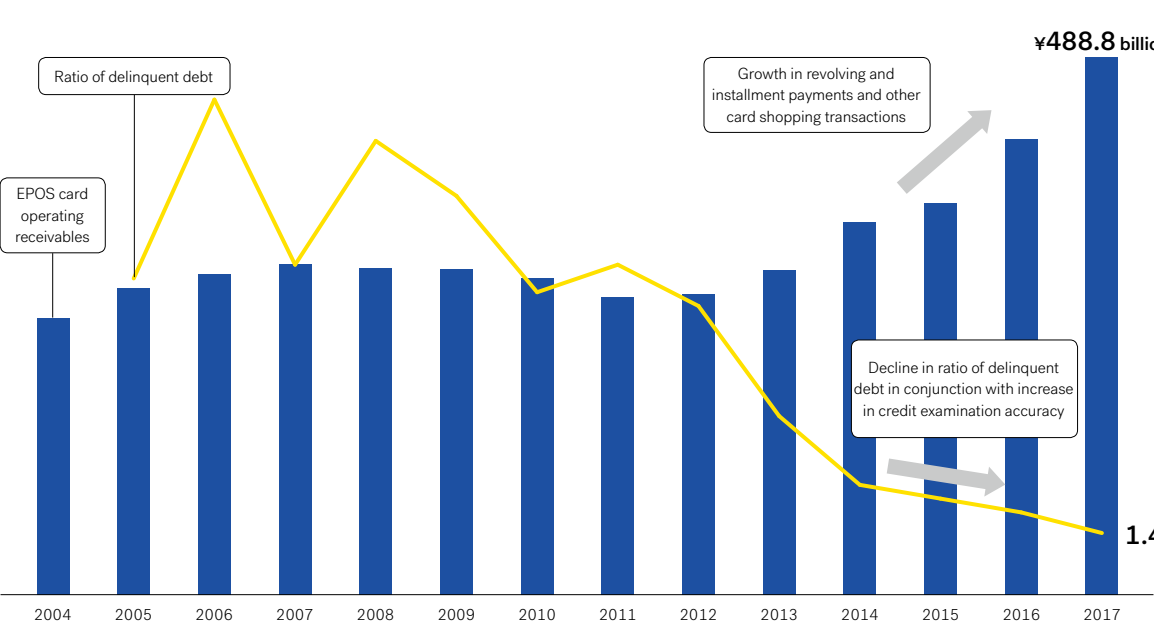


Figure 4: EPOS Card Operating Receivables and Ratio of Delinquent Debt



# FinTech Financial Inclusion

## Financial Inclusion—The Essence of FinTech

We arranged for a discussion between Masakazu Masujima, a leading authority on FinTech, and President Aoi on the possibilities that will be unlocked by FinTech and financial inclusion at MARUI GROUP.

There are times when data alone will not be enough to encourage someone to commit. It is important to consult with someone to get that final push.

**Masakazu Masujima**



**Masakazu Masujima**

Partner, Mori Hamada & Matsumoto  
Advisory Board Member,  
MARUI GROUP CO., LTD.



**Hiroshi Aoi**

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

Financial inclusion is the process of creating the data on which credit is built together with customers.

**Hiroshi Aoi**



Financial Inclusion and Co-Creation

**Aoi:** “Financial inclusion is the essence of FinTech.” Hearing those words from you, Mr. Masujima, in the spring of 2016 left a strong impression on me. Those words awakened me to the fact that FinTech is the path MARUI GROUP should pursue given our focus on inclusion. I also recall your mentioning that the financial crisis of 2008 led to the pursuit of this financial inclusion.

**Masujima:** Whether a company is in finance or in some other business, it cannot succeed without the support of a wide range of stakeholders. However, the type of financial businesses of the past only offered limited options, forcing consumers to choose from those available to them. This lack of scope led to Wall Street being dominated by the greed of such financial businesses, which began sacrificing the powerless for their own gain, pulling the trigger for the financial crisis of 2008. From the aftermath of the financial crisis emerged people that sought to provide financial services for those who had been excluded from such services previously. At that point, the needs that were present in society were able to be sufficiently met by the resources available, creating what could, in an overarching sense, be seen as the start of the financial inclusion trend.

**Aoi:** Prior to the financial crisis, there was a move to use financial engineering to create frameworks that would enable subprime individuals to purchase homes. However, these frameworks were hollow and lacked substance, like a sandcastle, triggering the financial crisis as they crumbled. Conversely, FinTech is backed by solid technologies and insight, giving it the necessary substance.



**Masakazu Masujima**  
Partner, Mori Hamada & Matsumoto  
Advisory Board Member, MARUI GROUP CO., LTD.

Mr. Masakazu Masujima graduated from the Faculty of Law at the University of Tokyo and from Columbia Law School. He has held positions at the Palo Alto office of Wilson Sonsini Goodrich & Rosati P.C., in the Supervisory Bureau of the Financial Services Agency, as a member of the Blockchain Study Group of the Ministry of Economy, Trade and Industry, and as a member of the Review Committee for the Sharing Economy of the National Strategy Office of Information and Communications Technology under the Cabinet Secretariat.

**Masujima:** You are exactly right. At that time, what people called “financial technology” was, in fact, nothing more than financial engineering and calculation. There was a logical backing to these “technologies,” but not a practical or real-world backing. Today, we have this backing in the form of data. The technologies of today enable us to constantly collect and monitor data.

**Aoi:** MARUI GROUP was founded in 1931. At that time, our business involved selling furniture through monthly installment payments, enabling younger generations to purchase these items on installment plans. When I think about it now, it seems as though this business could be seen as promoting a type of financial inclusion.

**Masujima:** That was a period in which industry was growing, meaning that individuals, particularly younger generations who had just joined the workforce, could not easily borrow money. At the same time, this was a period in which various goods and commodities were becoming available. The monthly installment payment system arose as a means of providing these items to people who wished to purchase them, but lacked the means. This system could thus be seen as embodying the philosophy of what we now call financial inclusion.

**Aoi:** Konosuke Matsushita, founder of Panasonic Corporation, spoke of what he called his “Tap Water Philosophy.” Basically, this philosophy stated that if electronics could be created at low costs, people would quickly come to use these products as readily as they use tap water. This process would free housewives from the hassle of doing laundry. At the time, a quality washing machine would be quite expensive. As such, it is said that the advent of installment payments and credit greatly aided in normalizing the sale of these items. Knowledge of MARUI GROUP’s contributions throughout history is a major source of motivation for me.

**Masujima:** It is my understanding that, for example, when a young adult that has moved from the country to the city, only living on a limited allowance from their parents, tries to pay with a credit card, Marui sales staff may caution them against overspending. In this, one can see that MARUI GROUP is attentive to its customers’ needs in the truest manner. I think it is spectacular how, rather than simply viewing customers as a source of profit, the Company has based its business on forging long-term relationships with young adults.

We have been looking for ways to provide services that help young adults accumulate assets in a manner that gives them a clear vision of their future.

Hiroshi Aoi



**Aoi:** That attitude is an important part of MARUI GROUP’s legacy. Among the words left by our founder, perhaps my favorite saying is that creditability should be built together with customers, rather than assigned to customers. I was moved when I first heard these words. Finance based on this idea of creating together is, with perhaps the exception of microfinance, almost nonexistent outside of MARUI GROUP, whether you look at Japan or even the entire world.

Value Created by Combining Data

**Aoi:** I find issue with the recent overemphasis of data. There is no doubt a lot of data, and there are some issues that can be resolved by analyzing big data using artificial intelligence. However, this reliance on data can lead to people being excluded from financial services. True inclusion is the process of creating data together, which equates to building creditability together. This process is fundamentally different from that of making one-sided decisions based purely on the data that has been collected.

**Masujima:** An interesting perspective can be taken with regard to data. This perspective relates to how data is not bound by the stereotypes that people impose on others. For example, people tend to group others into categories, such as “housewife” or “young businessman,” and make judgments on this basis, despite the fact that each individual is actually quite different. Product data can only give information on purchases made. Meanwhile, the full spectrum of financial data and non-financial data can tell us how the money to make a purchase was obtained, whether or not the purchaser had sufficient money at the

time, and other facts. When both financial data and non-financial data are combined, it becomes easier to determine what recommendations should be made to individual customers at a given time, and this is when data exhibits its true value.

Concern for the Future among Young Adults

**Aoi:** Awhile back, I was watching an interview with people that had just reached adulthood in which they were asked about their resolutions for that year, and the responses were quite shocking. The first respondent said “cutting back on spending”; the second replied “saving.” Currently, around 70% of young adults have come to harbor concerns regarding money. Not knowing exactly how to address these concerns, they tend to turn to conservation and saving. However, conservation and saving alone are not enough to alleviate such concerns or prepare for the future. In light of this situation, we have been looking for ways to provide services that help young adults accumulate assets in a manner that gives them a clear vision of their future. It is true that young adults may lack resources. However, if they accumulate assets gradually, they should be able to continue building upon their portfolios no matter how the market may fluctuate. This is an area we plan to focus on going forward.

**Masujima:** By analyzing Google search results, I learned that people tend to live the majority of their lives, from their 20s to their 70s, worried about money. I suspect this worry is a result of uncertainty for the future translating into monetary concerns. For this reason, I see a need for services that adapt to the circumstances of individual





Any entity would be evaluated based on the value it provides to society. This would be the ultimate form of inclusion.

Masakazu Masujima

customers in real time. If a service could, for example, analyze a customer’s current situation to project the patterns that their life may follow in the future, this service could transform concern for money into hope for the future. The support for asset accumulation that you speak of is one service with this potential. The benefits of asset accumulation include how it enables individuals to get a clearer vision of their future, thereby allowing them to live more fully in the present. In addition, I think it is possible to create services that entail working together with a customer, perhaps a car lover, to help them find support for purchasing a car without bankrupting themselves and then providing post-purchase lifestyle advice to this individual.

Co-Creation between Data and People

**Aoi:** The lifestyle advice you speak of refers to financial advisory services, if I am not mistaken. We have a desire to provide the younger generation with investment and asset management services, but we first must overcome the obstacle of finding a way to effectively solicit these services to such individuals. Jumping straight into investment may be a little bit overwhelming for some. For this reason, I think it would be simpler to ease these individuals into investment by grabbing their attention through providing knowledge about money or some other means of sparking their interest.

**Masujima:** Once a system has been developed, the costs will not change if it is supplied to one person or to one million people. In fact, it is better to provide this system to

one million people as this will yield more accurate and valuable data than offering it only to one. However, services cannot be provided by systems alone; it takes a combination of systems and people. When faced with a major decision, there are times when data alone will not be enough to encourage someone to commit to one option. In these cases, it is important to consult with someone and share information to get that final push to make a decision.

**Aoi:** One particularly interesting tidbit of information I learned when speaking with financial planner Aya Maeno was how Ms. Maeno always begins by asking her clients what exactly they want to accomplish. For example, if a certain customer is very fond of their pets, Ms. Maeno will advise them on ways to cut back on spending that do not detract from the funds they devote to their pets. In working to alleviate people’s concerns regarding money, Ms. Maeno adopts an approach of helping them accomplish their true goals and live the lives they desire.

**Masujima:** I think that this approach is the essence of engagement. The same principle underlies MARUI GROUP’s credit operations. If you provide a service that makes it apparent to customers that they are moving toward the future they desire, they will see no need to part ways with this service.

**Aoi:** There are countless ways in which data can be utilized, and the forms in which data and human interactions can be combined are equally vast. Accordingly, there is still a great deal of possibilities for us to explore in this area.

New Yardstick of Value Created by Virtual Currency

**Masujima:** The yardstick for the value of a company is generally considered to be its stock price. However, some have begun suggesting that this may not be the best measure, and virtual currency is presenting the possibility of a new yardstick. One form of value created by companies is social capital, and there is no guarantee that this type of value will be accurately reflected in a company’s stock price. Accordingly, if a financial instrument that is capable of more accurately reflecting a company’s value were to appear, there would be reason to consider using that instrument as the new yardstick.

**Aoi:** In the stock market of today, there is a great deal of interest in investment based on environmental, social, and governance concerns, and this trend itself is an indication of the rising influence of external factors on companies. Now, companies that are unable to effectively consider the interests of wider ranges of stakeholders will not be able to survive over the medium-to-long term. This trend is an extension of what you just mentioned about new yardsticks for value, and is a representation of how people are increasingly recognizing this as the path we must take.

**Masujima:** Virtual currency does not issue dividends, and you will not become any richer just by being in

possession of it. However, if everyone possesses this currency and desires to use it, the value of the currency will go up. Here, we see the possibility for the Company to create, say, “MARUI coins.” If the number of people in possession of these coins rises, their value will increase as will the assets of the people holding them. In this manner, virtual currency can forge a connection with coin-holders that is even closer than the connection formed by making customers into shareholders. My vision for virtual currency is this kind of link formed through the financial service of coins.

**Aoi:** That is an amazing vision. This is the first time I have heard someone speak of virtual currency as a tool for building a sustainable system that will overcome the issues of capitalism to surpass this system. However, I suspect that not everyone involved with virtual currency shares your vision.

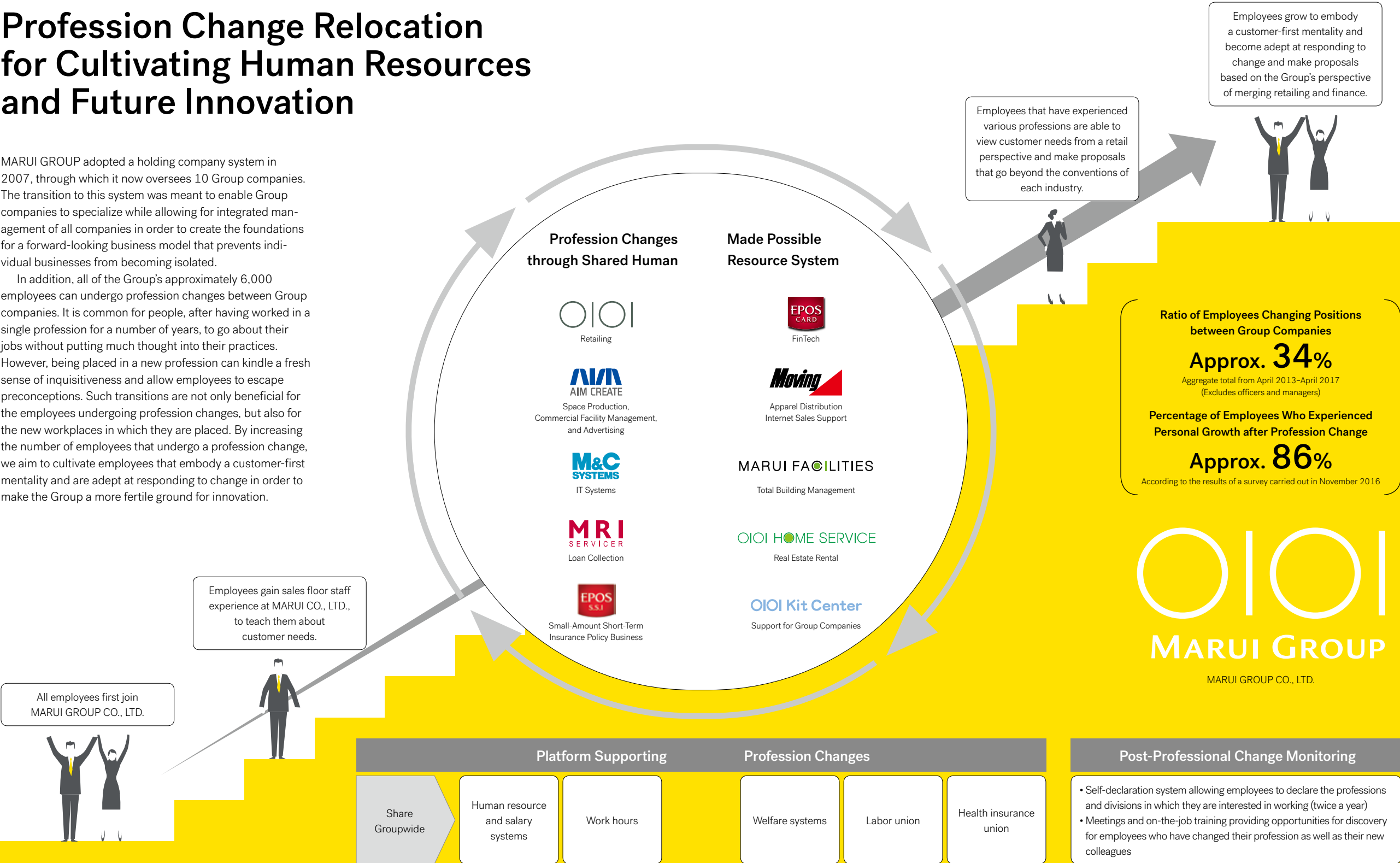
**Masujima:** Many people simply see virtual currency as a means of making money. Nonetheless, I believe that, if this vision for virtual currency were to become a reality, it would lead to the advent of a world in which any entity, be it a nonprofit organization, an individual, or a company, would be evaluated based on the value it provides to society, and in which its ongoing success will be contingent on this value. This would be the ultimate form of inclusion.



# Profession Change Relocation for Cultivating Human Resources and Future Innovation

MARUI GROUP adopted a holding company system in 2007, through which it now oversees 10 Group companies. The transition to this system was meant to enable Group companies to specialize while allowing for integrated management of all companies in order to create the foundations for a forward-looking business model that prevents individual businesses from becoming isolated.

In addition, all of the Group's approximately 6,000 employees can undergo profession changes between 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. However, being placed in a new profession can kindle a fresh sense of inquisitiveness and allow employees to escape preconceptions. Such transitions are not only beneficial for the employees undergoing profession changes, but also for the new workplaces in which they are placed. By increasing the number of employees that undergo a profession change, we aim to cultivate employees that embody a customer-first mentality and are adept at responding to change in order to make the Group a more fertile ground for innovation.



# Promotion of All Employees’ Efforts to Benefit Customers

In the medium-term management plan launched in the fiscal year ended March 31, 2015, promoting diversity has been defined as one of the strategies for realizing MARUI GROUP’s corporate philosophy, which calls for us to “continue evolving to better aid our customers” and “equate the development of our people with the development of our company.” Our goal in promoting diversity is to create an organization in which each of our approximately 6,000 employees can exercise their individual talents and feel energized and motivated in their work. Society is currently undergoing changes, and the values and needs of people are diversifying. In order to respond to these

changes, we need employees to put forth their unique strengths, forming teams when individual effort is not enough. Moreover, we must build upon our ability to utilize these endeavors on the part of employees to improve corporate value. To achieve these objectives, we are cultivating a corporate culture in which all employees are accepting toward one another’s individuality and reforming systems to make sure employees are motivated in their work as they tackle new challenges and grow. In addition, we are implementing management reforms to utilize this culture and these systems in promoting diversity.

## Three Themes for Promoting Diversity

1. Corporate culture in which the individuality of every employee is respected

- Cross-Group profession change system
- Initiatives led by Medium-Term Management Visionary Committee
- Official Groupwide project teams

2. Systems and frameworks supporting the contributions of all employees

- Work style reforms (reduction of overtime)
- Systems for supporting employees in balancing their work with childrearing and long-term care of family members

3. Management reforms for utilizing diversity

- Communication reforms
- Opportunities for everyone to participate in management
- Corporate culture facilitating self-growth



INNOVATION × 6,000

## Medium-Term Management Visionary Committee

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, any interested employee is able to apply for participation, and meetings have been held almost every month since. Active discussion is conducted among the around 320 members that are selected from the approximately 1,000 applications received for each meeting. Furthermore, we regularly invite outside lecturers to conduct special lectures.



## Committee Meeting Discussion Topics

### 2016 Topics

- Analysis of MARUI GROUP’s operating environment and future projections
- Medium-term management plan for Retailing and FinTech segments
- Hakata Marui co-creation initiatives
- Report on interactions with investors
- Retail industry and MARUI GROUP as viewed by an analyst: Special lecture by Mizuho Securities Co., Ltd.
- Vision for the world realized through FinTech and MARUI GROUP’s business therein: Special lecture by Advisory Board member Masakazu Masujima
- Retail industry and MARUI GROUP as viewed by a business columnist: Special lecture by Shiho Innami of the Toyo Keizai Online Department of Toyo Keizai Inc.

### 2017 Topics

- Distribution industry as seen through trends in China, the United States, and Japan: Special lecture by Nomura Research Institute, Ltd.
- Social environment as it pertains to MARUI GROUP and future outlook
- Future created by the fashion business: Special lecture by Representative Director Yoko Ohara of Women’s Empowerment in Fashion
- Strategies for competing viewed as stories—requirements for effective strategies: Special lecture by Professor Ken Kusunoki of the Graduate School of International Corporate Strategy at Hitotsubashi University
- Medium-term management plan for Retailing and FinTech segments
- Capitalizing on Security and Potential of Money: Special lecture by Aya Maeno, Representative Director of Cras Inc. and Representative of FP Office will



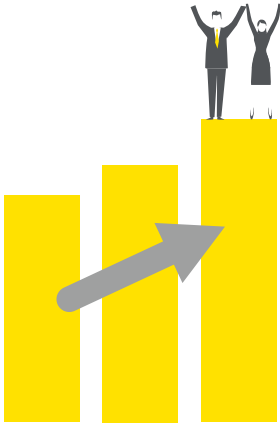


Hiroshi Nakada

Telecommunication Networks,  
Store System Development Department  
M & C SYSTEMS CO., LTD.

I am responsible for developing the systems for try-on stores. It was previously difficult to understand just who exactly I am making these systems for. Through participation in the Medium-Term Management Visionary Committee, however, I gained an understanding of the overarching trends in society and within the Company, helping me better determine the extent to which systems can benefit customers and how these systems can be improved. Identifying needs can facilitate the future co-creation of value.

MARUI GROUP's corporate philosophy calls for us to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." Based on this philosophy, we have established Groupwide committees and project teams with members recruited through open application. Employees seeking to participate are asked to submit short essays when applying based on which participants are selected. In this section, we present messages from 10 individuals that have participated in the Medium-Term Management Visionary Committee.



Maki Takayanagi

Sales Planning Section, Sales Planning Division  
MARUI CO., LTD.

Participation in the Medium-Term Management Visionary Committee enables one to view matters from a broader perspective and a longer timetable. It can be expected that social trends will evolve more quickly and become more diverse going forward. This will result in the standards for customers' purchasing decisions becoming more complex. When I look to the future, I see MARUI GROUP's co-creation management, which involves co-creating customer happiness together with stakeholders, becoming even more important.



Kazumasa Takahashi

Women's Accessory Sales Floor, Yurakucho Marui  
MARUI CO., LTD.

The pressures of daily work can cause one to focus only on their own agenda. Through my participation in the Medium-Term Management Visionary Committee, however, I was reminded of the Group's goals, which gave a clearer vision of the fundamental aim of my work. To "continue evolving to better aid our customers" is a part of our corporate philosophy and also an important goal for everyone at the Group. Even if our work is different, all Group members share an understanding of the importance of the customer. I therefore feel that our visions are aligned.



Yukito Takamura

Leasing Department, Space Production Division  
AIM CREATE CO., LTD.

The Medium-Term Management Visionary Committee has made reflective thought a common habit of mine, enabling me to be more receptive to changes in my surroundings and to act from a forward-looking perspective. In my current position, I feel that I am providing store environment solutions that incorporate elements for various businesses. I am always endeavoring to utilize the information gained through meetings and my daily studies to tackle new challenges in the now.

The Medium-Term Management Visionary Committee

Equate the Development of Our People with the Development of Our Company



Emi Murata

Rakuchin Kirei Shoes Fit Studio, Kinshicho Marui  
MARUI CO., LTD.

When I participated in the Medium-Term Management Visionary Committee, I was reminded that the Fit Studio try-on store I work at uses a new business model that arose from the overlap between several areas of the Group. We are seeking to further improve this model's ability to satisfy customers through a concerted Groupwide effort. For example, we have increased the connection speeds of sales-use tablets and enhanced our systems to allow for smooth coordination between EPOS card application and Internet sales site registration.



Azusa Morimoto

Real Estate Business Section, Real Estate Business Department  
MARUI GROUP CO., LTD.

As I am currently working shortened hours, I recognized the Medium-Term Management Visionary Committee as an opportunity to easily maintain an understanding of the Company's strategies. Moreover, participation helped me figure out how to incorporate my desires and commitment into my work. Everyone plays a "lead role" at MARUI GROUP, and the growth of each individual is linked to the growth of the Company. Even if my time working is short, I still want to do my best to benefit customers.



Tetsuya Nakamura

Internet Marketing Section, Omni-Channel Retailing Division  
MARUI CO., LTD.

Working in one place can make it difficult to break away from preconceived notions to create fresh ideas. Participation in the Medium-Term Management Visionary Committee enabled me to adopt a wider range of perspectives. This also helped me to think in terms of a medium-to-long-term timetable. I am currently engaged in e-commerce operations. At my workplace, I share my findings with coworkers who could not participate in the committee so that we can move ahead with a forward-looking perspective based on a common understanding.



Mari Yamamoto

Sales Section 3, Home Business Division  
Epos Card Co., Ltd.

When I first joined, I was focused only on pleasing the customers in front of me. However, through participation in the Medium-Term Management Visionary Committee, my eyes were opened to a wider range of concerns, including the working environment for us employees, our relationships with business partners, and changes in the operating environment for MARUI GROUP. In the future, I hope to practice co-creation management with a focus on bringing happiness to myself and to those around me.



Go Yamaguchi

E-Commerce Website Section, Internet & Fulfillment Division  
MOVING CO., LTD.

I have found participation in the Medium-Term Management Visionary Committee to be a prime opportunity to reflect on my current work. My first profession change brought me to MOVING, where I saw firsthand the strength granted to MARUI by possessing its own distribution and IT systems. In the past, I had been engaged in Internet sales as a buyer. My current position is also related to e-commerce, but it requires a completely different perspective. Exposure to this different perspective broadened my horizons.



Asuka Uemura

Marui Shoes Sales Floor, LaLaport Shonan Hiratsuka  
MARUI CO., LTD.

Personal growth comes when you act based on new ideas or different perspectives and move beyond preconceptions. Personal growth has the potential to drive the growth of the Group. The Medium-Term Management Visionary Committee is an opportunity to gain an understanding of social trends and of MARUI GROUP's strengths and find means of incorporating this newfound understanding into one's work. In addition, discussions with other committee participants lead to various new discoveries. I have thus come to view the other participants as comrades in mutual growth.





# Garnering Great Support for Inclusion

MARUI GROUP promotes co-creation management to co-create the happiness of customers together with all of its stakeholders. We have turned our eyes to inclusion as a means of unlocking opportunities for the future in response to social issues and customer needs, which change together with the times.



**Special Lecture**  
Creation of an Organization That Utilizes Diversity

**Haruaki Deguchi**  
Founder of LIFENET INSURANCE COMPANY



**Special Lecture**  
Inclusion for Innovation  
— Changing the Future with Barrier Value

**Toshiya Kakiuchi**  
President, Mirairo Inc.



**Talk Event**  
Encounter with Paralym Art,  
Supporting Differently Abled Individuals

**Thane Camus**  
Director, SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION

**Inclusion Fes 2017**  
**Co-Creation of Happiness for Everyone**  
Promoting inclusion through our business will require a corporate culture in which the individuality of every employee is accepted and respected. To facilitate the cultivation of such a culture, we held Inclusion Fes 2017, an event for employees, in August 2017. This event provided a venue for fostering awareness among employees and allowing them to experience their differences first-hand. The event garnered great support for inclusion, with around 1,500 employees and family members attending during its two-day period.



Forum for learning how to approach others based on the Enneagram of Personality, which puts forth nine personality types



Exhibition of OUT IN JAPAN collection of photographs of members of the LGBT community by famous photographer Leslie Kee



Daily-use sign language lesson taught by Group employees with hearing impairments



Learn about Individuality



Yoga lesson for teaching employees how to relax their bodies and minds and focus on themselves in the moment



"Mizuno Style Ninja School" for supporting the physical development of children



Learn about the Body and Mind



Testing station for "vein age," bones, lung capacity, and dorsal muscle and grip strength



Lesson in which people learn how to assist individuals using wheelchairs and operate wheelchairs through actual use



Experience Others' Situations



Opportunity to experience being guided by a seeing-eye dog by using eye masks to shut out vision feedback



Specialized pregnancy simulation jackets used to teach about the difficulties and joy of pregnancy

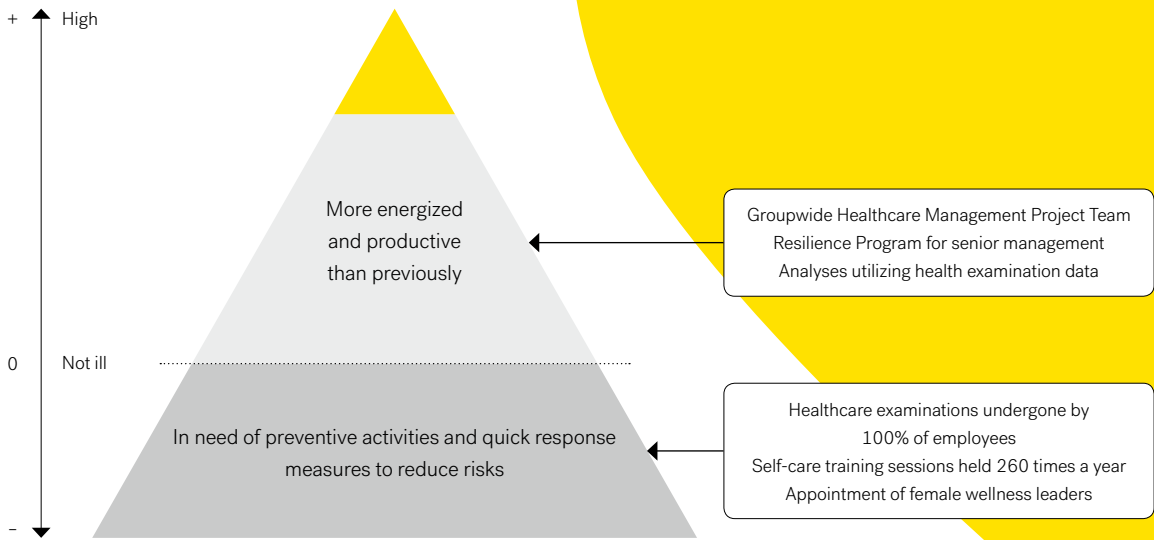
This event was planned primarily by the diverse members of official Groupwide project teams, namely the Marui Future Project Team, Healthcare Management Project Team, and Diversity Project Team. These individuals used the event as an opportunity to communicate the activities of their project team and the principles they embody.  
[www.0101maruigroup.co.jp/en/sustainability/](http://www.0101maruigroup.co.jp/en/sustainability/)

# Healthcare Management as a Strategy for Further Energizing Employees

In MARUI GROUP's healthcare management, we strive to encourage employees to think through the lens of health and act accordingly in order to become more energized and thereby increase corporate value. For this reason, it is important to take the perspectives of preventing health issues and also energizing employees and enabling them to work happier. Healthcare management has been defined as an objective of the medium-term management plan, which we are promoting on a Groupwide basis through coordination between the activities of the Health

Management Division and MARUI GROUP's health insurance union. These activities have earned us much praise, leading the Company to earn the highest rank in Development Bank of Japan Inc.'s DBJ Employees' Health Management Rated Loan Program in October 2016 and to be included in the Excellent Enterprise of Health and Productivity Management—White 500, a joint program launched by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and Nippon Kenko Kaigi, in February 2017.

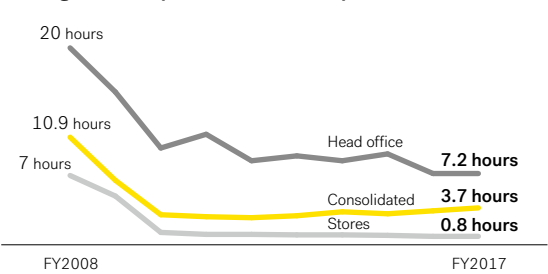
Level of Energy



Average Monthly Overtime of 3.7 Hours

MARUI GROUP views healthcare management as one aspect of workstyle reforms, and has thus diversified its workhour management and working systems since 2008. As part of these efforts, overtime reduction policies and targets have been set for each position and shifts are formulated systematically for stores using up to 50 working patterns defined in 10-minute increments. Moreover, work processes are being optimized on a Groupwide basis. For example, processes related to delivering and returning products to storage and other back-office procedures at stores are handled by Group companies to enable store employees to be primarily positioned in customer service roles. As a result, average monthly overtime hours per person were down to 3.7 in the fiscal year ended March 31, 2017, while average annual overtime hours decreased to 44. Average monthly overtime among head office employees was 7.2 hours in the fiscal year ended March 31, 2017, representing a roughly two-thirds reduction compared with the fiscal year ended March 31, 2008, while average monthly overtime at our 31 stores nationwide was 0.8 hours, making for a 90% reduction from the same year. These reductions have improved productivity along with personnel expense efficiency.

Average Monthly Overtime Hours per Person



Overtime Reduction and Benefits

	FY2008	FY2017	Benefit
Average annual overtime hours per person	130 hours	44 hours	-86 hours
Total overtime payments	¥3.3 billion	¥0.8 billion	-¥2.5 billion
Employee turnover rate (excluding mandatory retirement)	6.8%	2.6%	-4.2pt

Evolution of Healthcare Promotion Activities

1962	Establishment of MARUI GROUP's health insurance union
1970	Opened Marui Health Insurance Union Building
2008	Commencement of overtime reduction project
2011	Start of Health Improvement Program by MARUI GROUP's health insurance union Established Health Management Division and appointed dedicated Company physicians
2013	Introduced physical and mental health consultation hotline
2014	Began analyzing health examination data of all employees and relationship between lifestyle patterns and attitudes toward work Started holding self-care training sessions for all employees Appointed wellness leaders nationwide to help alleviate women's health concerns
2016	Introduced Resilience Program to energize senior managers in terms of their body, mood, mental state, and thinking Incorporated new healthcare management items into labor agreements Established outside advisory board and began analyzing healthcare management practices and data Formulated Groupwide Healthcare Management Project Team
2017	Began promoting healthcare management as one aspect of workstyle reforms



# Healthcare Management Based on Data Analysis

We spoke with Dr. Yuji Yamamoto, who is responsible for analyzing employee health data, about how to illustrate the link between health and performance at MARUI GROUP as well as the concept of proactive healthcare management.

**Yuji Yamamoto**

Physician  
Representative Director,  
MinaCare Co., Ltd.  
Advisory Board Member,  
MARUI GROUP CO., LTD.

**Reiko Kojima**

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



Employees feeling happier and more energized will make MARUI GROUP a stronger company.

**Reiko Kojima**



Healthcare management contains the word “health” because health is indeed a management issue.

**Yuji Yamamoto**



Sustainable Growth Augmented by Sound Physical and Mental Health

**Yamamoto:** Healthcare management is an important but not entirely new concept. The reason this concept is garnering so much attention now is due in part to the nationwide discussion on how best to improve productivity, which has involved such developments as the promotion of workstyle reforms. People have thus once again come to recognize healthcare management as a major concept that relates to this issue. In terms of frameworks, we have just recently collected the data necessary for verifying and tracking the benefits of healthcare management. Another important development is how companies have come to recognize that a medium-to-long-term perspective is healthier than becoming preoccupied with short-term gains and that it is important for a diverse range of employees to be able to work in good physical and mental health. In other words, the current era is one in which the obvious must be acknowledged as such.

**Kojima:** The healthcare management activities of companies are generally aimed at preventing illness. However, I feel that the ability for a company to grow sustainably can be augmented by going a step further to ensure that employees are in good physical and mental health. The World Health Organization states that “Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.” This view coincides with that of MARUI GROUP.

**Yamamoto:** Recently, I found myself in a discussion about the role of e-commerce sites and healthcare management in an aging society. There were conflicting opinions about e-commerce sites. Some praised their ability to give senior citizens unable to leave their homes access to shopping venues, while others pointed out how such sites will reduce the need for seniors to move, accelerating their physical decline. No conclusive answer has been reached to resolve this dilemma. This type of conflict is one aspect

of healthcare management. As the population of Japan continues to age, companies will need to consider the health-related approach that management will adopt toward senior customers and society.

**Kojima:** MARUI GROUP’s corporate philosophy states that we should “continue evolving to better aid our customers” and “equate the development of our people with the development of our company.” Based on this philosophy, we are practicing co-creation management in which we aim to co-create the happiness of customers together with all of our stakeholders. However, we cannot hope to contribute to customer happiness if our employees are not happy and energized. For this reason, we conduct healthcare management by coordinating the preventive measures advanced by the Group’s health insurance union with the proactive healthcare measures of the Health Management Division.

**Yamamoto:** It is only recently that the term “healthcare management” came to be used inside the Company. However, MARUI GROUP has been implementing policies and initiatives that are congruent with the concept of healthcare management for so long that employees were probably unaware of them. At least, this is how I see it from my outside perspective. I first began to hold this view when I looked at the initiatives of the Group’s health insurance union, with which I have had relations since 2011, and this view was reinforced by my conversations with the Company’s management and with yourself, Dr. Kojima.

Relationship between Health and Performance as Illustrated through Data

**Kojima:** MARUI GROUP has been analyzing health examination data for its roughly 6,000 employees since 2014, allowing us to see the relationship between lifestyle patterns and attitudes toward work. On questionnaires, we had around 2,800 employees respond “I am careful about the quantity and the types of food I eat,” while



Yuji Yamamoto

Physician  
Representative Director,  
MinaCare Co., Ltd.  
Advisory Board Member,  
MARUI GROUP CO., LTD.

Dr. Yuji Yamamoto graduated from the Faculty of Medicine at the University of Tokyo in 1999, after which he worked in cardiovascular medicine and other departments. In 2007, he became the first Japanese physician to receive a Master of Business Administration from Harvard Business School. Dr. Yamamoto is certified by The Japanese Society of Internal Medicine and the Japan Medical Association. To date, he has served as a fellow at the Japan Science and Technology Agency; Capital Medica Co., Ltd.; the Cabinet Secretariat’s Medical Innovation Promotion Office; and the Center for Clinical Research at Keio University School of Medicine. Today, Dr. Yamamoto acts as a researcher at Sony Computer Science Laboratories, Inc. In 2014, he received an award in The Entrepreneur Awards Japan program. He is a medical 2035 advisor to the Ministry of Health, Labour and Welfare, and also holds his namesake Yuji Yamamoto Seminars.

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



The concept of healthcare management seeks to redefine medical expenses as fuel for strategies or as investments.

Yuji Yamamoto

about 1,400 employees answered the opposite. We performed a cross-analysis comparing this data with data regarding attitude toward work, which was scored out of 100 points based on items including outlook toward adversity and the ability to utilize talents to tackle new challenges. There was an overall difference of approximately 10 points between employees careful about their diet and those that are not (see Analysis Result 1). Similarly, the “I get sufficient sleep” item was linked to an even more significant difference of approximately 15 points in attitude

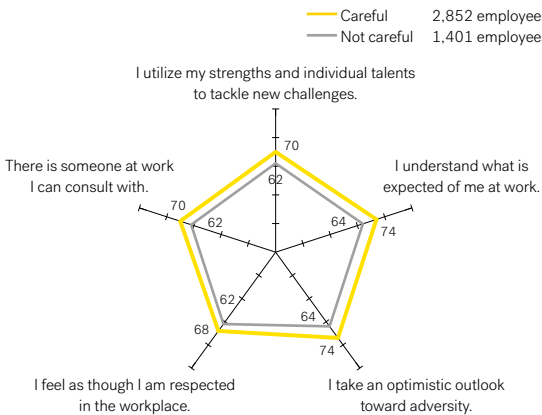
toward work (see Analysis Result 2). These results have remained consistent for the past three years.

**Yamamoto:** Even if a company had collected health examination data, no other company would have thought of using it in such a manner. This is the norm, and it just goes to show how high above the norm MARUI GROUP is. I think that the Company has always held this commitment to health, but was only just recently able to give it form.

**Kojima:** The types of health data generally disclosed by companies include the rates of smokers and of employees

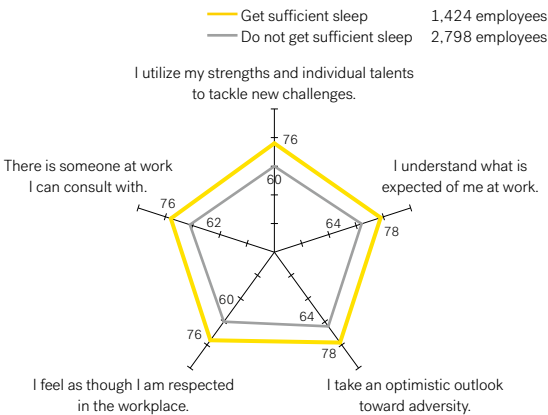
Analysis Result 1

The 2,852 employees that responded “I am careful about the quantity and the types of food I eat” showed a more optimistic attitude toward their work and better workplace communication in comparison to the 1,401 employees stating that they are not careful.



Analysis Result 2

The 1,424 employees that responded “I get sufficient sleep” showed a more optimistic attitude toward their work and better workplace communication in comparison to the 2,798 employees stating that they do not get sufficient sleep.



Note: Based on health examination data from the fiscal year ended March 31, 2017

We aim to energize society and cultivate happiness through the health of employees. We are thoroughly committed to building such a company while leveraging everyone’s strength.

Reiko Kojima



with obesity. When we thought about how such data would be received by employees, we realized that this data would be insufficient in drawing a clear link between health and work. It is vital that we be able to illustrate how health can affect work performance. It was for this reason that we sought to use your specialties in analyzing health data to clarify the link between health and performance. These analyses found that employees getting sufficient sleep and rest demonstrated high levels of performance in the following year that were statistically significant. This correlation was even apparent when controlling for factors such as age, rank, and gender. Moreover, employees that exercising twice or more a week for over a year also showed improvements in performance in the following year.

**Yamamoto:** Data illustrating the link between sleep and exercise and performance will also likely display a link to the Company’s overall performance. As such, this data is important to both employees and the Company, which should also make it clear to customers and investors why MARUI GROUP practices healthcare management.

What I would like to emphasize here is that healthcare management contains the word “health” because health is indeed a management issue. In the past, medical expenses have been seen primarily as a source of costs. The concept of healthcare management seeks to redefine medical expenses as fuel for strategies or as investments. Tracking changes in health examination data over the years will allow you to predict the “costs” that might arise from health risks or the loss of an opportunity to generate revenue.

Frameworks Promoting Autonomous Thought and Action

**Kojima:** In 2016, MARUI GROUP created a new section on healthcare promotion in its labor agreements, which constitute the highest level regulation within the Company. This section clearly identifies the healthcare management obligations of the Company and employees, enabling us to deploy systematic initiatives. In addition, we established the Healthcare Management Project Team in November 2016, an official, Groupwide project team. The aim of this team is to promote a healthcare management culture of autonomous thought and action on the part of employees. Seeking to respect employee autonomy, we selected participants for the project team from among volunteers, who were first asked to submit a short essay detailing the reason they wanted to participate. The project team proved immensely popular, and the number of applications received was so great that only one in five volunteers was actually able to participate. A diverse team of 51 members was selected, ranging from new employees to those in their 50s. This team gathered from stores across Japan once a month to discuss healthcare management promotion measures for a solid day each meeting. These members also played a central role in promoting initiatives at their own workplace.

**Yamamoto:** When starting up a new business, it is common to begin by aligning those involved along the same vector. With regard to health, however, efforts are



usually limited to one event-like workshop or a lecture from an external instructor.

**Kojima:** The project team thoroughly discussed the goals that MARUI GROUP should pursue in terms of health. After six months of deepening their understanding with regard to health, the project team finally reached a consensus on our new healthcare management slogan: “All in the name of happiness—Energize yourself with a healthy mind and body.” Between Healthcare Management Project Team members and the wellness leaders, roughly one in 20 Group employees is involved in promoting health.

At the same time, we also realize the necessity of understanding among management. Seeking to encourage senior managers to energize themselves, and anticipating a subsequent ripple effect to spread through the organization, we introduced the Resilience Program in February 2016, which targets general managers and other high-level managers. This program consists of a two-day intensive course, after which participants strive to develop lifestyle patterns that increase their energy with regard to their body, mood, mental state, and thinking over a 10-month period. A 360-degree evaluation of the participants’ own energy levels and their influence on others is then conducted through feedback from the program participants, their subordinates, and their family. Comparing the energy levels of program participants and individuals that have not participated, the difference was clear, with participants much more adept at working in a dedicated manner and taking effective breaks. Feedback from subordinates indicated a noted increase in the ability of certain supervisors to control their emotions while family members spoke of how they took part in this undertaking alongside the participant. Going forward, we will continue to target both employees and managers to become a company that helps energize society and cultivate happiness through the health of employees. We are thoroughly committed to building such a company while leveraging everyone’s strength.

**Yamamoto:** Such a proactive approach will allow all employees taking part in these initiatives to talk about healthcare in their own words, and this attitude will surely come to permeate the entire organization. It is wonderful when people are able to discuss what exactly healthcare management means to them.

Optimization of Healthcare Management Portfolio with More Accurate Data

**Yamamoto:** A global survey found that, when companies are concerned with employee health, employees are more motivated and loyal toward their company, which has quantifiable benefits in the form of lower employee turnover rates. Qualitatively, there can be no doubt that a stance of valuing employee health will have positive benefits for a company. It is impossible to put an exact value on the contributions that employee loyalty and low turnover rates make to profits. However, it only seems natural that such characteristics would make for stronger organizations.

**Kojima:** Looking ahead, we hope to develop indicators that will make it even easier to understand and illustrate the link between health and productivity and performance. These indicators will be used to propel healthcare management initiatives forward as part of our corporate activities.

**Yamamoto:** Seeking out the most ideal healthcare management practices for MARUI GROUP, the ones that best contribute to its profits, business continuity, and development, will lead to the creation of a healthcare management portfolio. In this portfolio, we should be able to see a logical scenario backing these practices.