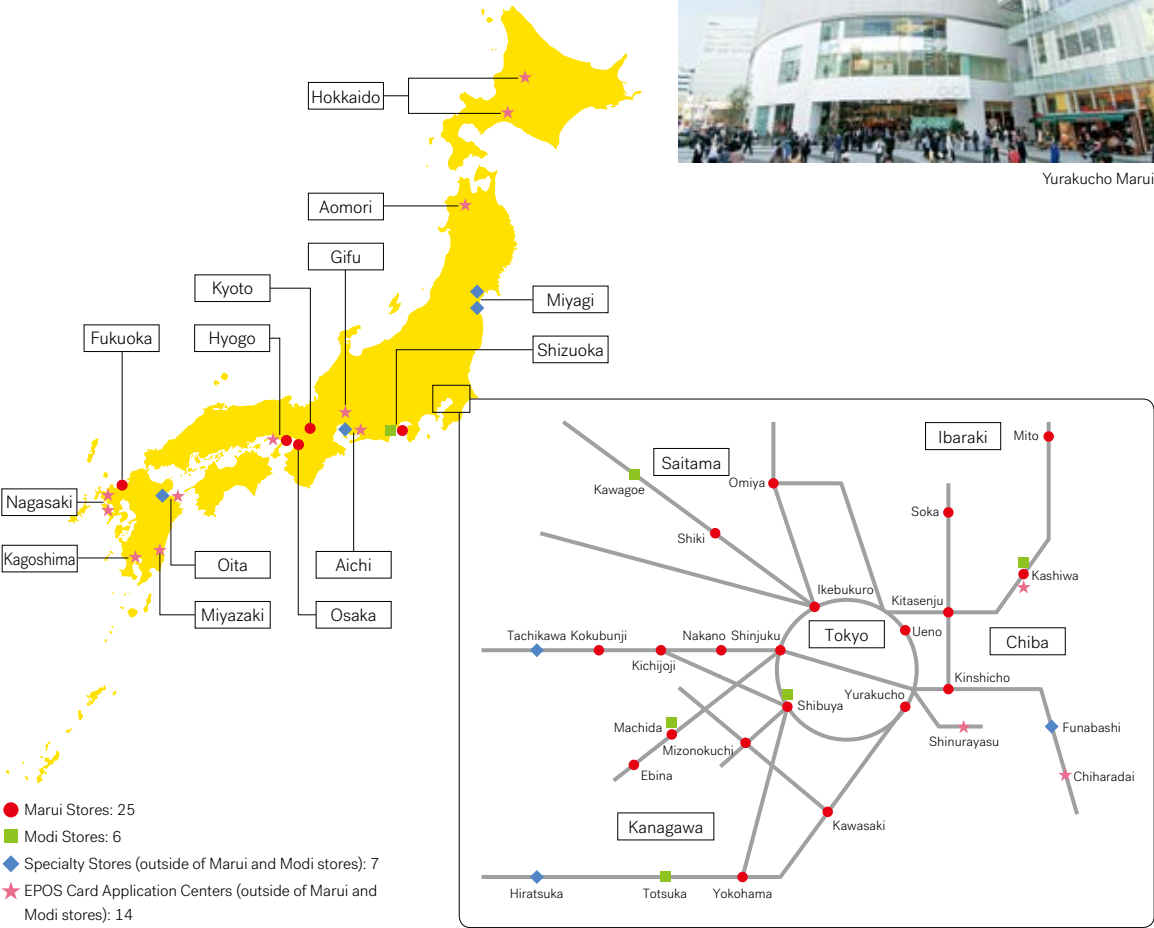


# Retail Stores Serving as Points of Contact with 200 Million Customers a Year

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.



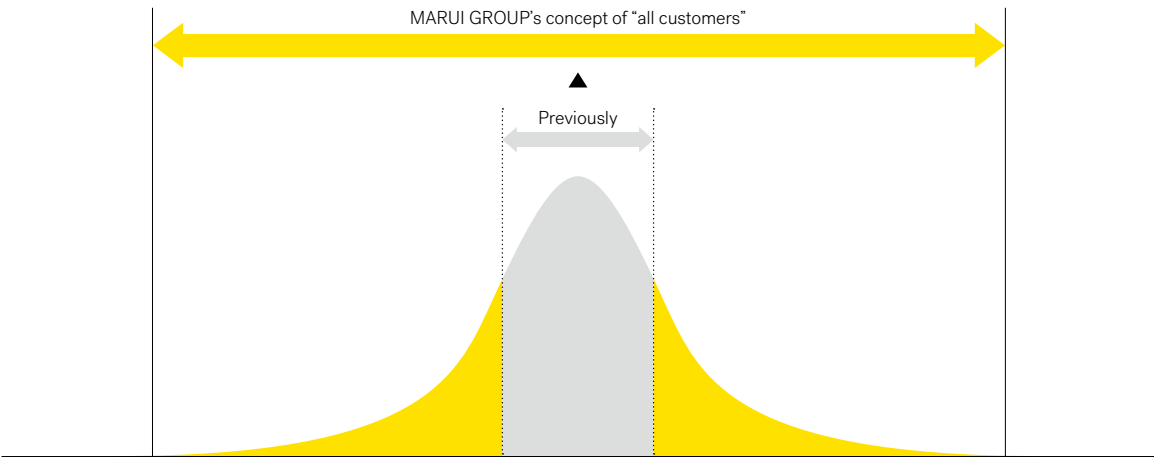
# Quest to Bring Joy to People of All Ages, Genders, and Physical Characteristics

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.

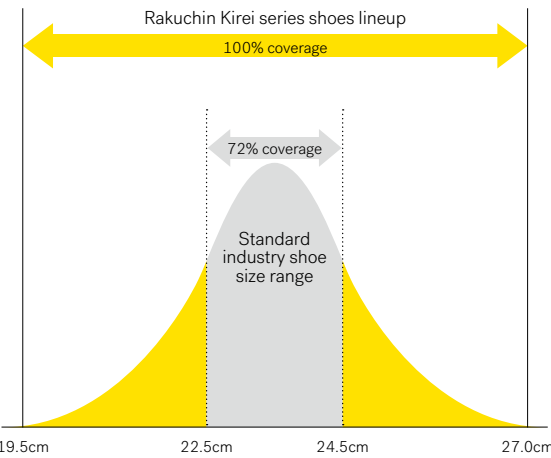
# Co-Creation of Inclusive Products with Customers

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

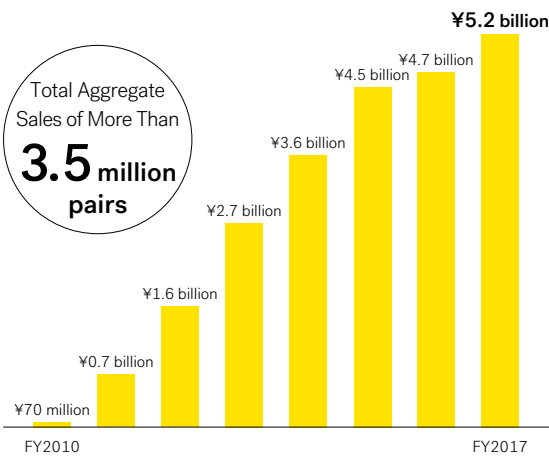
Previously	Going forward
<ul style="list-style-type: none"><li>Standard industry sizes</li><li>Emphasis on design and other aesthetic qualities</li></ul>	<ul style="list-style-type: none"><li>Wide range of sizes accommodating all customers' feet</li><li>Balanced focus on design, comfort, and price</li>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

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



**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

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



**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.