

SECTION 02

Co-Creation Sustainability Management Value Creation Model

CONTENTS

22	Co-Creation Sustainability Management Business Model
22	Pioneer Spirit of Creating Opportunities
24	Business Model Integrating Stores, Credit Cards, and the Internet
26	Unique Pure Holding Company System Contributing to Integrated Thinking
28	Framework of Business Model Integrating Stores, Credit Cards, and the Internet
30	Identification of Four Core Themes for Inclusion
32	Creation of an Inclusive and Flourishing Society
34	Dialogue 02: Financial Inclusion as Viewed from the Perspective of Microfinance
38	MARUI GROUP's Vision for Financial Inclusion
38	Promotion of Financial Inclusion for the Benefit of Everyone
40	Japan's First Securities Business Driven by Credit Cards
44	Dialogue 03: Contributions to the Happiness of All Customers through Cumulative Investments
48	MARUI GROUP Employees Supporting the Securities Business
50	MARUI GROUP's Unique Integrated Management Approach
50	Profession Change System for Fostering Empathy and Innovation
52	Cultivation of an Organization That Creates Innovation through Diversity
54	Work Style Reforms Creating a Venue for Contributions of All Employees
56	Revision of Evaluation Systems and Desired Characteristics in Employees
58	Dialogue 04: Unique Integrated Group Management Enabling Co-Creation Sustainability Management
62	Strong Support for Inclusion

Pioneer Spirit of Creating Opportunities

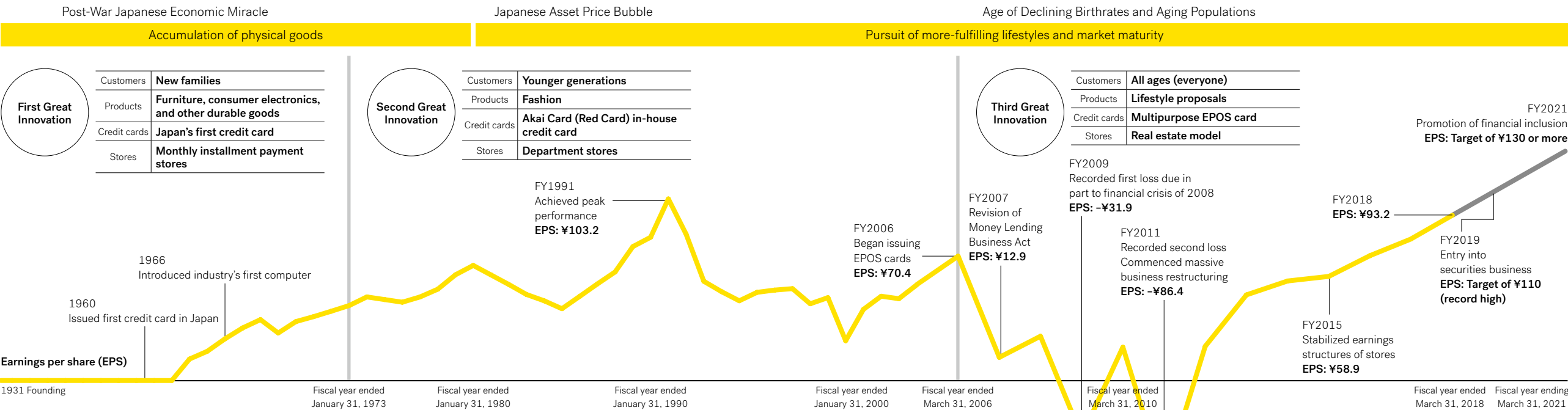
Over the 87 years since MARUI GROUP's founding, we have continued to adhere to our commitment to a pioneer spirit of creating opportunities, a principle advocated by our founder. This spirit has driven us to continuously innovate and evolve our business model, which began with installment sales and integrates stores, credit cards, and the Internet, in conjunction with changes in the times and in customer needs. A look back at the past suggests that MARUI GROUP's business has always focused on the concept of inclusion that we are advocating today.



MARUI GROUP's Founding Spirit
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



MARUI GROUP of Installment Payments

Founder: Chuji Aoi

Period as president: 1931–1972 (41 years)

MARUI GROUP's business initially involved selling furniture through monthly installment payments. Furniture in those days was exceptionally expensive, meaning that some people lacked the on-hand funds necessary to purchase furniture. We sought to include these individuals and address this issue through sales on installment payments, a scheme that merged retail and finance. The Company continued to contribute to affluence in each coming era by developing department stores that offered installment payment plans, issuing Japan's first credit card, and eventually introducing the industry's first computer.

MARUI GROUP of Fashion

Second leader: Tadao Aoi

Period as president: 1972–2005 (33 years)

In the 1980s, the need for credit sales of durable goods declined, leading other stores using the monthly installment payment system to abandon retailing to focus on finance. MARUI GROUP, meanwhile, turned its attention to the growing field of fashion. This transition enabled us to include the younger generations that had previously been a neglected demographic. We thereby were able to stimulate new credit demand, revolutionizing credit sales without abandoning retail. As a result of this strategy, we achieved our peak performance in 1991.

MARUI GROUP of Inclusion

Third leader: Hiroshi Aoi

Period as president: from 2005

Due to the impacts of the revision of the Money Lending Business Act and the 2008 financial crisis, MARUI GROUP was forced to record losses on two occasions. This development spurred MARUI GROUP to pursue innovations in three areas. In customer base innovation, we drastically realigned our focus from catering primarily to younger generations to developing a business that wins the favor of customers of all ages, genders, and physical characteristics. Credit card innovation led to the launch of the multipurpose EPOS card in 2006, an evolution of our prior in-house cards that brought further change as our earnings began to come less

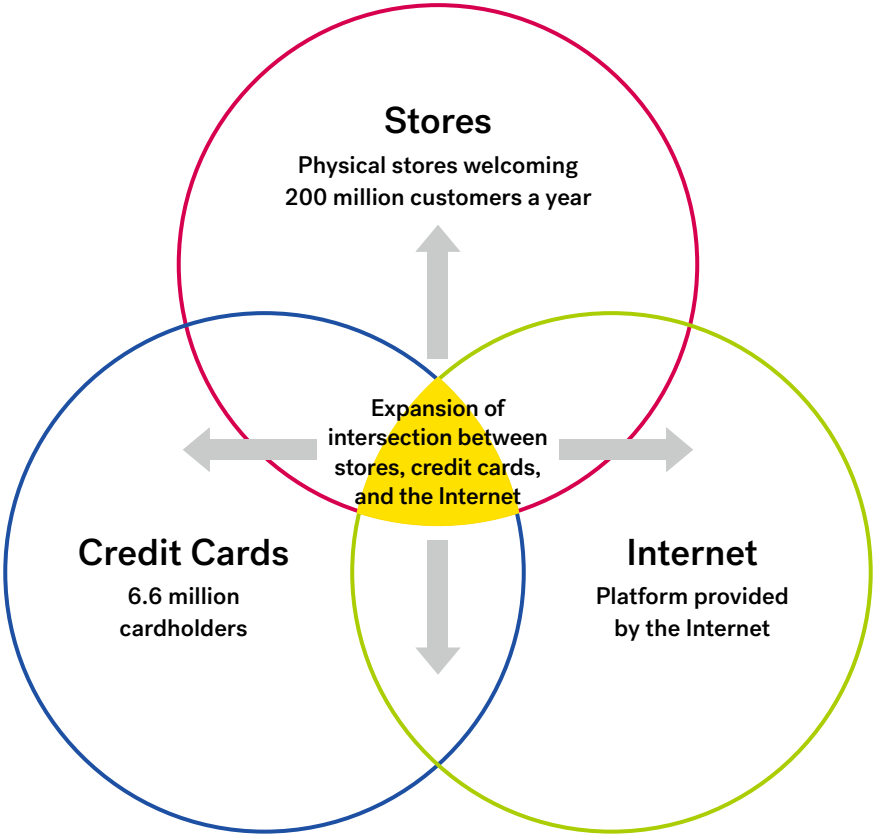
from cash advances and more from card shopping transactions. As for retailing innovation, we started transitioning our stores from the consignment buying system, which entails procuring and selling products, toward real estate-model shopping centers to enable them to provide both goods and experiences. This business structure transformation stabilized the earnings of stores. 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.



Business Model Integrating Stores, Credit Cards, and the Internet

Through the business reforms that began in 2006, we have been undertaking a massive transformation in MARUI GROUP's stores and credit cards while leveraging the platform provided by the Internet to create a business model integrating stores, credit cards, and the Internet. Rather than developing operations in each of these areas on an individual basis, MARUI GROUP aims to expand the intersection between these businesses to create joy for customers through a concerted effort.

Expansion of Business Model Integrating Stores, Credit Cards, and the Internet through Integrated Group Management



Total Group Transactions
¥2,189.4 billion

In the fiscal year ended March 31, 2018, total Group transactions rose 13% year on year, exceeding ¥2 trillion for the first time. Of this amount, approximately 70% was attributable to card shopping transactions in the FinTech segment.

Group Employees
5,548

The average number of consecutive years of service for employees is 20; 44% of the Group's employees are women; and 43% of employees have experienced intra-Group profession changes.



Stores of the Future Not Focused on Selling

MARUI GROUP is currently in the process of transitioning away from stores using the consignment buying system, which entails procuring and selling products, toward real estate-model shopping centers and fixed-term rental contracts. This transition is scheduled for completion in the fiscal year ending March 31, 2019. As a result, our earnings structure will shift from generating income from net consignment revenues to receiving rent revenues. This transition has laid the groundwork for our efforts to create the stores of the future. Capitalizing on the customer bases and customer service expertise cultivated through the operation of conventional stores, these new stores will not focus on selling products or services. Rather, they will offer value in the forms of experiences and a sense of community.

Physical stores	Total of 26 Marui and Modi stores in major cities and other locations across Japan Epos Card Co., Ltd., employees stationed at stores to provide customer service (stationed at 22 facilities not operated by MARUI GROUP) Specialty stores (located at 7 facilities not operated by MARUI GROUP)
Omni-channel	Try-on stores in which customers can try on products in stores and purchase via the Internet



Credit Cards Encouraging Long-Term Use by Everyone

Group company Epos Card Co., Ltd., has accumulated big data through its years of engaging in the co-creation of creditability with its 6.6 million cardholders, who are largely composed of people from younger generations. Committed to our mission of promoting financial inclusion, we will endeavor to utilize such assets to develop credit cards that encourage long-term use by everyone, regardless of age or income. Moreover, we aim to go beyond the limits of our previous cards, which primarily provided payment, lending, and other settlement-related services, to supply cards that offer asset building and a wide range of other services.

Characteristics and scale	Around 6.6 million cardholders largely comprising people from younger generations Card shopping transactions totaling ¥1,600.9 billion, up 15% year on year, in the fiscal year ended March 31, 2018 Transactions at external facilities and Internet shopping sites accounting for 93% of total card shopping transactions
Expanded scope	First cards to be issued for foreign exchange students in Japan Cardholder growth achieved through anime business Evolution from cards focused on settlement services to cards offering various financial services



Platform Tailored to Individual Customers Realized through Enhanced IT

Through its operations merging stores and credit cards, MARUI GROUP has developed IT and information systems as well as a distribution platform. We have also been taking steps to enhance our IT and other foundations through means such as the establishment of the Digital Transformation Promotion Department in 2018. Through these enhancements, we will merge our stores and credit cards in a manner that accommodates the current age of the Internet and smartphones to create a platform tailored to individual customers that can be applied to our e-commerce, securities, and other new businesses.

E-commerce	Proprietary "marui web channel" Internet shopping site and partnership with external Internet shopping sites
Intra-Group coordination	IT systems supporting integration of retailing and finance System staff with retailing and finance experience Big data accumulated through co-creation of creditability
Enhancement of platform	EPOS card user interface built specifically for smartphones Intra-Group distribution systems supporting Internet sales

Unique Pure Holding Company System Contributing to Integrated Thinking

We adopted a pure holding company system in 2007. This move clarified the roles of Group operating companies and of MARUI GROUP CO., LTD., and made it possible to develop a business model integrating stores, credit cards, and the Internet. Later incorporating the perspective of inclusion into management gave rise to a cycle in which the expansion of the intersection between stores, credit cards, and the Internet contributed to the growth of the intersection between the interests of stakeholders, driving further increases in the intersection between stores, credit cards, and the Internet, forming a structure like a Moebius strip.

Outward Propulsion and Unifying Force of Management

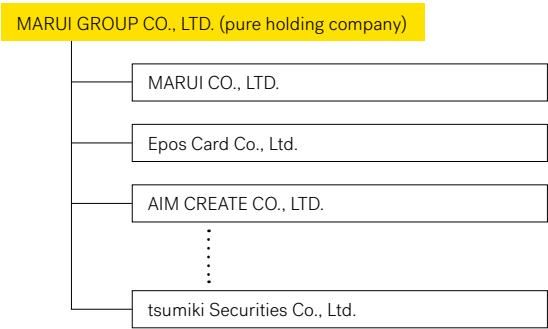
MARUI GROUP differs from a standard pure holding company in that all Group employees are hired through the Company and that, even if an employee is appointed to an operating company, they will still have access to the same shared human resource systems available at the Company. This framework makes it possible for employees to undergo profession changes between Group companies and for us to arrange Groupwide project teams in which employees transcend the boundaries of their operating companies to discuss management issues. These features of our framework are what make our business model of integrating stores, credit cards, and the Internet possible.

Our goal in adopting the pure holding company system was to simultaneously heighten the outward propulsion and unifying force of our integrated Group management. As operating companies grow, exercising their

individual specialties and expertise in the process, they exhibit an outward propulsion that drives them away from the rest of the Group. For this reason, if we do not also increase the unifying force of our management, our business model based on Group integration, a core strength of MARUI GROUP, will lose its potency. The task of heightening this unifying force lies with the pure holding company. Having all Group employees be, in essence, employees of the pure holding company effectively creates a unified MARUI GROUP, which in turn allows for the balanced exertion of outward propulsion and unifying force. The unifying force is perhaps most aptly symbolized by the new business of tsumiki Securities Co., Ltd. As seen in this business, this force allows us to combine the expertise, knowledge, and other human and intellectual capital of Group companies to transform these forms of capital into the organizational capital of the Group.

Organization of the Group after Adoption of the Pure Holding Company System

Batch hiring of all employees, shared human resource systems



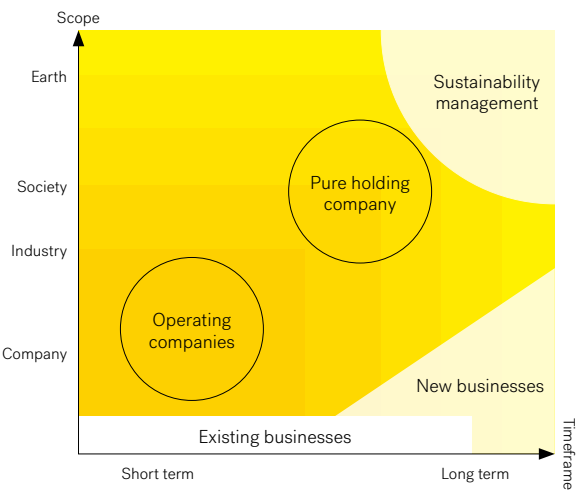
Integrated Thinking Spawning Both Corporate Value and Social Value

Another major goal of the adoption of the pure holding company system was to incorporate a long-term perspective into management. The longer the timeframe used when thinking about corporate management, the more the scope of thought will broaden, spreading from the Company to include the industry and eventually the whole of society. The presidents of operating companies are required to pursue earnings based on a relatively short-term perspective while the president of the holding company is expected to adopt a long-term perspective for addressing sustainability and social issues. It is incredibly difficult for the same person to fulfill both of these roles. Based on this realization, we adopted the pure holding company system in part to clarify the distinction between these two roles. This system has thus made it possible for management to engage in integrated thinking aimed at realizing Groupwide optimization that transcends the differences and contradictions between individual businesses, thereby enabling the development of a business model integrating stores, credit cards, and the Internet.

Having incorporated the perspective of inclusion into management, MARUI GROUP views the expansion of the intersection between stores, credit cards, and the Internet as being interconnected with the growth of the intersection between the interests (happiness) of stakeholders, forming a relationship that can be illustrated as a Moebius strip in which an increase in one intersection drives the growth of the other, prompting us to pursue

increases in both. This relationship makes it possible for MARUI GROUP to create corporate value over the long term while simultaneously generating value for stakeholders and for all of society.

Scope of Thinking and Timeframe



Expansion of intersection between stores, credit cards, and the Internet

Inclusion perspective

Growth of intersection between interests of stakeholders

Framework of Business Model Integrating Stores, Credit Cards, and the Internet

MARUI GROUP's business model, which integrates stores, credit cards, and the Internet, is supported by a framework for transforming the isolated strengths dispersed throughout the Group into the strength of the entire Group. By advancing its business activities as a unified whole, MARUI GROUP aims to create a business that makes ongoing and wide-reaching contributions to society in order to forge longer lasting relationships with customers.

Integrated Group Management Underpinning Business Model Integrating Stores, Credit Cards, and the Internet

Transformation of Isolated Human Capital into Organizational Capital of the Group

MARUI GROUP possesses four strengths that enable it to transform isolated strengths into the organizational capital of the Group. MARUI GROUP's practice of integrated Group management provides the foundation that gives rise to these strengths. When isolated, our precious human capital cannot be effectively translated into the strength of the organization. However, when we are able to transform this human capital into the strength of the Group, into organizational capital, through co-creation with customers and other stakeholders or through MARUI GROUP's corporate culture, we can utilize this capital to create value through our business model that integrates stores, credit cards, and the Internet.

➔ P50 MARUI GROUP's Unique Integrated Management Approach



Earnings Structure Targeted in MARUI GROUP's Main Business

Business Forging Long-Term Relationships with Customers

MARUI GROUP believes that, by drastically altering its prior business approach, it can forge relationships with customers that continue over even longer periods. Rent guarantee and asset building services entail relationships in which recurring transactions are conducted with customers over periods of 3, 5, 10, or even 20 or more years. Accordingly, these services encourage customers to use their EPOS cards as their main credit card and thereby contribute to increases in the number of Gold cardholders. In the future, we anticipate that the co-creation of creditability through the forging of such long-term, trusting relationships with customers will be more important than ever.

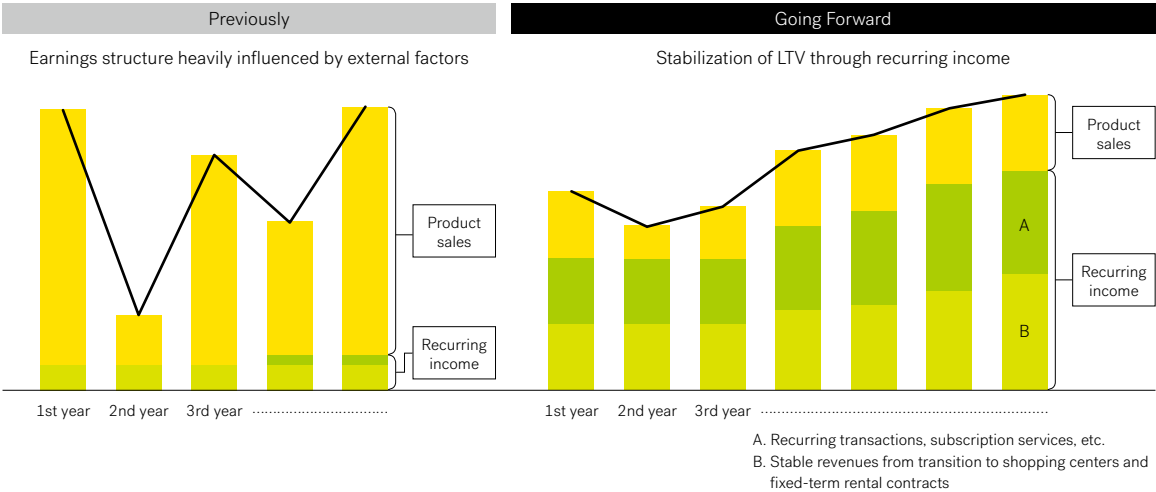
➔ P38 Promotion of Financial Inclusion for the Benefit of Everyone

LTV Generated through Recurring Income

Previously, our earnings structure has focused on product sales. This earnings structure faced a serious issue in terms of the volatility of earnings as performance in retailing can be heavily impacted by external factors, such as weather, foreign exchange rates, and trends in inbound travel in Japan. However, by advancing the transition to shopping centers and fixed-term rental contracts, we are shifting the source of our earnings from product sales to rent revenues. In addition, we anticipate a relative increase in payments for recurring transactions and subscription services through credit cards. These two changes will expand the portion of our earnings that is accounted for by recurring income. This trend is expected to contribute to stable growth in the overall lifetime value (LTV) of the Group as we accumulate earnings.

➔ P66 Medium-Term Management Plan

Projected Path of Improvement of LTV through Accumulation of Recurring Income



Transformation of Intellectual Capital into Financial Capital

Rental guarantees, cumulative investments, and sharing services are all businesses in which MARUI GROUP will be able to exhibit greater strength the more it amasses intellectual capital and other management resources. By utilizing such intellectual capital in the integration of stores, credit cards, and the Internet, MARUI GROUP aims to transform this capital by operating its business without depending on significant amounts of assets and liabilities and thereby limiting total assets. Through this approach, we will target stable increases in return on invested capital.

➔ P85 Target Balance Sheet

Identification of Four Core Themes for Inclusion

In November 2016, MARUI GROUP defined four core themes for inclusion as it redefined the focus of its business of serving all customers from the perspective of inclusion. By commercializing these themes through our business model integrating stores, credit cards, and the Internet, we aim to expand the intersection between the interests of stakeholders.

Core Theme 1

Customer Diversity and Inclusion

We will seek to develop products, services, and stores that bring joy to all customers, regardless of their age, gender, or physical characteristics.

Inclusive Store Development	P77
Inclusive Product Development	P79
Financial Inclusion	P38



Core Theme 2

Workplace Inclusion

Based on MARUI GROUP's corporate philosophy of striving to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company," we will provide all employees with venues through which they can excel.

Development of an Organization That Utilizes Diversity	P52
Healthcare Management	P55
Human Resource Investments	P70



Core Theme 3

Ecological Inclusion

We will develop businesses with low environmental impact, and contribute to the realization of a low-carbon society and a circular economy, and propose ecologically sound lifestyles that are in harmony with nature and the environment.

Environmental Footprint Reduction	P101
Product Initiatives	
Responsible Procurement	
Innovative Services	



Core Theme 4

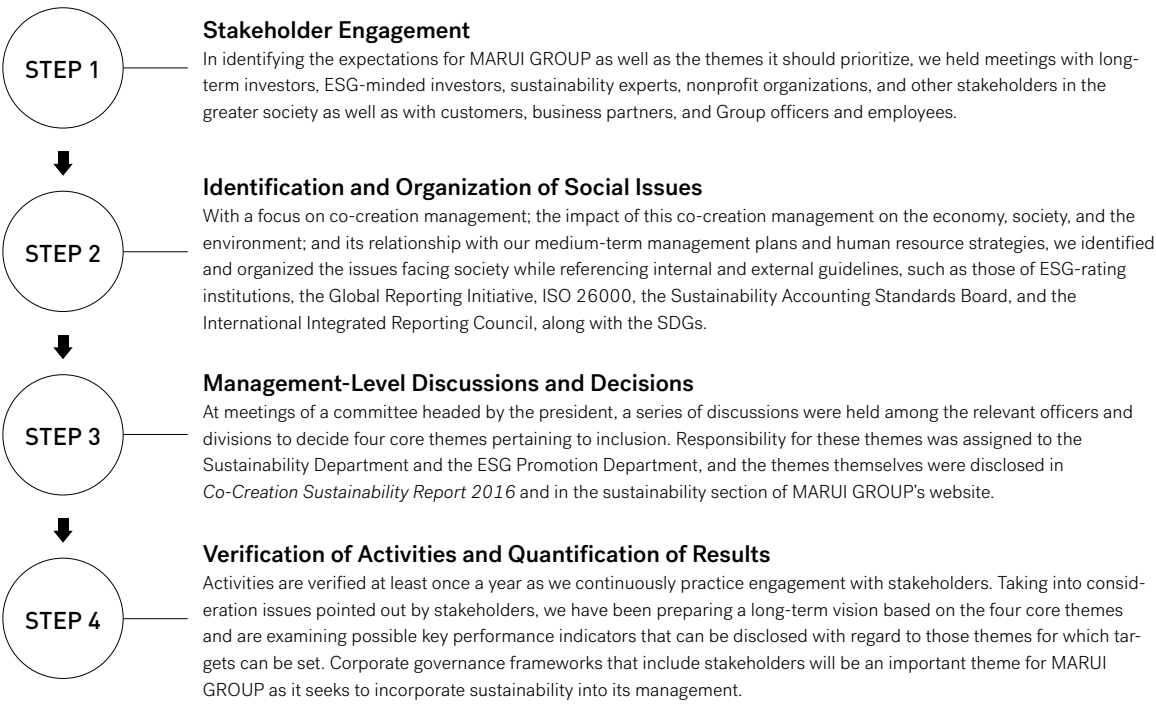
Co-Creation Corporate Governance

We will develop management frameworks that include stakeholders in order to achieve harmony between the interests and the happiness of all stakeholders.

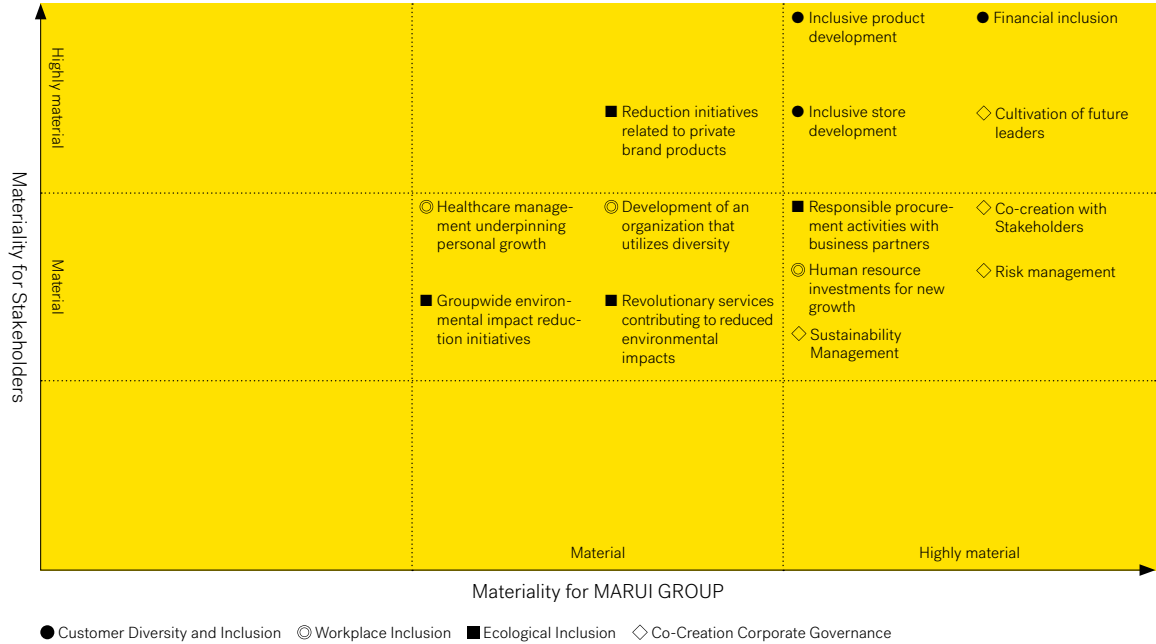
Co-Creation with Stakeholders	
Sustainability Management	P65
Cultivation of Future Leaders	P97
Risk Management	P100



Process for Establishing Core Themes



Major Initiative Matrix



Creation of an Inclusive and Flourishing Society

MARUI GROUP practices forward-looking co-creation sustainability management that leverages its core value—the co-creation of creditability. As part of this practice, we have identified social issues for the Company to address from the perspective of inclusion, and we are commercializing initiatives for addressing these issues through our business model of integrating stores, credit cards, and the Internet. We thereby aim to simultaneously improve corporate value and resolve social issues. The new businesses born out of this process will drive the growth of the MARUI GROUP and eventually become the main focus of its operations.

Inclusion as Both a Philosophy and a Business Strategy

Co-creation is, at its core, the quest to realize an inclusive society. A society cannot be said to be happy if happiness is only provided to certain groups. Rather than focusing on bettering the Company, MARUI GROUP is committed to addressing social and environmental issues through co-creation with its stakeholders. In this manner, we view inclusion as both a philosophy and a business strategy.

Social and Environmental Issues

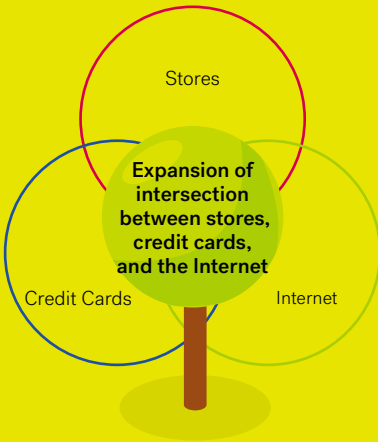
- Declining birthrates and aging societies
- Concern for the future among younger generations
- Increasingly more serious global environmental issues
- Digital divide stemming from the spread of the Internet

A Flourishing and Inclusive Society
Offering Happiness to All



Main Focus of MARUI GROUP's
Operations Going Forward
**Simultaneously improving
corporate value and
resolving social issues**

Business Model Integrating Stores,
Credit Cards, and the Internet



Commercialization of
New Initiatives through
Business Model Integrating Stores,
Credit Cards, and the Internet



Co-Creation of Creditability

Core value of MARUI GROUP based on
a belief of the founder

Perspective of Inclusion

Transformation of existing businesses based on
a new way of thinking about business
First step of financial inclusion (securities business)

Co-Creation of Happiness

Expansion of the intersection between
the interests of stakeholders

Financial Inclusion as Viewed from the Perspective of Microfinance

The idea of microfinance advocated by Grameen Nippon and the concept of financial inclusion promoted by MARUI GROUP are connected on a level that exceeds the boundaries of each organization. The following is a conversation between two individuals that met Grameen Bank founder Professor Muhammad Yunus around the same time and that both have visions for finance that opens itself toward the future. Sharing the same ideals, these two individuals will discuss the potential of financial inclusion.

Masahiro Kan

President
Grameen Nippon



Hiroshi Aoi

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

Meeting with Grameen Bank Founder Professor Muhammad Yunus

Aoi: My first encounter with Grameen Bank founder Muhammad Yunus came at a lecture he delivered in Japan in 2007. This experience prompted me to establish Social Business Platform, a general incorporated foundation, with my friends. We invited Professor Yunus to serve as a special advisor to this foundation. Mr. Kan, I would like to ask how you met Professor Yunus and

what inspired you to create Grameen Nippon.

Kan: I first met Professor Yunus in 2008 on a visit to Grameen Bank in Bangladesh. Even today, I still vividly remember the professor's explanation of how microfinance was without a doubt applicable to Japan. It took a decade, but I was finally able to establish Grameen Nippon in 2018. I had previously been involved in government finance and financial policy at the Ministry of Finance. A major turning point came when my family's liquor store, which my uncle had taken over, was forced

to close around 2004. Seeing how those around him reacted to the closure, I was shocked at how cold others were to him. I did not want to live in a cold society when I grew older. My first encounter with microfinance and Professor Yunus came when I was mulling over these feelings. After this encounter, I came to view my prior government experience as having been the preparation for microfinance. Each subsequent time I met Professor Yunus, I left feeling even more empowered. The professor is truly the person I respect the most in this world.

Aoi: It was around the time of my first encounter with Professor Yunus that I was searching for ways to contribute to society through our main business. Not finding an answer, I remember being moved by the creative idea of Professor Yunus to "put poverty in the museum." Up until that point, the common approach was to use the earnings of one's business to fund charities or CSR activities. However, the professor advocated an idea for social businesses in which dividends are not paid because investments are used to fund the actual business.

Kan: One of Professor Yunus' Seven Principles of Social Business is "Investors get back their investment amount only. No dividend is given beyond investment money." Under this principle, if an investor puts ¥10,000 into a social business, they will only get that ¥10,000 back, even if the business grows this ¥10,000 to ¥12,000 or

¥13,000. A normal public company would return the additional ¥2,000 or ¥3,000 to investors in the form of dividends, but the dividends issued by a social business are zero. Any returns that exceed investments are used to improve and expand the social business.

Aoi: Listed companies like MARUI GROUP seek to realize social contribution through their business by paying dividends. Accordingly, Professor Yunus' ideas were most stimulating. We define corporate value as being represented by the intersection between the happiness of all stakeholders. I arrived at this idea when my way of viewing the world was transformed by Professor Yunus, leading me to see intersections between concepts I previously thought to be completely separate.

Mutual Trust Bridging Gap Created by Information Asymmetry

Aoi: Grameen Bank has arms in both developing countries and developed countries like the United States. What type of customers do you serve in Japan?

Kan: The individuals that come to borrow money from Grameen Nippon are people with a desire to work but who are unable to do so because of their own poverty. For example, we cater to single mothers looking to

Masahiro Kan

President, Grameen Nippon

Born in Fukushima Prefecture, Mr. Masahiro Kan was involved in financial policy at the Ministry of Finance and served as an executive director for Japan at the World Bank Group before he became a professor at Meiji Gakuin University in 2017. A meeting with Professor Yunus in 2008 proved to be a turning point in his life. Committed to promoting microfinance in Japan, Mr. Kan created the preparatory institution that would become Grameen Nippon with his colleagues in August 2017. Grameen Nippon was formally established and commenced operations on September 13, 2018.



improve their lives through work, members of the working poor who are proactive toward work, and other individuals that have previously been excluded from financial services. The only condition for receiving financing is for borrowers to form mutual aid groups of five people. Loans are then provided with no need for collateral or guarantors. In this manner, we simultaneously supply the seed money for funding their aspirations and provide an opportunity to work or give support to their job search. Borrowers can start their own business or look for employment. Those that want to become a care worker, financial planner, or some other specialist can receive funds to cover the tuition payments for obtaining the necessary qualifications or education.

Aoi: Is the need to form groups of five a standard world-wide rule for Grameen branches?

Kan: Yes, the group of five rule is a core aspect of Grameen Bank's approach, and Grameen Nippon also requires prospective borrowers to form mutual aid groups of five people. We provide funds to people that want to work but lack the money without asking for collateral or guarantors. A normal bank would not loan money under such conditions. The true goal of financing should be to supply money to the people who really need it, but the reality of finance is much different. This is because we are unable to resolve information asymmetry issues. The Grameen model aims to address this issue by having borrowers form groups of five and holding weekly

meetings among these groups. In other words, you could say that we will not provide financing if borrowers cannot build trust among themselves. Mutual trust is therefore crucial to our approach to financing.

Overlapping Ideas from Different Backgrounds

Aoi: MARUI GROUP's credit card services business is not only unique in that it arose from a retailing business but also in the credit philosophy that has guided it since its inception. We do not assign customers credit limits based on their income, assets, age, or job. Rather, all customers start off with low credit limits that are gradually increased in conjunction with their usage amounts and payment histories. Although most credit card businesses only achieve return on invested capital of between 1% and 2%, we boast a return of 3.8%. One reason for this difference is that around half of our cardholders are in their thirties or younger. While they may not have a lot of income or assets, they spend a lot due to life events, such as renting housing, getting married, or having children. As a result, their card usage rates are high. Regardless of this younger cardholder base, our ratio of delinquent debt is the lowest in the industry, a fact that is hard to comprehend for European and U.S. investors. Our founder believed that creditability should be built together with customers. This belief gave rise to

our concept of the co-creation of creditability, which is the wellspring of value, the core value that has supported us throughout our 87-year history.

Kan: That concept is the same as the business model of Grameen Bank. At Grameen Nippon, we refer to borrowers as "members." This is because, rather than the one-sided provision of credit, we seek to foster mutual trust with borrowers, a desire that overlaps with MARUI GROUP's concept of co-creation.

Aoi: When I first heard of Grameen Bank, its philosophy resonated with me. I was struck to know that we were not alone in our thinking. Up until then, I had thought that our approach toward finance was unique, an approach that no one else could understand. What Grameen Bank preached was the same as the financial inclusion we pursued. Our backgrounds may be completely different, but our ideas overlapped. It was fate. Professor Yunus made me realize that, while financial inclusion was an approach to finance that differs from the traditional approach seen around the world, it could be seen as an approach oriented toward the future. If we view the entirety of financial services, not just credit cards, from the perspective of financial inclusion, we will see that the vast majority of financial services are primarily offered only to the wealthy. As such, younger generations and other individuals have been excluded from these services. Recognizing the problems with this situation, we chose to establish a securities company specializing in cumulative

investments. It is clear that the model of Grameen Bank and our business are connected on some deeper level that transcends their form and origin. This connection is visible in our approaches toward co-creating creditability and in our stances toward including everyone.

Kan: There are many aspects to the society that Grameen Nippon aims to create, but first and foremost is our vision for a society free from poverty in which everyone is empowered. This goal entails including the socially disadvantaged. Microfinance is truly an endeavor in financial inclusion. I am confident that financial inclusion will prove to be a pioneering initiative representative of future social and global trends. One such trend is the United Nations Sustainable Development Goals, the first of which is to "end poverty in all its forms everywhere." This goal means to eradicate poverty, not just in developing countries, but also in developed countries like Japan. One defined target for this goal is to "by 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions." The quest of Grameen Nippon coincides completely with this goal. There is an African saying that goes "fast alone, far together." Grameen Nippon adopted this saying as its motto. If we are united together, even if one of us may falter, our aspirations will travel far. We are committed to moving forward with our comrades.

**Grameen Bank loans money to people
with no money without asking for collateral.
Mutual trust is therefore crucial.**

Masahiro Kan

**Our backgrounds may be completely different,
but our ideas overlapped. It was fate.**

Hiroshi Aoi

Promotion of Financial Inclusion for the Benefit of Everyone

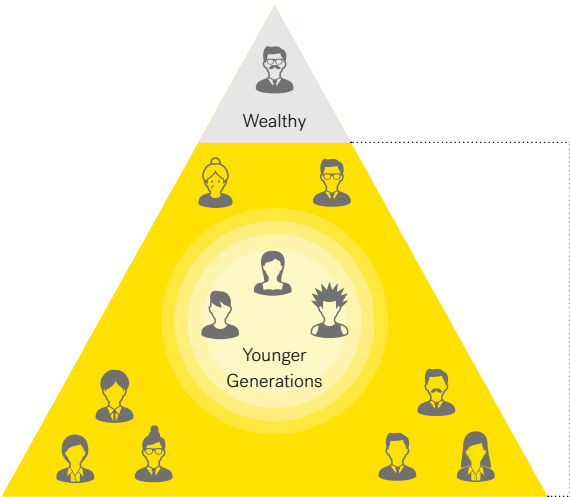
MARUI GROUP's vision for financial inclusion is to resolve the social issues represented by the exclusivity of financial services to the wealthy with its business model of integrating stores, credit cards, and the Internet. We aim to provide financial services that put affluence within reach of younger generations and everyone else.

Financial Services for People of All Ages and Incomes

Since issuing Japan's first credit card in 1960, MARUI GROUP has proceeded to develop a business of providing credit cards to all applicants, regardless of their age, profession, or income. We expanded the scope of these efforts to include non-Japanese residents and foreign exchange students in Japan in October 2017, when we partnered with Global Trust Networks Co., Ltd., a company that offers comprehensive lifestyle support for non-Japanese individuals. Through this partnership, Epos Card has issued Japan's first credit card exclusively for non-Japanese individuals to support them in their various life situations, whether going to school, working, or maintaining permanent residence, with funding and payment services.

In 2018, we entered into the securities business, which could be seen as central to financial inclusion. Services for building assets through investment are currently limited almost completely to wealthy individuals, being placed out of reach for younger generations and everyone else. The mission of our securities business is thus to resolve this social issue and realize financial inclusion by providing financial services for everyone, regardless of their age, profession, or income.

Younger Generations and Everyone Else





1960
Issuance of Japan's first credit card



Akai Card enriching the lifestyles of younger generations



MARUI GROUP

Provision of financial services to younger generations and all other customers

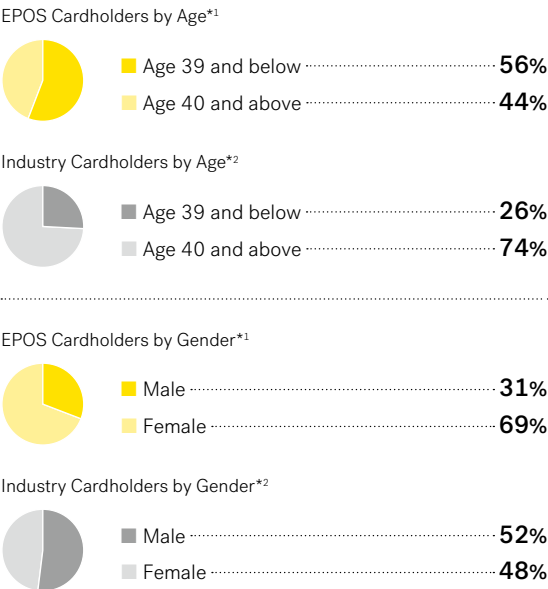
Issuance of Japan's first credit card exclusively for non-Japanese individuals

Launch of Japan's first securities business driven by credit cards

MARUI GROUP's Basic Credit Philosophy

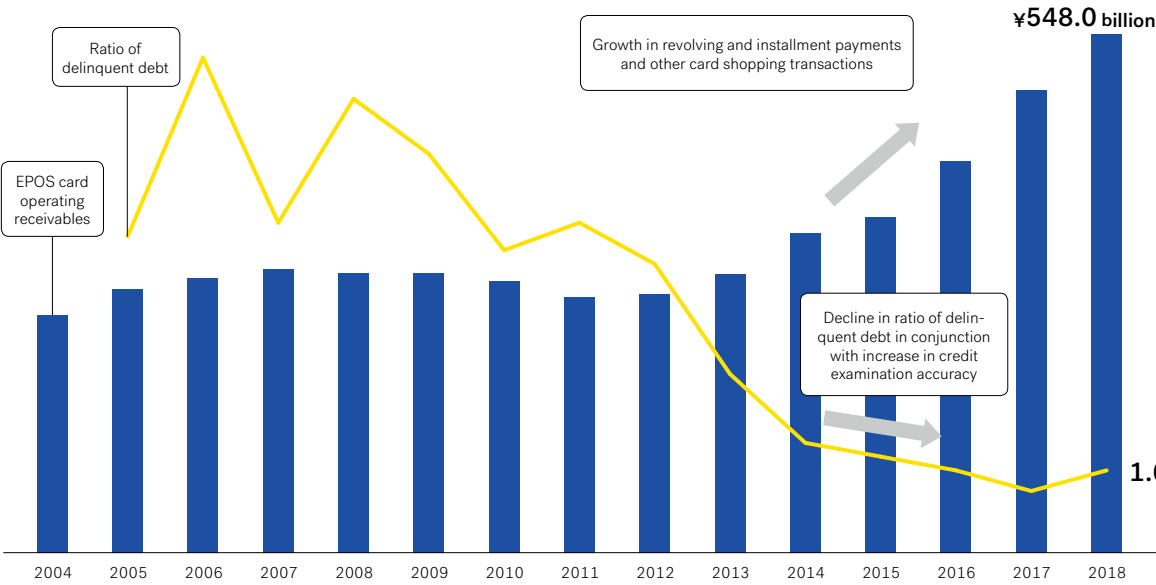
MARUI GROUP's basic credit philosophy—that credit-ability should be built together with customers—dates back to the Company's founding. Our credit framework does not entail assigning credit to customers, but rather involves setting a credit limit that is within their means and gradually increasing this 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 customers will be able to make payments and the cases in which a customer will likely become a credit delinquent. By combining our initial credit data, which has grown to the level of big data, with the credit monitoring data we have accumulated through co-creation with customers, we have been able to maintain the industry's lowest ratio of delinquent debt of 1.60%. Moreover, our rate of refusing to issue credit cards at stores is only 8%, compared to the industry average refusal rate of 24%.

Cardholder Base Compositions of MARUI GROUP and the Industry



*1 Active cardholder base
*2 Source: Consumer Credit Statistics from Japan (FY2017), Japan Consumer Credit Association

High Growth and Low Ratio of Delinquent Debt



Japan’s First Securities Business Driven by Credit Cards

In its securities business, which is central to financial inclusion, MARUI GROUP aims to transform the concern younger generations harbor for the future into hope and to contribute to the drive to shift assets from savings to asset building. Our business model of integrating stores, credit cards, and the Internet will play an important role in developing this business. MARUI GROUP entered into this business from the completely different industry of retailing. We therefore aim to create a new wave in the securities business by incorporating ideas based on the customer’s perspective.

Backdrop for Entry into Securities Business

The goal of MARUI GROUP’s securities business is to contribute to customer happiness and to a better society through cumulative investments. Our decision to enter into this business was prompted by the concerns for money seen largely among the younger generations. A public opinion survey conducted on people’s lifestyles in June 2017 indicated that nearly 60% of people aged 18 to 39 are saving money, not for their life in the present, but for the future. This result indicates an increase in emphasis on preparation for the future among younger generations.

Meanwhile, the ratio of financial assets accounted for by cash and deposits in Japan is high and the rate of growth in private financial assets is low in comparison to other countries. In response to this trend, the Financial Services Agency is encouraging people to shift their assets from savings to asset building. Against this backdrop, MARUI GROUP sought a means of alleviating customers’ apprehensions regarding money. After thoroughly examining the types of services that could be used to help customers build assets with peace of mind, we arrived at the decision to establish a securities company specializing in cumulative investment.

Purchases of Tsumitate NISA Applicable Trusts with Credit Cards

Our securities company specializing in cumulative investment, tsumiki Securities Co., Ltd., provides services that allow for cumulative investments to be conducted through regular, fixed-amount credit card payments for purchasing investment trusts applicable under Tsumitate NISA that have cleared government standards. This business represents Japan’s first scheme for purchasing investment trusts with credit cards. Monthly investment amounts may be set within the range of ¥3,000 to ¥50,000 per month. Investment payments are deducted from customers’ bank accounts together with their monthly payments for shopping, and other purchases. Our goal is to grow this business to serve one million users and handle a balance of ¥1 trillion in assets within 10 years.

The growth of the credit card market is projected to be driven by e-commerce and recurring transactions going forward. Recurring transactions refer to ongoing payments, such as those for gas, electricity, water, and rent. EPOS cardholders that use their cards to make payments for such transactions are five times more likely to upgrade to Gold

cards, which are emblematic of their loyalty as customers. Moreover, when cardholders upgrade to a Gold card, their usage amounts increase greatly. Accordingly, even if the recurring transactions through the Tsumitate NISA scheme do not generate significant profits, this business model will still create substantial returns in terms of credit card revenues and other Groupwide revenues, with low upfront investment nonetheless.

Who	Younger generations and everyone else
What	Purchases of investment trusts applicable under Tsumitate NISA
How	Credit payment via EPOS cards (first scheme of its type)

About Tsumitate NISA

Tsumitate NISA is a program commenced by the Financial Services Agency in January 2018 with the goal of promoting the shift from saving to investment. Characteristics of this program include the ability to start investments in small sums as annual investments are limited to ¥400,000, as well as the fact that taxes will not be applied to this program for 20 years and that all applicable investment trusts must clear certain standards, making them suited to long-term asset building. This program is thus designed to support younger and first-time investors in conducting long-term, cumulative, and dispersed investments.

Concerns of Younger Generations and Social Trends

Concerns of Workforce Members in Their 20s

No. 1	Money	59%
No. 2	Work	41%
No. 3	Marriage	32%

Source: Dentsu Communication Institute Inc., 2015

New Year’s Resolutions of People Aged 20 in January 2017

No. 1	Saving for the future	41%
No. 2	Conserving money	34%
No. 3	Healthy habits	30%

Source: Visa Worldwide Japan Co., Ltd.

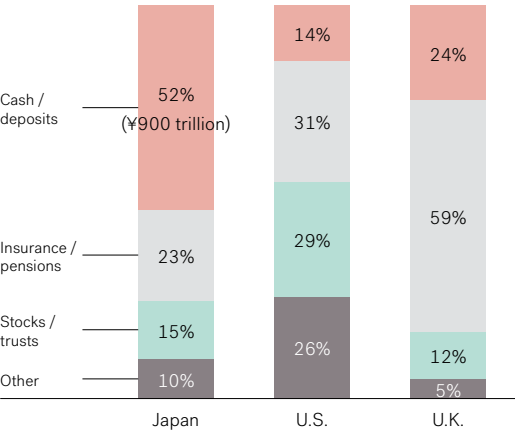
Reason for Lack of Interest or Unwillingness to Engage in Asset Management and Lending

No. 1	Perceived difficulty or lack of knowledge	60%
No. 2	Concern for losses	45%
No. 3	Lack of monetary leeway	39%

Source: Asset management survey of EPOS cardholders, 2016

Breakdowns of Private Financial Assets by Type

Financial Services Agency promoting asset formation using ¥900 trillion worth of cash and deposits



Sources: Flow of funds data, Bank of Japan, 2016
Progress and Assessment of the Strategic Directions and Priorities 2016–2017, Financial Services Agency, 2016

Collaboration between tsumiki Securities and nendo

The design for tsumiki Securities was created by nendo inc., an international design firm led by Chief Designer Oki Sato.

Judging that a major reason behind the concern regarding money and investment was a lack of transparency, nendo developed physical representations for the services of tsumiki Securities that resemble Japan’s traditional luck charm. The goal of these representations is to draw a connection between asset building and a better fortune for oneself. By carrying these charms around or placing them in customers’ living space, we hope to make customers feel at ease knowing that their future is secure.

The company name of tsumiki Securities, with tsumiki being Japanese for building blocks, itself is meant to symbolize its simple and easy-to-understand services, the process of building assets gradually and at one’s own pace, and the idea of accumulating not just money, but also a more positive outlook.



Oki Sato

Mr. Oki Sato is the chief designer and CEO of nendo inc. He was born in Canada in 1977 and received a Master of Arts in architecture from Waseda University in 2002. He established the nendo design firm in the same year. Mr. Sato has been included among the 100 most respected Japanese by Newsweek magazine and named designer of the year in numerous global design awards programs. Moreover, he has made appearances on Japanese television programs highlighting the work of professionals and the lifestyles of exemplary individuals with connections to countries outside of Japan. Mr. Sato has also published books on topics including design philosophy, problem solving, techniques for working faster, rejected projects, and how to adopt different perspectives.

New Services Provided by tsumiki Securities

Through cumulative investments, tsumiki Securities is a company that contributes to the happiness of all customers.

From among the approximately 6,000 investment trusts available in Japan, tsumiki Securities has handpicked four trusts to offer to customers: the Commons 30 Fund of Commons Asset Management, Inc., the SAISON Vanguard Global Balanced Fund and the Saison Shisan Keisei no Tatsujin Fund of Saison Asset Management Co., Ltd., and the Hifumi Plus Fund of Rheos Capital Works Inc. The fund management companies of each of these trusts share our vision and are committed to supporting customers in long-term asset building. These fund managers strive to act as close partners to their customers, communicating to them the importance of asset building and the benefits of long-term cumulative investments. Together with these three fund managers, we aim to encourage customers to shift their assets from savings to asset building during our interactions with them.



Service Details

- Monthly payments of ¥3,000–¥50,000
- One-time payments only (no interest payments or additional fees)
- Payments deducted together with shopping and other payments
- Points accumulated through payments

Investment Trusts Offered by tsumiki Securities

Investment trusts applicable under Tsumitate NISA
Approx. 150

Investment trusts available in Japan
Approx. 6,000

Four Handpicked Trusts Offered by tsumiki Securities

Fund manager	Trust name
Commons Asset Management, Inc.	Commons 30 Fund
Saison Asset Management Co., Ltd.	SAISON Vanguard Global Balanced Fund
	Saison Shisan Keisei no Tatsujin Fund
Rheos Capital Works Inc.	Hifumi Plus Fund



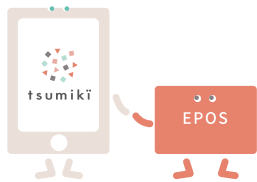
As of June 30, 2018

Customer Joy Brought About through Cumulative Investments

Through tsumiki Securities, we offer services that enable customers to build assets for the future gradually, at their own pace, and with peace of mind through cumulative investments by purchasing Tsumitate NISA applicable trusts with fixed, monthly payments via their EPOS cards. Services were launched in August 2018 to help customers accumulate money for the future.

01
POINT

Application is easy and can be conducted through a smartphone. The simple user interface is easy to understand and use, even for individuals that are new to asset building.



02
POINT

Cumulative monthly payments are made via EPOS cards. Points are accumulated as an added bonus based on the amount of investments and number of years of ongoing use.



03
POINT

Services are available online and application support can be received at stores. Follow-up seminars and other services merging stores and the Internet are provided after application.



04
POINT

Physical representations of these services for asset building, which can be a source of concern, are offered that resemble good luck charms. Pick yours up at a Marui store and keep it with you.



Brand movie for tsumiki Securities
www.youtube.com/watch?v=VuQLSEqKY0c (Japanese only)





Contributions to the Happiness of All Customers through Cumulative Investments

MARUI GROUP established tsumiki Securities as a securities company specializing in cumulative investment with the aim of addressing the needs of customers harboring concerns for the future pertaining to money or seeking to increase their assets with peace of mind.

The following is a discussion between the CEO and COO of tsumiki Securities, which commenced services in August 2018, in which they express their resolutions for this company going forward.

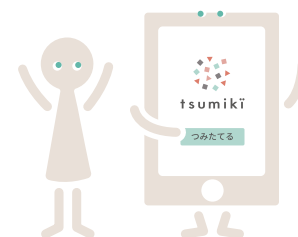
Asumi Kantake

Representative Director and CEO
tsumiki Securities Co., Ltd.



Takeo Nakaki

Representative Director and COO
tsumiki Securities Co., Ltd.



Reason for MARUI GROUP's Entry into the Securities Business

Kantake: MARUI GROUP is motivated by its mission of promoting financial inclusion by providing financial services that can be used by everyone, regardless of their age or income. This was the reason behind our entry into the securities business.

Nakaki: When I first met President Aoi, he explained how MARUI GROUP had long been developing a credit card services business in which the Company built creditability together with young adults and others who had not yet established their own credit ratings. He also expressed his desire to provide asset building services that transform the concerns that younger generations have for the future into hope. This dedication to the securities business filled me with excitement. I spent 15 years at independent fund management companies, during which I attended seminars across Japan to network with long-term investors and speak with fellow fund managers. Colleagues that had begun gradual, long-term investment exhibited a clear sense of leeway as they had less concern for the future and felt they had access to a greater range of options in their life.

Kantake: Roughly half of MARUI GROUP's customers are in their twenties or thirties, and around 70% of them are women. When examining possible service offerings for the future, we solicited feedback from customers. This was when we learned about customers' significant anxiety for the future with regard to money. This anxiety resulted in most of them turning to savings. However, everyone knows that savings do not grow. Looking to help such customers, MARUI GROUP sought to create services that would assist them in growing their wealth with peace of mind. We eventually arrived at the idea of cumulative investment.

Nakaki: The conventions of cumulative investment differ from those of the standard form of investment. For example, there is no need to intensely watch the stock market, trying to buy low and sell high. Rather, the convention of cumulative investment is just to continue steady investment, whether prices are high or low. Steadily investing in a trustworthy fund of a reputable management company will no doubt be an effective means of building assets over the long term. Cumulative investment could therefore be seen to be a "buy and forget" approach toward investment.



I want to make cumulative investment based on confidence in the future a part of our culture. The idea of an economy driven by the money and trust of individuals is exhilarating.

Takeo Nakaki

Kantake: The desire to save money usually has something more meaningful behind it, whether that be a special someone, a dream, or some other matter of importance. Cumulative investments are the best way to grow one's precious money with peace of mind.

Japan's First Scheme for Purchasing Investment Trusts with Credit Cards

Kantake: There are a lot of people who assume you need a fair amount of on-hand funds to invest. At tsumiki Securities, we overturn this preconception by allowing cumulative investments to be made starting from as little as ¥3,000 a month via one's EPOS card. This system is a first for Japan. Once a month, funds are deducted from customers' accounts together with their usual payments, such as those for shopping or mobile phone bills, and users accumulate EPOS points based on the amounts and duration of their investments. By letting customers make payments with the EPOS cards they have become accustomed to, we hope to lower the hurdle people perceive when they think of investment.

Nakaki: If investments can be made in sums of ¥100 or ¥1,000, while it may be easier to start, it is common for people to stop after only a short time as the purpose of

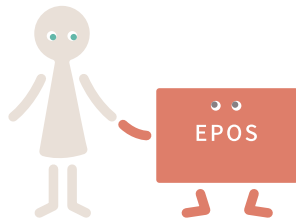
those investments feels unclear. The most common amount for cumulative investments in trusts is ¥10,000, but this amount can feel a bit too high for those who are new to investment. The amount of ¥3,000 can be produced if one only adjusts their expenditures or gives up something small. This amount also gives investments a clear purpose, making it easier to commit to continue. I therefore see that this amount is just right. Monthly cumulative investments are a purchase, a purchase of a sense of security for the future so that one can live in the moment.

Kantake: The financial lexicon can be difficult to understand, and we have had a lot of trouble explaining financial concepts to customers in terms they can understand.

Nakaki: Communicating information in an easy-to-understand manner is important. I take care to provide simple explanations, using the Internet and other tools when appropriate. I do not expect customers that will be building assets through tsumiki Securities to study or understand difficult financial terms. Rather, I want to communicate to these people the effectiveness of cumulative investments, how to incorporate these investments into one's life, and the attitude to be taken toward investments. I also want to teach them how to be more prudent in their use of money.

Kantake: We also try to provide a venue for asking questions that cannot be easily answered via the Internet by means of our stores. Here, customers can ask about product selection, contract terms, or even how to view our websites. We thereby support customers through a two-pronged approach using both the Internet and physical venues.

Nakaki: The representatives of the fund managers we have partnered with all share similar sentiments regarding the importance of face-to-face explanations. No matter how functional and convenient the Internet may become, it cannot replace the passion and dedication that fuel the effectiveness of face-to-face explanations. Of course, we are taking steps to provide support via the Internet that comes closer to what you would get at a physical store.



Meaningful Social Contributions through Investment

Kantake: Our securities business provides services designed to accumulate money for customers' futures. As such, our own reputation is called into question. We have selected four funds to offer, all of which are operated by fund managers that explain the benefits of long-term cumulative investments to customers in the same terms as we do. This narrow selection was chosen in response to customers who stated that, while they wanted to begin asset building, there were too many options for them to choose from with the hope of making this choice easier for them. Furthermore, as these funds have met the government's criteria for being applicable under the Tsumitate NISA program, they can be utilized with peace of mind even by customers that are new to asset building, are overly busy, or are apprehensive toward investment.

Nakaki: That is why it is ideal for the fund management companies we partner with to be those that customers can familiarize themselves with. We therefore selected funds that were worthy of our trust through careful evaluations from both quantitative and qualitative perspectives. The criteria for these evaluations included (1) how compelling their philosophy is, (2) whether they are working to continually improve their performance, and (3) if they actively engage with their customers. I believe that our investment trust business is the ultimate sharing business. In the investment trust business, the money received from customers is channeled through sales companies, tsumiki Securities in our case, to trust funds of management companies and then to companies boasting value. The last step of this cycle sees returns being made to customers through the business activities of those companies. The resulting cycle creates a business that is beneficial for customers, the sales company, fund managers, the companies in which investments are made, and society. Moreover, returns are shared in this business, which is sustainable over the long term. There are still very few sales companies and fund managers that have fully embraced this model. As a forerunner in this area, I hope to promote the spread of cumulative investment.



Our securities business provides services designed to accumulate money for customers' futures. As such, our own reputation is called into question.

Asumi Kantake

Improvement of Overall Corporate Value by Utilizing Management Resources

Kantake: Tsumitate NISA is an offering designed with the customer in mind. This is illustrated by the fact that it has no trust sales commissions and low trust fees. Many companies are choosing not to take advantage of this program because of its low profitability. MARUI GROUP, meanwhile, is proactively utilizing this program because it represents an opportunity to fully utilize its management resources, such as its stores, IT systems, human resources, and affiliates, and because it boasts a customer base consisting of 6.6 million EPOS cardholders.

Nakaki: One will be compelled to purchase an offering when the lifestyle that offering proposes resonates with them. Investment trusts can be seen as one such offering. Furthermore, exercising the full potential of MARUI GROUP requires the strength of individual employees. It is when a charismatic employee devotes themselves to serving a single customer and contributing to their happiness that we will be able to provide services that are truly tailored to individual customers. The ability to make proposals that resonate with customers I sensed in MARUI GROUP's employees after joining the Company is something I feel that we can leverage to its fullest.

Kantake: Encouraging customers to engage in cumulative investment over the long term will also contribute to long-term use of EPOS cards. MARUI GROUP's securities business is therefore incredibly meaningful to improving the Company's corporate value.

MARUI GROUP Employees Supporting the Securities Business

Creating something completely new is a difficult but enjoyable task. The new securities business is an unprecedented undertaking. I therefore strive to make proposals I can feel confident in based on data-backed hypotheses. Customers' needs regarding money vary from person to person. By proposing events, experiences, and opportunities for communication to help customers gain knowledge and peace of mind regarding money, I hope to alleviate their concerns for the future and help them feel at ease in their daily spending.



Masahiro Uchida
FinTech Business Development Department,
Epos Card Co., Ltd.
Qualifications: Securities sales representative

After being involved in space production and corporate planning, I found myself at tsumiki Securities helping to start up MARUI GROUP's securities business. This company was born out of the collective strength of individuals with various backgrounds and skills from inside and outside of MARUI GROUP. In addition to these individuals, we also receive a lot of support from those around us. As such, our efforts cannot be defined in terms of our company. They rather take form through the cooperation of everyone involved. Valuing long-term relationships with customers, I hope to contribute to developing a business that builds a community of similar ideals.



Soichiro Tanaka
Customer Engagement Department,
tsumiki Securities Co., Ltd.
Qualifications: Securities sales representative
Financial planner



The never-before-seen scheme of purchasing investment trusts through credit card payments is something that only MARUI GROUP could create. I aim to play a part in satisfying the customers of tsumiki Securities to help this company attract more customers and turn their concerns for the future into hope. My contributions will be made in the systems division supporting its platform by ensuring the stable operation of its systems as I also make new proposals.

Hisao Imura
Customer System Development Department,
M & C SYSTEMS CO., LTD.
Qualifications: Information Technology Passport Examination
Personal information manager

Learning about the importance of asset building in a society of increasingly long lifespans, I sought to address this issue. Using the customer service skills I acquired through my retail experience, I aspire to become an employee that customers feel comfortable consulting with. I thereby want to make tsumiki Securities into a company that values an un-finance-like atmosphere, in a good way, and that wins the support of younger generations and everyone else.



Kiyomi Minamiyama
Women's Shoes,
Yurakucho Marui,
MARUI CO., LTD.
Qualifications: Financial planner

People are increasingly being motivated to support companies that contribute to society. I chose to participate in the securities business with the goal of providing an outlet for this desire to contribute. I also wanted to help with the first step of people becoming aware of the appeal of such supportive investments, which can address concerns regarding money. Rather than financial advice, in this business it is more important to provide personal advice. I therefore aim to create services that cater to the needs of each individual customer and that are accessible anywhere.



Miku Yamanaka
FinTech Business Development Department,
Epos Card Co., Ltd.



When participating in a financial planner education program, I learned that many feel concerns regarding money but do not know how to address these concerns. This realization filled me with a desire to share the knowledge I had gained through the program with these individuals. I therefore aim to transmit various information that is of interest to customers to encourage them to make their first investment through tsumiki Securities.

Reika Sakuma
FinTech Business Development Department,
Epos Card Co., Ltd.
Qualifications: Securities sales representative
Financial planner

It is common for people to feel aversion toward finance and securities. It is my job to help such people take their first step into these fields. I am currently enjoying the process of asking customers about their needs at discussion forums and finding means of addressing these needs. By creating the services that win the support of lots of customers, I hope to help build a society in which people can feel at peace and optimistic when thinking about money and the future.



Mai Demura
Customer Engagement Department,
tsumiki Securities Co., Ltd.
Qualifications: Securities sales representative



I aim to link customers to tsumiki Securities and thereby foster understanding of the ease and importance of asset building to the point that customers begin spreading the word of how tsumiki Securities is the choice for asset building. In the future, I plan to branch out from investment trusts to research other investment products that might be useful to our customers in order to create even more services that can be accessed through credit cards as a Japan first.

Tatsuya Oguma
Operation Department,
tsumiki Securities Co., Ltd.
Qualifications: Securities sales representative



I think the large number of younger customers for whom their EPOS card is their first card is a powerful asset for MARUI GROUP's securities business. I was working at a store until just recently. With the faces and voices of the customers I served at my store in mind, I will strive to foster a community that blurs the lines between customers and employees as we learn about finance together.

Yuuto Sakuma
FinTech Business Development Department,
Epos Card Co., Ltd.
Qualifications: Securities sales representative

As part of an overseas dispatch seminar, I had the opportunity to observe Nordic societies. This experience made me realize the need for asset building frameworks to support life security in Japan. At tsumiki Securities, my job, of course, involves providing financial insight. More important, however, is to develop an understanding of customers' concerns by speaking with them and then find ways to alleviate these concerns. I want to help create a society in which everyone is able to use their money to achieve self-actualization.



Hiroyuki Kasugai
Women's Purses,
Shinjuku Marui Main Building,
MARUI CO., LTD.
Qualifications: Financial planner

Profession Change System for Fostering Empathy and Innovation

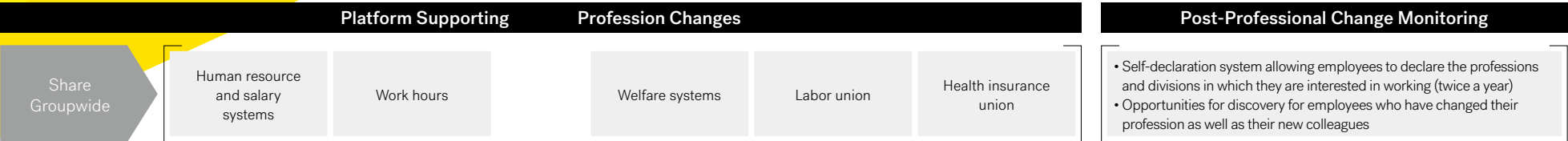
MARUI GROUP's profession change system is a unique human resource system that is shared throughout the Group and that allows for relocations between the Company and 11 Group companies. This system enables employees to experience a wide range of businesses, including retail at stores, IT, logistics, and credit card services through a program that is almost like changing one's profession. As of April 1, 2018, approximately 2,200 employees, or 43% of our entire employee base, had undergone profession changes.

After joining MARUI GROUP, all employees are first appointed to positions such as sales floors to allow them to experience face-to-face interactions with customers. This is done to foster a capacity for empathy—the ability to comprehend the position of others and build shared understanding to be more sympathetic to them—by having them engage with customer needs first-hand. Once this capacity has been cultivated, they are allowed to experience various professions in order to develop a propensity for innovation, which will inspire them to enjoy differences and changes and drive them to autonomous action. Moreover, being placed in a new profession can enable employees to escape preconceptions. Such transitions thus contribute to the growth of the employees undergoing profession changes as well as to transformations in the new workplaces in which they are placed. Through this profession change system, 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.

By experiencing various professions, employees develop a propensity for innovation that inspires them to enjoy changes and drives them to autonomous action.

Employees experience face-to-face customer service at MARUI CO., LTD., sales floors, and other positions to foster a capacity for empathy by engaging with customer needs.

All employees first join MARUI GROUP CO., LTD.



Profession Changes through Shared Human



Space Production, Commercial Facility Management, and Advertising



IT Systems

OIOI HOME SERVICE

Real Estate Rental



Small-Amount Short-Term Insurance Policy Business

OIOI Kit Center

Support for Group Companies

Made Possible Resource System



FinTech



Apparel Distribution Internet Sales Support

MARUI FACILITIES

Total Building Management



Loan Collection



Securities Business



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

Human resources with a capacity for empathy and a propensity for innovation make proposals that are not bound by industry conventions or preconceptions.

Ratio of Employees Changing Positions between Group Companies

43%

Aggregate total from April 2013–April 2018 (Excludes officers and managers)

Percentage of Employees Who Experienced Personal Growth after Profession Change

86%

According to the results of a survey carried out in November 2016



Cultivation of an Organization That Creates Innovation through Diversity

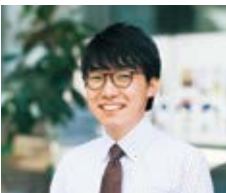
MARUI GROUP believes that, when its approximately 6,000 unique employees are accepting toward one another and able to merge their values, it will be able to cultivate a corporate culture that is conducive to innovation. Promoting diversity has been defined as one of the strategies of the medium-term management plan launched in the fiscal year ended March 31, 2015, and we are therefore pursuing diversity with regard to individual talents, gender, and age. A distinctive characteristic of our diversity initiatives is our Groupwide project teams, which recruit members through open application and in which any employee may volunteer to participate. Rather than division, age, or position, members are selected based on essays. These members discuss various themes that are important to Group management.



Groupwide Project Teams Engaged in Deep, Forward-Looking Discussion

MARUI GROUP has established four official project teams that engage in deep, forward-looking discussion on themes that are related to the Company or society as a whole from a medium-to-long-term perspective. After participating, members utilize the knowledge and ideas they gained to formulate and implement action plans for incorporating this insight into the business, procedures, or other aspects of their workplace. Project members are changed on an annual basis, producing a new set of autonomous employees with increased knowledge and awareness each year and thereby cultivating a corporate culture emphasizing autonomous thought and action.

Message from an Employee



Natsuki Yano
Sustainability Project Team Member
Women's Shoes,
Yurakucho Marui,
MARUI CO., LTD.

Through my participation in the Sustainability Project Team, I gained a clear idea of the inclusive society we envision for the future. I feel strongly that addressing poverty, environmental, and other social issues will become a core element of the business and the growth of MARUI GROUP going forward. In the future, I want to engage in co-creation with everyone on the planet. I hope to create innovation within MARUI GROUP that will be more impactful and that will spread across the globe.



Marui Future Project Team
Launched in 2011, the Marui Future Project Team is currently discussing concrete ideas for bringing joy to all customers through products and services.



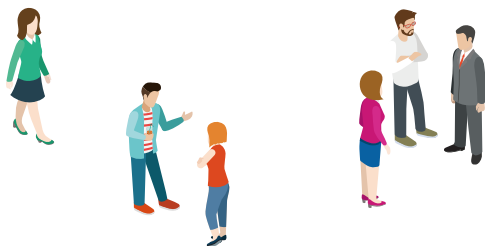
Diversity Project Team
Created in 2015, the Diversity Project Team now promotes the development of a comfortable workplace that is conducive to innovation with a focus on the diversity of individual talents and ages.



Healthcare Promotion Project
Established in 2016, the Healthcare Promotion Project is working toward its vision of ensuring that 100% of employees can proudly proclaim they are healthy in 2050.



Sustainability Project Team
The Sustainability Project Team was created in 2018 to form a vision for MARUI GROUP in 2050 based on a broad perspective examining various scenarios for the future.



Medium-Term Management Visionary Committee Receiving 1,000 Applications for Participation with Each Iteration

The Medium-Term Management Visionary Committee is a forum for discussing various topics that will be important to the future of Group management, which are selected from a long-term perspective. While this committee was previously only open to members of Group management, in January 2016 we made the committee open to any interested employee, and meetings have been held almost every month since. Active discussion is conducted among the roughly 300 members that are selected from the approximately 1,000 applications received for each iteration.



Committee Meeting Discussion Topics in 2017

- Social environment as it pertains to MARUI GROUP and future outlook
- Long-term operating environment changes and new growth initiatives
- MARUI GROUP's ESG: Forward-Looking Initiatives for Transforming Our Main Business into a Socially Contributing Undertaking—Lecture by Abe Chiyo, Fumino Sugiyama, and Toshiya Kakiuchi
- The Digital Industrial Revolution: Era of Redefining Industries—Lecture by Tak Miyata of Scrum Ventures
- Innovation Creation Approach Apparent in Global Management Practices—Lecture by Professor Akie Iriyama of Waseda Business School

Committee Meeting Discussion Topics in 2018

- Corporate Strategies for Realizing a Sustainable Society—Lecture by Peter David Pedersen of PricewaterhouseCoopers Sustainability LLC
- Hello! Miraijin—A Look at the Sensibilities of the Future
- Singularity and Exponential Thinking: Characteristics of Companies and People That Can Survive in Volatile Times—Lecture by Kazunori Saito of Exponential Japan
- Long-Term Operating Environment and Impact on MARUI GROUP—Lecture by Peter David Pedersen of PricewaterhouseCoopers Sustainability LLC
- Joy Brought to Customers through Cumulative Investment—Lecture by Ken Shibusawa of Commons Asset Management, Inc., Haruhiro Nakano of Saison Asset Management Co., Ltd., and Hideto Fujino of Rheos Capital Works Inc.



Work Style Reforms Creating a Venue for Contributions of All Employees

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." Accordingly, we see a company as a venue for the contributions of all its employees. We are therefore cultivating a comfortable workplace environment in which all employees are accepting toward one another, regardless of their age, gender, lifestyle, or sexual preference, and that is conducive to innovation in order to create a venue in which all employees are able to grow and access opportunities.

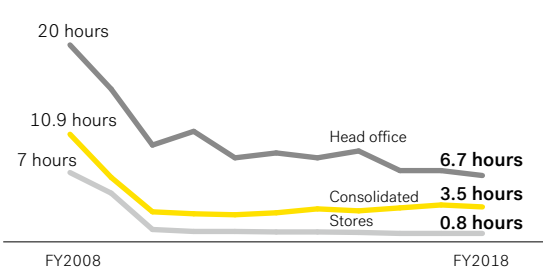


Average Monthly Overtime Lowered to 3.5 Hours

MARUI GROUP began implementing work style reforms in 2008, and the Company now boasts one of the lowest levels of overtime in Japan as a result.

As part of these reforms, 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. In addition, 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 3.5 in the fiscal year ended March 31, 2018, while average annual overtime hours decreased to 42. Average monthly overtime among head office employees was 6.7 hours in the fiscal year ended March 31, 2018, representing a roughly two-thirds reduction compared with the fiscal year ended March 31, 2008, while average monthly overtime at our 26 stores nationwide was 0.8 hours, making for an approximately 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	FY2018	Benefit
Average annual overtime hours per person	130 hours	42 hours	-88 hours
Total overtime payments	¥3.4 billion	¥0.8 billion	-¥2.6 billion
Employee turnover rate (excluding mandatory retirement)	6.8%	2.3%	-4.5 ppt

Healthcare Management 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 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. We are promoting healthcare management on a Groupwide basis. 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 2016 and to be included in the Excellent Enterprise of Health and Productivity Management—White 500 for two consecutive years beginning with 2017. Furthermore, MARUI GROUP was the only retail industry company included in the 2018 Health & Productivity Stock Selection.

In March 2018, we began encouraging employees to take Japan's healthcare master certification test to improve health literacy. To date, approximately 1,000 employees have applied to take this test. A resounding 97% of all test takers have stated that studying for the test spurred changes in their awareness or behavior. MARUI GROUP is committed to advancing healthcare initiatives in terms of both systems and its corporate culture going forward.



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 Established MARUI GROUP Occupational Health and Safety Policy and declared Companywide commitment to improving occupational health and safety and advancing voluntary initiatives to this end
- 2018 Appointed chief health officer

Message from an Employee



Tomohiro Niikura
Health Management Division
MARUI GROUP CO., LTD.

Encouraging employees to exercise autonomy in improving their own health has proven beneficial for improving life and exercise habits. These efforts have also led to a big increase in employees' self-efficacy, which refers to their confidence in their own abilities. I anticipate that these benefits will have a positive impact on invigorating our people and organization. I also expect that this energy will become a driving force accelerating our growth.

Desired characteristics we look for in employees
www.0101maruigroup.co.jp/recruit/2019newgraduate/recruit/personality.html
(Japanese only)

Revision of Evaluation Systems and Desired Characteristics in Employees

MARUI GROUP seeks to help create a flourishing and inclusive society offering happiness to all. We recently revised our human resource evaluation systems and the desired characteristics we look for in employees based on our corporate philosophy and our vision for the future of MARUI GROUP. This revision was based on discussions with employees and students scheduled to join the Company.



Evaluation Systems Revised Based on Discussion among Employees

In October 2017, MARUI GROUP revised its personnel evaluation systems to assess employees based on value evaluations and performance evaluations. The revision process was initiated in December 2015 with the establishment of a Groupwide committee tasked with examining the possibilities for new human resource and evaluation systems. This committee has held discussions on the implementation of these systems and their quantitative and qualitative targets with an aggregate total of approximately 2,900 employees.

Value evaluations assess the self-guided actions of employees based on the Company's corporate philosophy and values. Through these evaluations, we aim to develop strong organizations. These organizations should not simply focus on how to achieve the targets handed to

them at the beginning of each year. Rather, they should create new ideas and pursue lofty goals to respond to social change and customer needs. These evaluations will be conducted from various perspectives, through self-evaluations and evaluations by supervisors, coworkers, and subordinates, based on the desired characteristics defined for each position. A goal of involving all employees in evaluations is to encourage employees to take interest in the work habits of others, to think together, and to engage in more active communication.

Performance evaluations look at the results created by teams as opposed to by individuals. We hope that these evaluations will help us develop an organization that makes use of diversity and in which employees coordinate their differing strengths and compensate for their shortcomings, teach each other, and continue growing as teams dedicated to serving customers.

Human Resource Systems for Utilizing Diversity

In September 2017, labor agreements were updated to include a clear declaration that individuals are not to suffer discrimination on the basis of sexual identity or sexual orientation. Moreover, an internal helpline was established to allow employees to receive consultation with regard to LGBT issues related to work, themselves, or their families. This helpline added to the previously existing external helpline. In addition, the scope of application of human resource systems pertaining to spouses was expanded in April 2018 to include spouses from legal marriages as well as spouses from common-law marriages and same-sex partners. In conjunction with this change, the word "spouse" was replaced with "partner" in these systems. This change was applied to leave, compensation, welfare, and other systems.

Desired Characteristics of Understanding and Innovation

We have redefined the desired characteristics we look for in employees to include capacity for empathy and a propensity for innovation. A capacity for empathy refers to the ability of employees to adopt the viewpoints of our various stakeholders to understand their thinking and their pain. This understanding gives rise to the propensity for innovation that drives our employees to seek resolutions to the issues faced by customers, society, and the environment. All MARUI GROUP employees should strive to develop these characteristics to support the Company in practicing co-creation sustainability management.

Message from an Employee



Moe Yamashita
MARUI GROUP CO., LTD.
(Joined in April 2018)

I feel that working as a member of society is a way to repay one's debt to society and the people around them. MARUI GROUP's corporate philosophy aligned with my view. MARUI GROUP is a company aimed at creating innovation that goes beyond the boundaries of industries or positions. My decision to join was based on the belief that this aspect of the Company will ensure it is always necessary to society, no matter how times may change. I hope to experience lots of professions to gain the skills needed to leave an impression on all the customers I help.

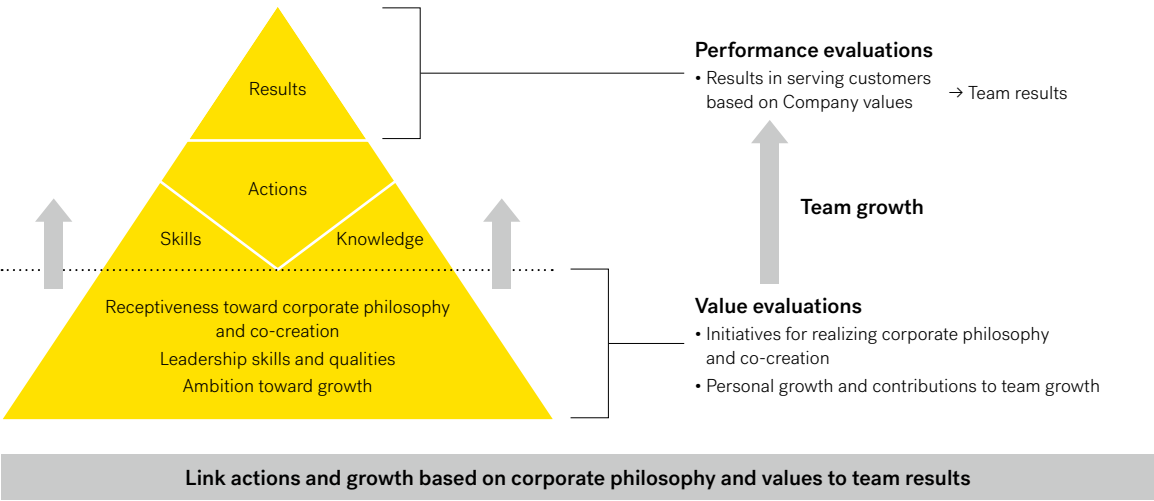
Message from an Employee



Takuma Ishikawa
MARUI GROUP CO., LTD.
(Joined in April 2018)

The goal of my job hunt was to find a position where I could be of help to people. I decided on MARUI GROUP because of how its corporate philosophy matched this goal. During my job hunt, I was reminded of the truly large number of friendly and understanding people working at MARUI GROUP. I believe that I possess the capacity for empathy the Company seeks, but I still lack the propensity for innovation. I therefore aim to acquire this trait as I work going forward.

New Personnel Evaluation Systems



Unique Integrated Group Management Enabling Co-Creation Sustainability Management

MARUI GROUP's integrated Group management has given rise to the profession change system, project teams encompassing employees of all ranks, and various other new initiatives and businesses. The following is a discussion between Masao Nakamura and Toshikazu Takimoto, the segment representatives who underwent MARUI GROUP's most prominent profession changes, and Junko Tsuda and Miyuki Kawara, who are knowledgeable on the start of Groupwide project teams. These individuals discuss the potential for MARUI GROUP to create further innovation through its practice of integrated Group management.



Realization of Integrated Group Management through Adoption of Pure Holding Company System

Nakamura: President Aoi took the helm in 2005 and we adopted the pure holding company system in 2007. Prior to that, we used an operating holding company system in which MARUI CO., LTD., led the retailing business while housing corporate functions. Hiring was performed by individual operating companies.

Takimoto: In 2003, each business established its own sales company, which engaged in relentless sales activities to create higher numbers to tally. The result was a corporate culture that was counteractive to employee happiness and growth. In the past, we had a system in which all employees were hired by MARUI CO., LTD. Today, it feels like we have finally returned to those days.

Kawara: The atmosphere was more hostile at that time. The person who sold the most would be the most highly evaluated and receive the highest salary. Rather than helping or teaching others, everyone was preoccupied with their own interests. I remembered when President Aoi wrote a letter to all employees in 2007. This letter explained the reason behind the transition to the pure holding company system and the sentiments that had been incorporated into the corporate philosophy. The letter described a corporate culture in which employees and businesses worked and grew together. This culture has finally been achieved.

Tsuda: The attitude within the Company has undergone a 180-degree turn. Today, employees have a strong commitment to developing their businesses as a member of the Group, a stark contrast to the past obsession with heightening individual skills and results.

Nakamura: In the past, we had also hired everyone through the same company. However, it was a bit different in that when you were placed in a specific field, products or systems, for example, you would stay there until retirement. These specializations were kind of like separate operating companies. Today's system feels like we returned to that point and then took a step in the right direction.

Profession Changes as a Wellspring for New Ideas

Nakamura: Currently, 43% of our employee base has undergone profession changes by being relocated to a different Group company. The profession change system was launched around 2007, when we began co-creation activities with customers. Those of us on the sales floor at that time had each developed our own image of customers, and nothing short of a profession change would have enabled us to change our thinking.

Kawara: The greatest benefit of my profession change was that, by expanding my network and subsequently broadening my perspective, I was able to come up with new ideas. I was recently transferred from Epos Card Co., Ltd., to a retail position. After this change, I began to naturally link ideas related to retailing, FinTech, and technologies in my mind. Profession changes truly are a wellspring of new initiatives to be enacted by overlapping the strengths of the Group.

Tsuda: I agree completely. I spent a number of years in retail. However, after experiencing positions in purchasing and sales promotion and later store management and new business development, my range of knowledge became substantially more varied. In these different positions, I have formed an ever wider network with



business partners, community members, and other outside individuals. This has given me confidence in new undertakings. The value to be found in these reciprocal relationships is multifaceted and something that other companies cannot imitate.

Nakamura: In 2017, Mr. Takimoto and I switched places; I assumed his role in leading the FinTech segment and he took over my position of heading the Retailing segment. This change left a strong impression on people both inside and outside of the Company. As we were in the midst of encouraging people throughout the Group of all ages to undergo profession changes, I felt that this symbolic swap of the representatives of the Retailing and FinTech segments would send an important message to the rest of the Company.

Takimoto: In my case, I did not feel that this relocation would put me in a completely unfamiliar position, as I had held positions in sales, sales promotion, and planning in the past. However, after the change, I immediately recognized possibilities for EPOS cards that had eluded me previously as well as new initiatives we could implement from a retailing perspective. I have no doubt that this change was a positive development for the Group.

Nakamura: After switching positions with Mr. Takimoto, I found myself working together with him more often as we sought means to further integrate retailing and FinTech. Come to think of it, we have had a past of such switches. Yoshinori Saito, current president and representative director of Epos Card Co., Ltd., used to be a director of MARUI CO., LTD., and Hajime Sasaki, current president and representative director of MARUI CO., LTD., was previously a director of Epos Card Co., Ltd. In the future, I look forward to periodically changing positions so that I can make new discoveries to incorporate into new initiatives for the Group.

Groupwide Project Teams Allowing Exchanges between Employees of All Ages and Ranks

Takimoto: Even if we have allowed for intra-Group profession changes, it did not change the fact that almost all MARUI GROUP employees join right out of university and are cultivated in the same environment. There was thus a need for further change in our corporate culture.

Tsuda: I think it was in 2013 when we decided to establish Groupwide project teams that examine important management themes through a bottom-up approach

with management acting in a supportive role. These project teams drove steady change in our corporate culture and atmosphere.

Kawara: Project teams assemble members from all businesses of all ages and ranks, and members are able to voice opinions without concern for hierarchy. I therefore believe that these meetings provide good stimulation for all in attendance. Those of us representing management are also made aware of previously elusive insights regarding the future through the opinions of new employees.

Tsuda: Whether participating in Groupwide project teams or changing professions, the decision is based on employee volition, and these undertakings allow for discussions that transcend rank to give rise to new ideas. When I think about it, our efforts to reduce overtime and the healthcare management initiatives of today can be traced back to the Work Style Project Team formed in 2008 to involve younger employees in discussions with management. These efforts have gradually led to more proactive thinking, evolving into the quest to make employees healthier and more energetic in their work.

Kawara: The first task of the Diversity Project Team was supporting female employees working shortened hours for childcare purposes, which entailed entrenching an evaluation process that looked at the quality of output as opposed to the length of work hours. Another facet of these efforts was to encourage male employees to get involved in childrearing. As men taking childcare leave became commonplace, the project team's activities evolved to the current focus on building lifestyles that empower employees in their private and professional lives and contribute to higher productivity.

Nakamura: In the past, there were many who simply did overtime to match the work hours of their supervisors. Today, we evaluate people based on their accomplishment of goals and their exercise of the corporate philosophy. It has therefore become important to think about how to create results without overtime.

Takimoto: I want to eliminate unnecessary work to give people more time to think about customers and human resource development. Profession changes can be good experiences. However, employees can find themselves needing specialized knowledge at companies like M & C SYSTEMS CO., LTD., and in businesses such as credit card services. This need and the fast pace of progress mean that significant study is necessary to compete in these areas.



Kawara: It is also important to get enough sleep and exercise and to eat right in order to deliver the best performance. These healthy habits help you clear your mind and can give rise to new ideas. Healthcare management has formed the foundations for such habits.

Nakamura: Health is crucial to creativity in work, and innovation is impossible without such creativity. In this manner, the positioning of health has not always matched its fundamental purpose.

DNA of MARUI GROUP Attracting Younger Generations

Kawara: A major strength of MARUI GROUP is employees who find happiness in helping others. This fact is readily apparent if you take a step outside of the Company. I therefore think that the idea of inclusion, or not excluding anyone, is a perfect match for us. Identifying issues as we seek out those who are troubled and resolving these issues through our business is a process sure to create innovation.

Takimoto: Our growth up until now has been driven by providing joy to those who were at risk of being excluded and making them appreciate our existence. This quest is part of our very DNA. The securities business we launched in 2018 was a product of our desire to prevent

younger generations from being excluded from financial services. This undertaking is in line with our DNA. I hope that customers who start cumulative investments through Tsumitate NISA when young will be grateful that they used their EPOS card to partake in this program when they turn 60.

Nakamura: It used to be the case that new graduates were interested in specific businesses. Now, they seem to be drawn to our corporate philosophy. In addition, many state a desire to test the limits of their potential through profession changes in light of MARUI GROUP's wide range of businesses.

Tsuda: Younger employees were not at all resistant toward the profession change system, and this system has come to be recognized as an opportunity for growth. This system is now a normal part of our business, but to students it is a source of appeal. The cultivation of a culture of tackling new challenges contributes to growth for individuals and businesses while also nurturing the seeds of innovation.

Nakamura: At the moment, we are searching for means of growing the seeds of innovation into new businesses for the Group. By fostering a culture of tackling new challenges, I want to create an ecosystem in which the development of our people equates to development of the Company.

Strong Support for Inclusion

Inclusion Fes 2018—Co-Creation of Happiness for Everyone

The Inclusion Fes event has been held since 2017 to provide a venue for fostering awareness among employees and allowing them to experience their differences firsthand. The second iteration of this event took place in 2018. Over a three-day period, this event spread support for inclusion among the approximately 1,700 employees and family members that attended.



Customer Diversity and Inclusion



Booths were set up that allowed attendees to use wheelchairs and otherwise experience the difficulties of differently abled individuals that are inconvenienced by our society together with such individuals, and booths for experiencing para-sports. We also planned forums for discussing life and lifestyles with members of the LGBT community and differently abled individuals that enabled participants to learn about their differences.



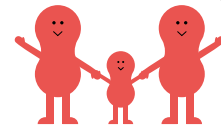
Promotion of Diversity of Individuals' Talents and Ages



To give employees a glimpse of the diverse range of sensibilities found outside of the Company, lectures and panel discussions on the topics of conditions outside of the Group were held by former MARUI GROUP employees and employees seconded to other companies that are active outside of the Group. We also arranged business mixers with representatives from other companies to promote discussion with people from outside of the Group.



Inclusion Fes 2018 was planned and administered by members of Groupwide project teams based on themes of MARUI GROUP's future, diversity, and health.



Tai chi workshops for relaxing the mind and body were conducted along with programs using the JINS MEME motion tracking glasses to teach participants about the deep world of meditation. In addition, special presentations were held on the RIZAP Method of exercise, and organic vegetables were sold to get people thinking about healthy eating. These events were meant to allow employees to experience health in terms of the body, mind, food, and everything else.

Health of Body, Mind, and Everything Else

