

Pioneer Spirit of Creating Opportunities

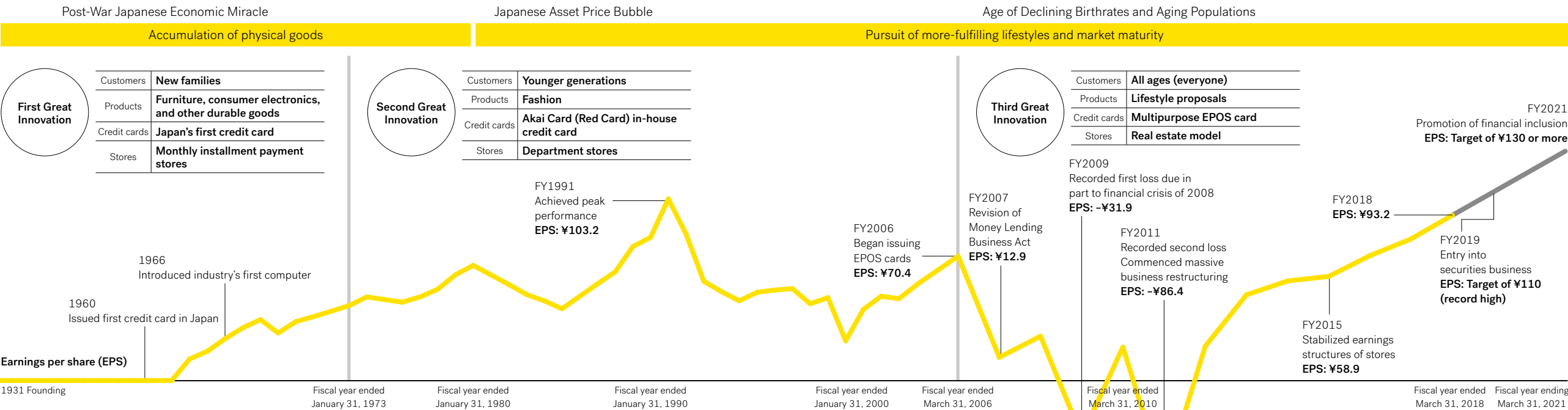
Over the 87 years since MARUI GROUP's founding, we have continued to adhere to our commitment to a pioneer spirit of creating opportunities, a principle advocated by our founder. This spirit has driven us to continuously innovate and evolve our business model, which began with installment sales and integrates 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

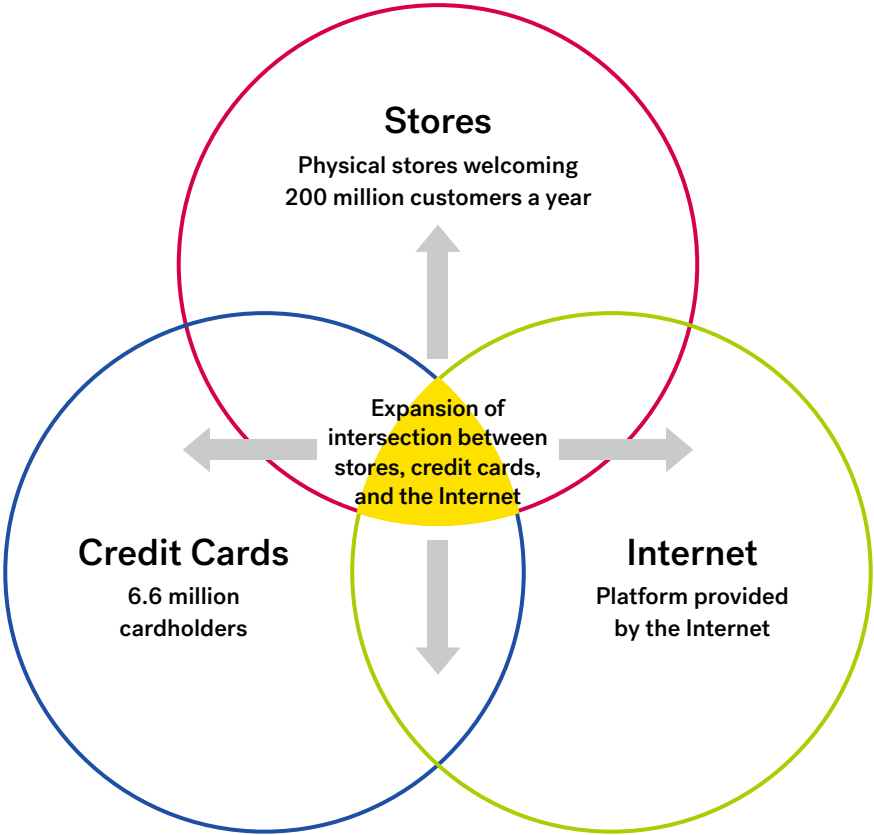
from cash advances and more from card shopping transactions. As for retailing innovation, we started transitioning our stores from the consignment buying system, which entails procuring and selling products, toward real estate-model shopping centers to enable them to provide both goods and experiences.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

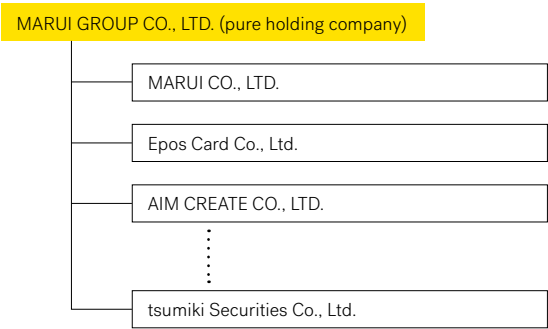
MARUI GROUP differs from a standard pure holding company in that all Group employees are hired through the Company and that, even if an employee is appointed to an operating company, they will still have access to the same shared human resource systems available at the Company. This framework makes it 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



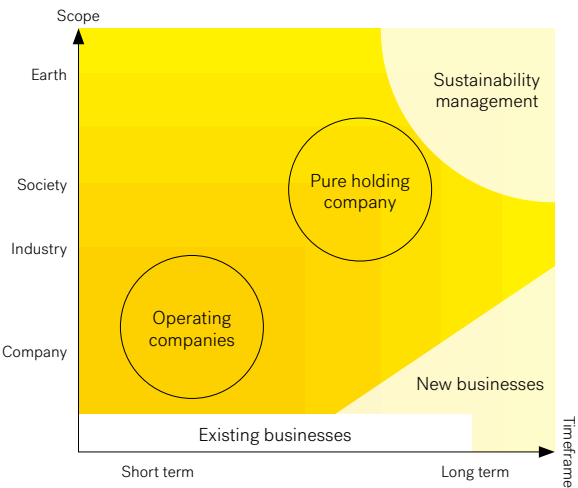
## Integrated Thinking Spawning Both Corporate Value and Social Value

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.

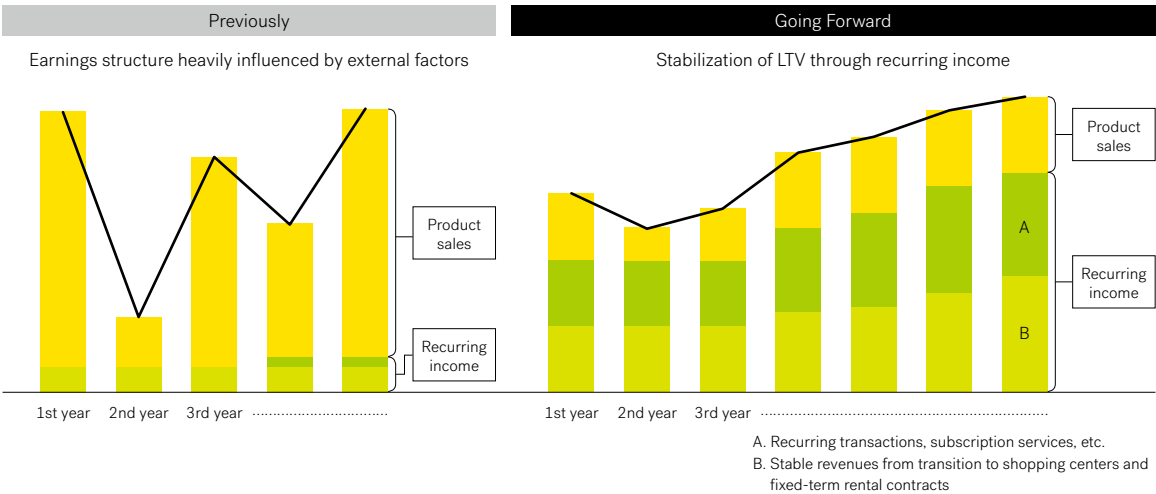
➔ P38 Promotion of Financial Inclusion for the Benefit of Everyone

### 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

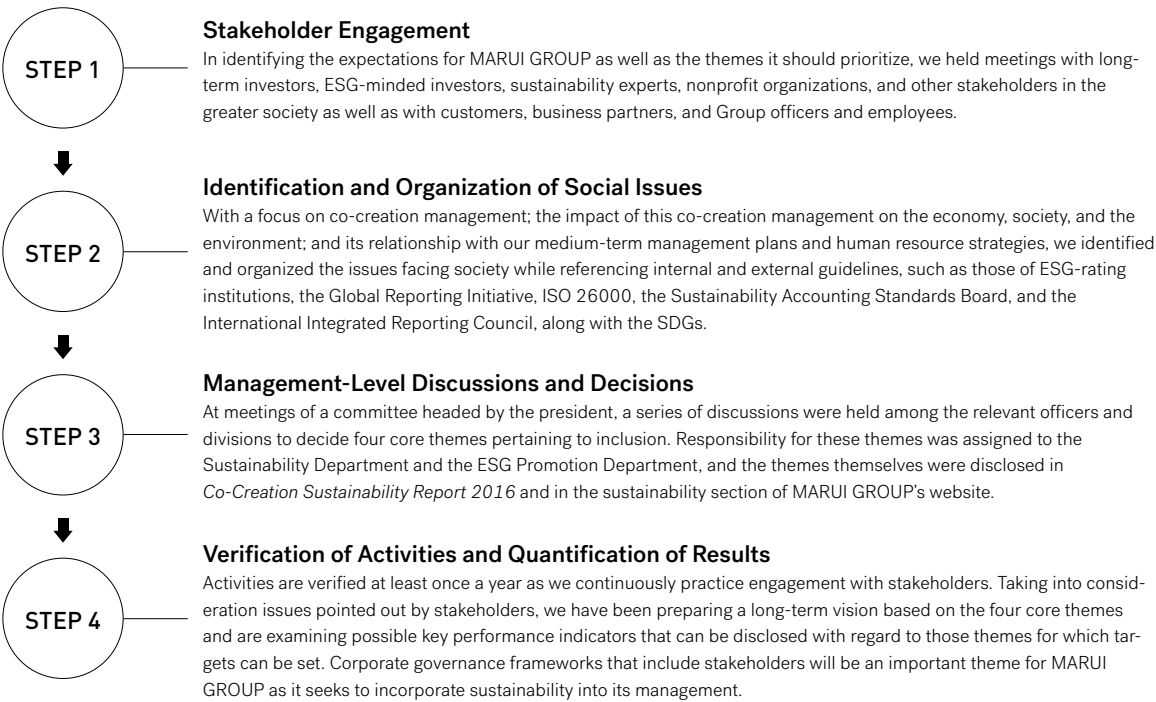
Co-Creation Corporate Governance

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

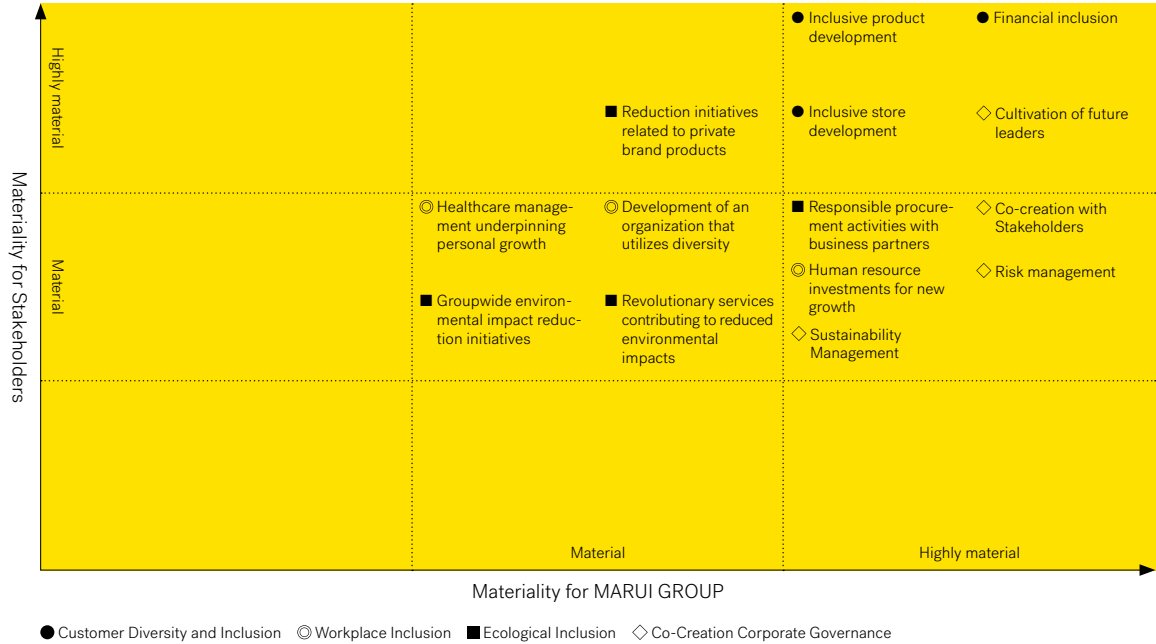
Co-Creation with Stakeholders	
Sustainability Management	P65
Cultivation of Future Leaders	P97
Risk Management	P100



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

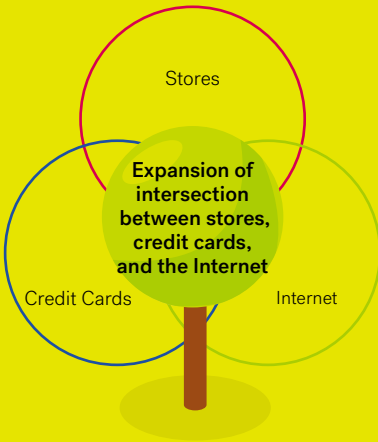
- Declining birthrates and aging societies
- Concern for the future among younger generations
- Increasingly more serious global environmental issues
- Digital divide stemming from the spread of the Internet

A Flourishing and Inclusive Society  
Offering Happiness to All

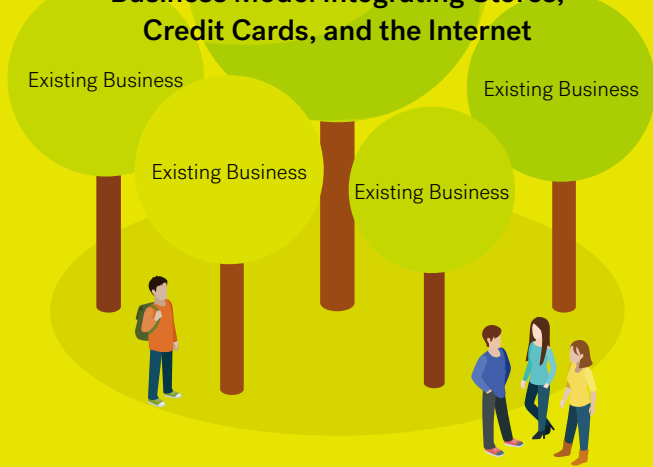


Main Focus of MARUI GROUP's  
Operations Going Forward  
Simultaneously improving  
corporate value and  
resolving social issues

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