

Human Businesses

Translation of Individual Strengths into Organizational Capabilities via Understanding and Interaction

MARUI GROUP has established a framework for translating the human capital represented by the individual strengths of its employees into organizational capital. This framework is the integrated Group management achieved through the shared Groupwide human resource systems made possible by the transition to a pure holding company. Individual strengths are merely tacit knowledge. It is when these strengths are focused through the lens of co-creation with customers or other stakeholders or through MARUI GROUP's unique corporate culture that they are able to form new, greater capabilities. The resulting organizational capabilities underpin the co-creation of value through our business model integrating retailing, finance, and IT.

Unique Pure Holding Company System

MARUI GROUP's pure holding company system is unique 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. MARUI GROUP employees are provided with a range of opportunities, including the intra-Group profession change system that enables them to hone their individual specialized skills and expertise, the Groupwide project teams that allow for discussions that exceed the boundaries of age or position, and chances for engagement with stakeholders and secondment to start-up companies. By merging the capabilities of our employees through these opportunities, we translate the human capital represented by their expertise and knowledge into organizational capital for the Group.



All employees first join MARUI GROUP CO., LTD.

Employees foster a capacity for empathy by engaging with customer needs at MARUI CO., LTD., and other positions.



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



Human resources with a capacity for empathy and a propensity for innovation enact proposals that are not bound by preconceptions.

The concentration of individual strengths gives form to the corporate philosophy calling on us to "equate the development of our people with the development of our company" and makes both sustainability and earnings growth possible.



Development of our company

Organizational Capabilities (Organizational Capital)

Entrenchment of expertise and knowledge of individual employees into the organization through its business model and corporate culture

Unification

Forward-looking mind-sets are cultivated among employees through discussions of management issues across age and position lines in Groupwide project teams.

Innovation

Co-creation of new businesses based on the perspective of inclusion is practiced with start-up companies and other partners.

Exchanges

Employees are invited to escape preconceptions through intra-Group company profession changes.

Empathy

All employees experience work in stores after joining to foster business processes founded on co-creation with customers.

Individual Strengths (Human Capital)

Individual expertise and knowledge can be personal and difficult to transmit.

Capacity for Empathy

- Ability to comprehend the position of others and build shared understanding to be more sympathetic to them
- Love of people and bringing joy to them
  - Drive to understand the thoughts and pain of others
  - Desire to work for the benefit of others

Propensity for Innovation

- Drive to autonomous thought and action
- Ambition to continue growing by setting goals and learning
  - Aspiration of creating new businesses
- Ability to find joy in changes and differences
- Positivity required to detect changes in society and the environment and to change oneself in response
  - Receptiveness toward diverse perspectives and opinions

Human Businesses

Shared Groupwide Human Resource Systems Offered through Unique Pure Holding Company System

We adopted a pure holding company system in 2007, granting our more than 5,000 employees access to shared Groupwide human resource systems. This move made it possible to realize such unique systems as intra-Group company profession changes and Groupwide project teams open to voluntary participation. 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" inspires us to view companies as a platform for the growth of their employees. We are therefore fostering a corporate culture in which all employees are accepting toward one another, regardless of their age, gender, lifestyle, or sexual preference, and that is conducive to the cultivation of human resources who can support our business model of co-creating happiness.

Intra-Group Company 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. We have been promoting this system since April 2013, and approximately 2,400 employees, or 52% of our entire employee base, had undergone profession changes as of April 1, 2019. A survey of employees that had undergone profession changes conducted in November 2016 revealed that 86% of such employees felt they had experienced personal growth after the

change, indicating that this system is contributing to the cultivation of highly resilient employees.

The longer one works in the same position, the more they will be susceptible to being trapped in the preconceptions of that position. Being placed in a new profession, however, 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. Moreover, cross-Group locations form connections throughout the Group, contributing to the enhancement of integrated Group management. 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.

Number of Employees Changing Positions between Group Companies

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of employees changing positions (annual)	383	552	404	431	343
Number of employees changing positions (aggregate)	670	1,222	1,626	2,057	2,400
Ratio of employees changing positions (aggregate)	18%	25%	34%	43%	52%

Note: Figures use the total of employees changing positions in April and October of each year (excluding officers and managers).

Groupwide Platform Supporting Profession Changes



Post-Professional Change Monitoring

Self-declaration system allowing employees to declare the professions and divisions in which they are interested in working (twice a year)

Opportunities for discovery for employees who have changed their profession as well as their new colleagues through meetings and on-the-job training

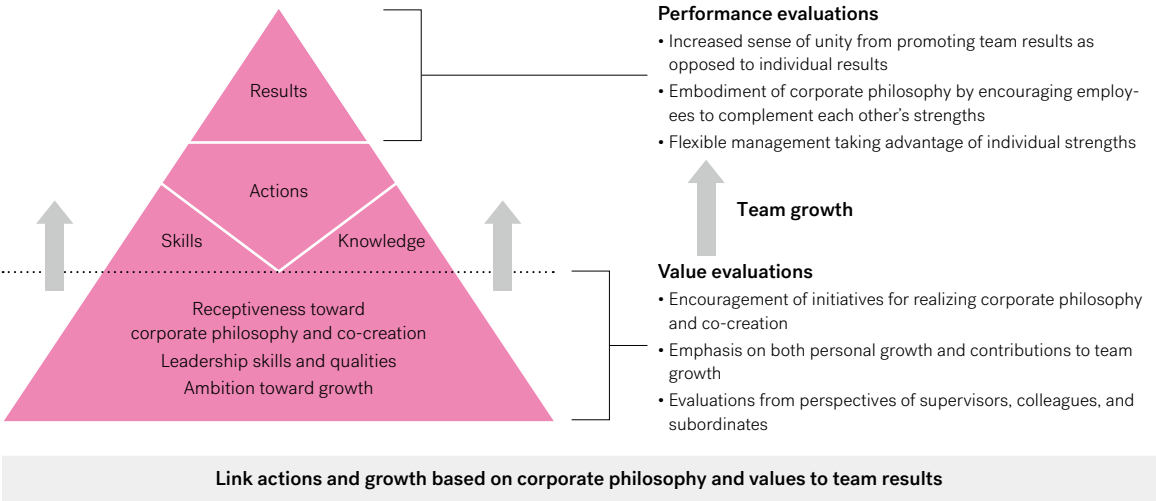
Personnel Evaluation Systems Revised Based on Discussion among Employees

MARUI GROUP's prior personnel evaluation systems evaluated employees based on the results that they produced and therefore made it difficult to assess the qualities and latent talents of individual employees. Moreover, the approach of evaluating results and processes on a quarterly basis encouraged employees to act based on a short-term perspective while also saddling those employees that underwent profession changes with lower evaluations.

However, sustainable growth requires an ability to evaluate and cultivate human resources from a medium-to-long-term perspective. For this reason, we initiated a revision process 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 3,200 employees. As a result of this process, MARUI GROUP launched new personnel evaluation systems in October 2017 that assess employees based on value evaluations and performance evaluations. These new systems contribute to the promotion of new employees, the cultivation of a team-oriented mentality, and the fostering of a corporate culture of voluntary participation. However, there are still obstacles needing to be removed to facilitate appropriate understanding of value evaluations, and ongoing improvement is necessary in this regard. We will be engaging in ongoing discussion in the future with the aim of evolving evaluation systems to better facilitate growth.

Personnel Evaluation Systems



Message from an Employee



**Yuko Sueda**  
Leasing Department  
Corporate Solutions Group  
AIM CREATE CO., LTD.

Team-Oriented Mentality Fostered through Personnel Evaluation Systems

Undergoing a profession change helped me broaden the scope of work I could perform, contributing to my growth. After working in sales and customer service in stores, I was placed in charge of merchandizing for women's clothing. Hoping to further expand my capabilities, I requested a transfer to my current position. Leasing was completely new to me, and I struggled at first. However, this process also helped me better understand my strengths and shortcomings, and I now feel motivated in this position. Under the prior personnel evaluation systems, my personal accomplishments were directly tied to my evaluation, which often caused me to act on my own and sometimes impeded smooth teamwork. The new systems made me more conscious of improving team results, fostering a culture of teamwork. AIM CREATE is in the process of broadening the scope of its operations outside of commercial facilities. For example, we have partnered with Sumitomo Forestry Co., Ltd., to branch out into planning and internal renovation of long-term care and child daycare facilities, making it possible for us to include a wider range of people in our business. In the future, I hope to contribute to the realization of a society that offers happiness to all through my work.

Groupwide Platform for Creating Innovation

Groupwide Project Teams Engaged in Deep, Forward-Looking Discussion

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. One facet of our diversity initiatives is our official project teams, which are open to voluntary participation by employees from throughout the Group.

In Groupwide project teams, members are selected based on essays, rather than division, age, or position, and these members discuss various themes that are

important to Group management. MARUI GROUP has established Group project teams based on three 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.

Three Groupwide Project Teams



Diversity & Inclusion Project Team

Launched in 2011, the Diversity & Inclusion Project Team's activities are aimed at fostering respect and contributing to the happiness of all people, including members of the LGBT community and people with disabilities, by encouraging receptiveness for the diversity of all stakeholders.



Wellness Management Project Team

Established in 2016, the Wellness Management Project Team believes it is important to go beyond the basic approach of preventing illness to foster more energized and happy employees. It is thus promoting wellness management that combines these approaches inside and outside of the Company.



Sustainability Project Team

Created in 2018, the Sustainability Project Team was responsible for illustrating a scenario for 2050 and discussing the future vision for MARUI GROUP; it met again to prepare for the announcement of our long-term vision in February 2019. This team is currently examining means of creating forward-looking businesses.

Medium-Term Management Visionary Committee Receiving over 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 regularly since. Active discussion is conducted among the roughly 300 members that are selected from the 1,000–1,500 applications received from employees of various ranks and divisions for each iteration.

Topics Discussed by Medium-Term Management Visionary Committee

Committee Meeting Discussion Topics in 2018

Corporate Strategies for Realizing a Sustainable Society  
—Lecture by Peter David Pedersen, co-founder of Next Leaders' Initiative for Sustainability and sustainability advisor of MARUI GROUP

Hello! Mirajin—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, representative director of Exponential Japan

Long-Term Operating Environment and Impact on MARUI GROUP  
—Lecture by Peter David Pedersen, co-founder of Next Leaders' Initiative for Sustainability and sustainability advisor of MARUI GROUP

Joy Brought to Customers through Cumulative Investment  
—Lecture by Ken Shibusawa, chairman of Commons Asset Management, Inc., Haruhiro Nakano, president and representative director of Saison Asset Management Co., Ltd., and Hideto Fujino, president and representative director of Rheos Capital Works Inc.

Activity report by ultralong-term management research committee

Advent of After Digital World: Essence of Digitization  
—Lecture by Naoki Endo, CEO of beBit, Inc.

Sustainability × Business: Companies Only Engaged in Social Businesses  
—Masayoshi Suzuki, executive vice president of BORDERLESS JAPAN CORPORATION and sustainability advisor of MARUI GROUP

Committee Meeting Discussion Topics in 2019

Happiness × AI  
—Lecture by Dr. Kazuo Yano, fellow and director and happiness project leader of Future Investment Division of Hitachi, Ltd.

Seven Paradigm Shifts as the World Undergoes Digital Convergence  
—Lecture by Soichi Tajima, CEO and general partner of Genesis Ventures, Inc.

Insurance and Financial Inclusion  
—Lecture by Tooru Ushiroda, representative of Office Baton Insurance Consultation Office

Background for Direct-to-Consumer Brands, Physical Stores in a Digital Society, and Retail as a Service  
—Lecture by Yuichiro Mori, CEO/Founder of FABRIC TOKYO Inc.

Japan's First Employee-Driven Effort to Source 100% of Electricity from Renewable Power with Visibility of Producers: Familiarity with the SDGs through the Outlet via World's First Venture Combining Power and Blockchain  
—Eiji Oishi, CEO of Minna-denryoku, Inc.

Message from an Employee



Takayuki Sakai  
Sustainability Project Team Member  
Marui City Yokohama  
MARUI CO., LTD.  
(Joined in April 2019)

Desire to Learn About Business through Project Team to Create Financial Services for Younger Generations

We engage in group work during Sustainability Project Team assemblies. Everyone is always receptive toward others' opinions, even my own, despite my being new to the Company. The process of reshaping my ideas into something better with the help of more experienced colleagues and external lecturers fills me with confidence by indicating that my underlying idea was not bad. At project team assemblies, I am introduced to examples of sustainable businesses and activities from around the world, broadening my perspective. By examining how those businesses generate profit, I am learning the basics of business. I feel that members of younger generations, myself included, do not spend a lot, rather choosing to save for the future. I want to encourage such individuals to live based on the idea of using money while increasing it. To accomplish this goal, I hope to provide financial services that can be used with peace of mind by younger generations through MARUI GROUP. I believe that this would resolve social issues while helping us explore new markets.





Human Businesses

Wellness Management for Energizing Employees

MARUI GROUP believes it is important to go beyond the basic approach of preventing illness in order to foster more energized and happy employees. We have therefore been promoting wellness management that combines these approaches inside and outside of the Company. Wellness management has been positioned as an important element of our strategies under the medium-term management plan and is thus being practiced on a Groupwide scale through coordination between the Health Management Division and MARUI GROUP's health insurance union.

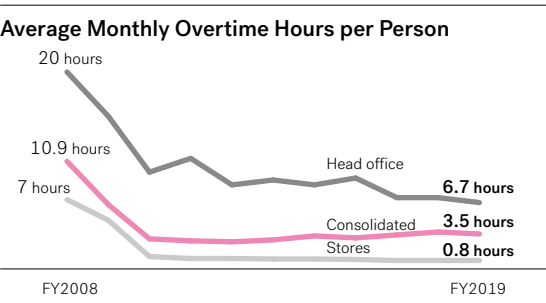
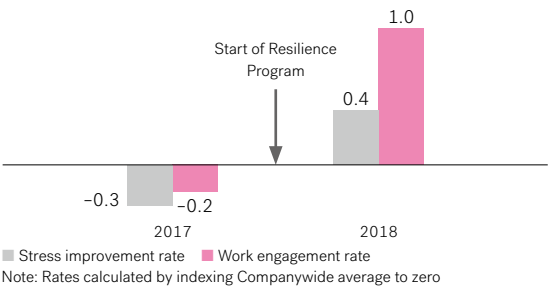
Reduction in Overtime of 70% through Work Style Reforms

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. The first step of these reforms was to set overtime reduction targets by division. In addition, approximately 50 shift patterns were established for stores to facilitate systematic shift planning. At the same time, processes related to delivering and returning products and other back-office procedures at stores are handled by Group companies to optimize work processes on a Groupwide basis. As a result, average monthly overtime hours per person were down to 3.5 in the fiscal year ended March 31, 2019, while average annual overtime hours decreased to 42.

Resilience Program for Improving Awareness Beginning with Senior Management

The Resilience Program is a one-year program that targets officers and managers. In this program, members of senior management learn habits that energize themselves and those around them to realize overall higher levels of energy, have a positive influence of those around them, and energize their entire organization. The organizations overseen by managers that participated in the program have witnessed improvements in workplace energy, demonstrating that initiatives based on the knowledge and habits gained through the program are having a positive influence on those surrounding participants.

Stress Improvement and Work Engagement Rates at Workplaces Overseen by Program Participants



Overtime Reduction and Benefits

	FY2008	FY2019	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%	2.5%	-4.3 ppt

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 Start of Health Improvement Program by MARUI GROUP's health insurance union that contributed to a large reduction in obesity rates in comparison to the nationwide average
2011	Introduced health management committee system Established Health Management Division and appointed dedicated Company physicians
2013	Introduced wellness leader system and physical and mental health consultation hotline
2014	Began analyzing health examination data of all employees and relationship between lifestyle patterns and attitudes toward work at Health Management Division Started holding self-care training sessions for all employees across Japan Appointed wellness leaders nationwide to help alleviate women's health concerns
2015	Appointed chief health officer (CHO)
2016	Introduced Resilience Program to promote habits to energize senior managers in terms of their body, mood, mental state, and thinking Incorporated new healthcare management items into labor agreements to clarify responsibilities of the Company and of employees Appointed an outside advisor and began analyzing healthcare management practices and data Formulated Groupwide Healthcare Management Project Team*
2018	Began holding group tests for nationally accredited health master examination
2019	Began holding group tests for nationally accredited women's health examination

\* Name changed to Wellness Management Project Team in 2018



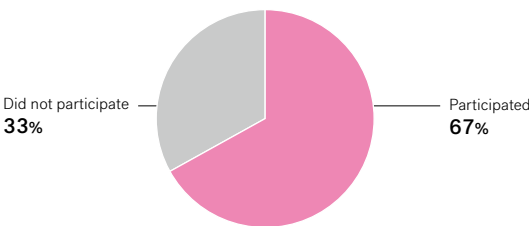
Tracking of Wellness Activities and Organization Energy

Analyzing the benefits of wellness activities enables us to track the link between wellness activities and organization energy levels. Workplaces actively engaging in wellness activities have seen improvements in work engagement indicators, providing quantitative evidence of the link between wellness management and Companywide energy.

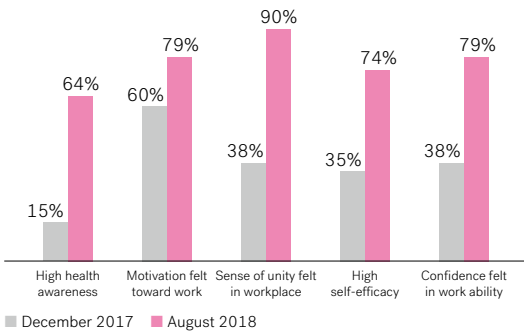
EXAMPLE 01 Participation in Workplace Wellness Activities by 67% of Employees

A survey conducted in June 2019 found that 67% of employees were participating in workplace wellness activities, showing that these activities are gaining traction within the organization. In addition, members of the Wellness Management Project Team conducted a survey on changes in the awareness and behaviors of project members as part of their activities in their workplaces. These surveys indicated that these activities were helping energize organizations through increases in motivation, a sense of self-efficacy, and confidence in work ability.

Participation in Workplace Wellness Activities in Past Six Months



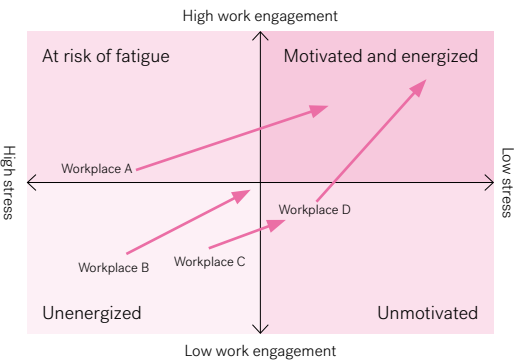
Changes in Awareness and Behaviors of Project Members



Source: Stress checks conducted in June 2019

EXAMPLE 02 Energization of Workplaces through Stress Checks

The results of organization analyses via stress checks are being used to institute targeted measures aimed at items identified as important for specific workplaces (items that will contribute to improve work engagement). After initial stress checks in the fiscal year ended March 31, 2019, voluntarily participating workplaces conducted additional stress checks before the end of the fiscal year. These checks found that stress was down and work engagement was up at almost all applicable workplaces. Successful measures will be shared throughout the Company in the future to energize other workplaces.

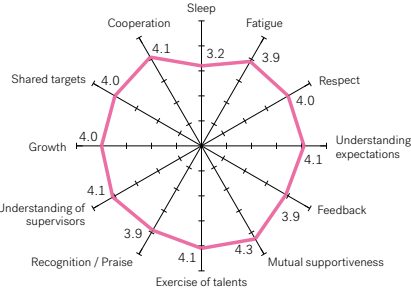


Source: Stress check data from the fiscal year ended March 31, 2019

EXAMPLE 03 Hybrid Measures Based on Organization Energy Surveys (Organization Health Surveys)

With the aim of further energizing organizations, MARUI GROUP has introduced proprietary organization health surveys that allow for analyses of organizations with small numbers of people, which are conducted in conjunction with stress checks. These surveys are currently being performed at more than 100 organizations. The benefits of stress checks will be used together with organization health surveys to increase the accuracy of future measures.

	Issues with Stress Checks	Organization Health Surveys
Timing	Once a year, in principle	Quarterly or at other freely chosen periods
Aggregation method	Specialized aggregation by external partner (90 questions)	Simple aggregation at workplaces (12 questions)
Minimum number of participants	More than 10	Around 10 (capable of surveying small numbers of people)



Source: Organizational health survey data from the fiscal year ended March 31, 2019