



CORE THEME

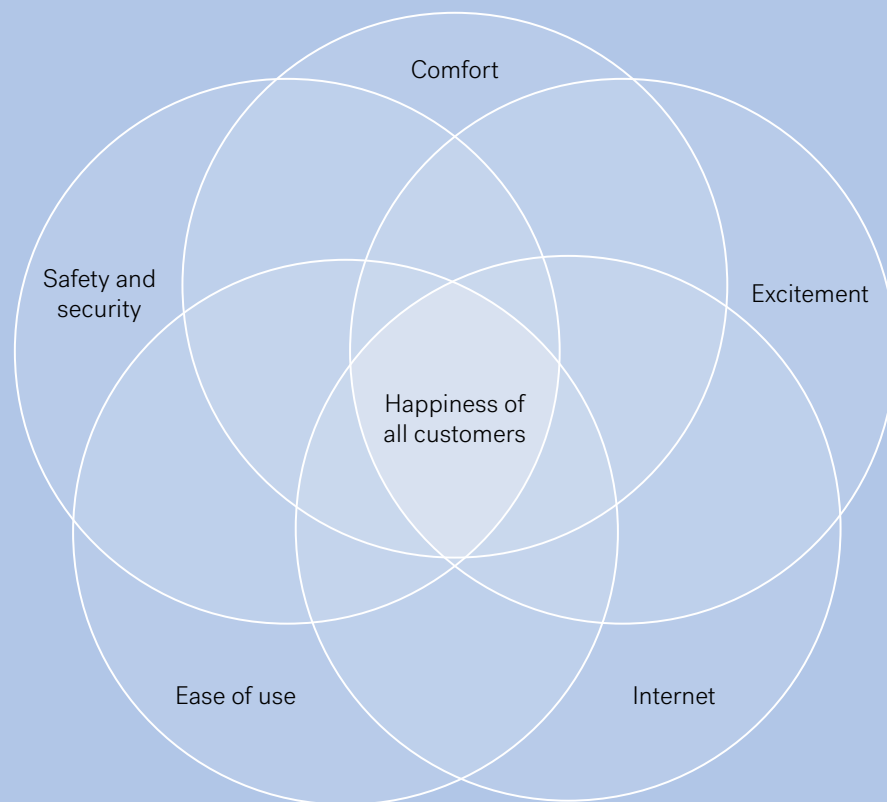
MARUI GROUP Core Theme

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Customer Diversity and Inclusion

MARUI GROUP's Goal

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



Among developed countries, Japan is seen as particularly plagued with such issues as a declining birthrate and an aging population. Nevertheless, Japan has a population of approximately 127 million diverse individuals. If we adopt a perspective of creating spaces in which all people can flourish, the issues faced by Japan could be turned into opportunities. MARUI GROUP strives to develop a business that creates innovation for the benefit of everyone, effectively transforming such opportunities into value. This is the goal of our customer diversity and inclusion initiatives.



ACTION

Future of Japan and MARUI GROUP's Role Therein

The Marui Future Project Team is a committee tasked with thinking about the future of Japan and MARUI GROUP's role in this future. Employees participating in this committee do so as representatives of their store, site, or division. Taking the insights and ideas gained through the committee back to their normal position, employees formulate action plans that propose initiatives for their division to use in contributing to store development, product creation, or FinTech operations. As members change each year, the committee gives birth to new autonomous employees with increased insight and awareness on a yearly basis. The committee thus helps cultivate a corporate culture that is conducive to innovation for transforming our business into a socially contributing undertaking.



Marui Future Project Team meeting

Themes Discussed by
Marui Future Project Team 2016
Diversity and Inclusion

MARUI GROUP aims to be a leader
in developing products, services, and stores that bring joy
to all customers, regardless of their age, gender,
or physical characteristics.

Diversity Week

One week in November 2016 was designated as Diversity Week at MARUI GROUP's head office. During this week, a display was exhibited at the office's entrance that sought to foster



Display exhibited at head office entrance during Diversity Week

understanding and support for the LGBT community with the theme of "a society in which everyone can be themselves."



Employee Comment



Mayu Ueda (left)
Chiharu Sato (right)

Marui Future Project Team
Members,
Kyoto Marui
MARUI CO., LTD.

Growth Driven by Our Evolution

We learned of the LGBT community by participating in the Marui Future Project Team. Upon returning to our store, we wondered how we could communicate our desire to welcome these individuals. The most important thing, we realized, was to make sure customers could have a pleasant shopping experience. We took steps including stocking larger sizes for all models of shoes on sales floors and setting up information desks in break rooms to help inform employees and tenants about the LGBT community. Our passion to bring joy to all customers spread throughout the store, and is now a unifying force here at Kyoto Marui. We were particularly happy when a newer member of the store staff signed up to join the Marui Future Project Team. This experience made us realize that, just as described in the corporate philosophy, if we continue to evolve, this evolution will spread throughout the Company, driving its growth.



Development of Stores Bringing Joy to All Customers



MARUI GROUP strives to help all customers enjoy shopping at its stores, regardless of their age or gender, and this sentiment of course extends to senior citizens, people with disabilities, non-Japanese people, and members of the LGBT community. We are thus working to develop comfortable stores from the perspectives of store environment and empathy.

Issues Faced by Shopping Centers

Developing comfortable stores requires tracking the issues faced by shopping centers in terms of both store environment and empathy (customer service) and addressing these issues to ensure enjoyable shopping for all.

Store Environment Difficulties Faced in Shopping Centers

Individuals experiencing difficulty using
restrooms and other facilities

34%

Based on Survey of Measures for Accommodating
People with Disabilities (2007) and Survey
of Senior Citizens and Nursery School and
Preschool Users (2007) from the Cabinet Office

Customer Service Reason Support Cannot Be Provided to People with Disabilities

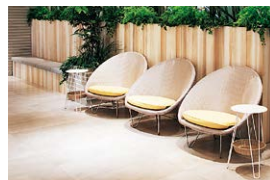
Individuals citing lack of understanding
of necessary techniques

57%

Based on Opinion Survey of People with
Disabilities (2012) from the Cabinet Office

Co-Creation with Customers

We are implementing universal design concepts at Marui and Modi stores throughout Japan. For example, when developing Hakata Marui, we incorporated the input of various sources, such as Kyushu University and Lifestyle Design Lab. These organizations helped us identify issues faced by people with disabilities at shopping centers through workshop-style investigations, and we also received feedback from various individuals for input in store development.



The heights and functions of chairs on each floor were changed to offer comfort to various customers.



Signs displaying distance to restrooms were installed to offer peace of mind to senior citizens and customers using wheelchairs.



Charging spaces equipped with outlets were established to provide peace of mind to customers shopping using electric wheelchairs.



Audio guidance is offered on the first and second floors in part to guide customers with vision impairments.



Customers using wheelchairs were invited to participate in planning meetings.



Mirairo inspected facilities to verify ease of use.



Improvement of Customer Service

Employees undergo Service Care-Fitter training to foster a spirit of hospitality and to learn how to accommodate various customers. This training is conducted in-house by nine Group employees that have acquired instructor qualifications. In addition, external lecturers are invited to implement rank 2 and 3 training for the Universal Manner Placement Examination program and to perform LGBT manner training. In addition, employees receive training on catering to the needs of inbound travelers performed by non-Japanese lecturers. With the skills gained, we aim to improve customer service in order to foster an environment in which all customers can enjoy shopping.



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



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

Participation in LGBT Pride Events and Support for Para-Sports

Beginning with Marui and Modi stores located in Shinjuku and Shibuya, participation in LGBT pride events, such as RAINBOW PRIDE and RAINBOW FESTA, spread to stores in the Kansai, Hakata, and other areas, with nine stores nationwide participating by hanging rainbow flags on the outside of buildings and otherwise showing support. In addition, Shibuya Marui and Modi held an event in collaboration with *Be The HERO*, a video created to promote para-sports in Tokyo. We stirred up excitement in Shibuya through means such as showing the video on a big-screen display.



Shibuya Modi during TOKYO RAINBOW PRIDE 2016 event period



Booth set up outside of Hakata Marui during KYUSHU RAINBOW PRIDE 2016 event period



Employee Comment



Satoko Suzuki

Space Produce Department
AIM CREATE CO., LTD.

An Enjoyable, Barrier-Free Environment for Everyone

People tend to think of universal design as providing standardized items that can be used by anyone. However, the original purpose of universal design is to be considerate of and address people's individual needs, regardless of whether or not they have a disability. At Hakata Marui, for example, we placed chairs with armrests to make it easier for customers with weak legs to stand up and also established rest spaces where customers can rest while leaning rather than sitting. This store environment is considerate toward customers with disabilities, senior citizens, and a wide range of other customers. I also see the concept of "inclusion" as having consideration for every individual. While we may not be able to satisfy the desires of all customers, our first step should be to build a store environment that customers choose. It is my wish to develop a barrier-free store environment that can be easily enjoyed by everyone.



Creation of Products that Bring Joy to All Customers



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

Customer Participation in Product Development

At the time when development of the Rakuchin Kirei series of shoes was first started, a survey of EPOS cardholders indicated that around 90% of them had felt discomfort with their shoes. This survey made it clear that customers were unable to find pumps satisfying all of their needs with regard to fashion, comfort, and affordability. We thus vowed to create just such shoes. We began by measuring customers' feet and analyzing the results to make original shoe trees. We then held product development meetings together with customers that had expressed dissatisfaction with the comfort of their shoes.

Customers' Shoe-Related Concerns

Customers that stopped wearing shoes due to poor fit or pain

41%

Shoes owned by women that go unworn

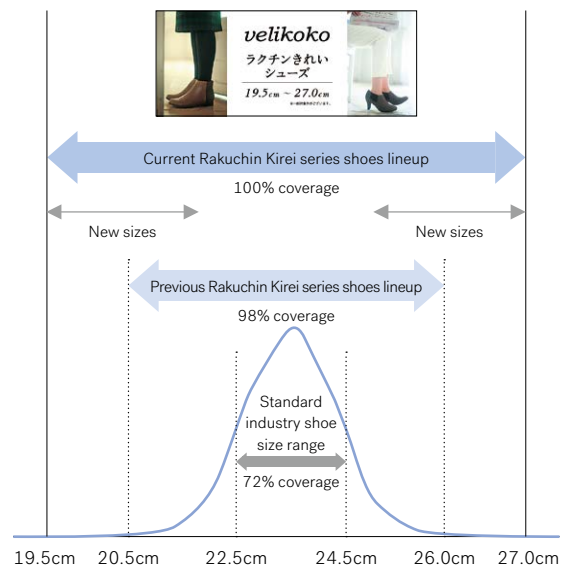
30%

Based on 2013 survey of EPOS cardholders

Needs Related to Shoe Sizes

The foot sizes of adult women in Japan are said to range from 20.5 cm to 26.0 cm. However, the standard range of shoe sizes offered by the Japanese apparel industry is from 22.5 cm to 24.5 cm, which covers only 72% of this range of foot sizes. With the Rakuchin Kirei series of shoes, we expanded the range of sizes we offer from 7 sizes to 16 sizes, covering foot sizes from 19.5 cm to 27.0 cm, in order to accommodate customers wanting to buy shoes that were previously unable to due to their physical characteristic of having small or large feet. The Rakuchin Kirei series now covers 100% of Japanese foot sizes, allowing it to provide joy for all customers.

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

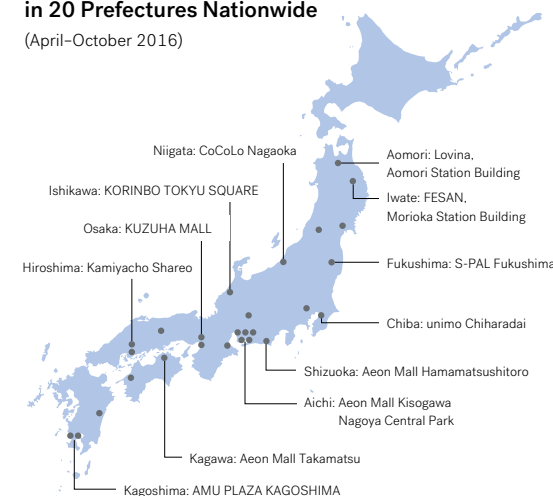


Try-On Stores Serving Customers Nationwide

Try-on stores are short-term events held at shopping centers, including those other than Marui and Modi stores, throughout Japan to encourage customers to purchase Rakuchin Kirei series shoes. Samples of all shoe sizes are displayed to allow customers to verify the comfort of these shoes at their own leisure. Moreover, these stores address an issue behind the shoe industry's choice to offer only "standard" sized shoes: that expanding size ranges means increasing inventories, which lowers profit. By operating try-on stores, which feature low fixed rent and do not require inventories, in an integrated manner, we aim to deliver joy to as many customers as possible.

Try-On Stores Held in 27 Locations in 20 Prefectures Nationwide

(April–October 2016)



Inclusion and New Demand Creation

A large portion of customers purchasing shoes at try-on stores were buying newly introduced sizes (19.5–22.0 cm, 25.0–27.0 cm). The world is filled with people with a diverse range of physical characteristics, including small-bodied men, large-bodied women, and members of the LGBT community. In its product creation ventures, MARUI GROUP aims to provide fulfilling lifestyles for all customers while also creating products that are feasible from a business standpoint. By expanding the size ranges and improving the comfort of various products, we hope to supply products that bring joy to all customers in order to promote inclusion and create new demand.

Comparison of Sales in Marui Stores and Try-On Stores

Customers purchasing newly introduced sizes*

27% → 47%

Marui stores Try-on stores

*19.5–22.0 cm, 25.0–27.0 cm

Customers over 40

44% → 65%

Marui stores Try-on stores

Employee Comment



Natsumi Iwasa

Leader, Development & Sales Section,
Omni-Channel Retailing Division
MARUI CO., LTD.

Delivery of Marui Products to Customers in Regions without Marui or Modi Stores

Try-on stores are often set up in regions without a Marui or Modi store, providing opportunities for various new customers to experience our Rakuchin Kirei series of shoes. Many customers look forward to these events and some travel great distances to come, which provides a source of motivation. Considering that our mission is to serve our customers, I believe that having representatives from internal product development divisions as well as from divisions that do not normally interact with customers, such as logistics, tablet development, and FinTech divisions, meet with customers can help further the evolution of our product development ventures and services. Try-on stores are a completely new method of selling, a departure from conventional practices advanced by the Group in an integrated manner. Going forward, I hope to make these stores into venues for taking on new challenges while working together with everyone.



Financial Inclusion of All Customers



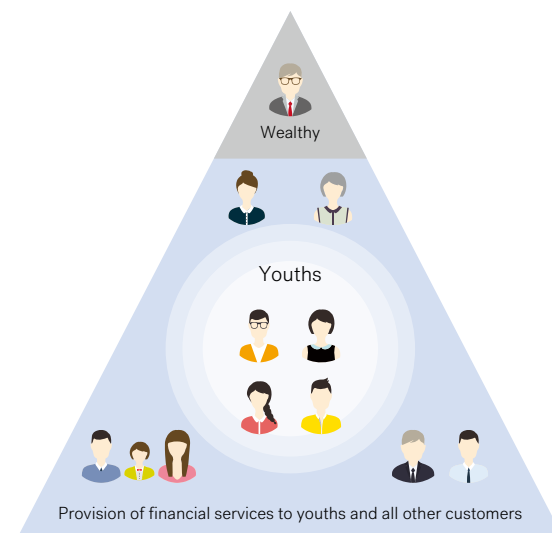
MARUI GROUP is supported by the aggregate total of 200 million customers that visit its 29 stores each year as well as more than 6.3 million EPOS cardholders. One of our missions is to provide financial services that help realize fulfilling lifestyles to youths and all other customers.

Circumstances Surrounding FinTech

The focus of consumers is shifting away from valuing physical goods to placing more emphasis on fulfilling lifestyles. Moreover, the advancement of information and communications technology (ICT) is making financial services more readily available to everyone.

Transition from Credit Card Services to FinTech

The term “FinTech” is a portmanteau of finance and technology and is used to refer to a category of new finance services that utilize cutting-edge IT to deliver greater convenience. MARUI GROUP sees the fundamental goal of FinTech as being able to supply financial services to customers that are not able to take advantage of traditional financial services. In other words, it is FinTech’s mission to promote financial inclusion by supplying financial services to everyone. In this respect, one of MARUI GROUP’s missions is to provide financial services that help realize fulfilling lifestyles to youths and all other customers. We thus chose the transition from credit card services to FinTech, redefining our operations in this area from a forward-looking perspective.



Japan's High Rate of Savings

Ratio of Japan's total of ¥1,746 trillion in personal financial assets that is in savings

52.7%

Source: Flow of Funds – Overview of Japan, the United States, and the Euro area –, Bank of Japan, 2016

Rate of Internet Shopping Usage

Ratio of two-or-more-person households in Japan that utilize Internet shopping services

27.6%

Source: White Paper: Information and Communications in Japan 2016, Ministry of Internal Affairs and Communications



Financial Services in Our Daily Lives



Receipt of 16th Porter Prize

MARUI GROUP's credit card services business was awarded the 16th Porter Prize. The rationale for our selection included a high evaluation of factors such as how we ensure the convenience of credit card issuance in recognition of our cards' position in supporting retail, how our cards are largely held by customers under 30 due to our policy of building creditability together with customers, and the large ratio of revolving payment usage.

→ See page 43 for more information on awards received.



Smartphone Payment Service—Origami Pay

In August 2016, Shibuya Modi introduced the Origami Pay service. This service lets consumers use their smartphone like a wallet.



New Style of Asset Management—THEO

THEO is Japan's first proprietary developed automated asset management advisor. This service instantly proposes an optimal combination of listed investment trusts from approximately 6,000 candidates worldwide and then manages user assets. We plan to provide this service to EPOS cardholders interested in asset management.



Money Seminar for EPOS Cardholders

We held a Money Seminar for EPOS cardholders conducted by a financial planner. Of the some 2,900 customers that applied for the seminar, 82.9% were under 30. We randomly selected roughly 500 applicants to participate, and around 290 of these customers underwent individual consultation, with some enrolling in insurance. This seminar verified the high level of interest in financial services among youths.

Employee Comment



Miu Masutani

Leader,
Card Application Center,
Yurakucho Marui
MARUI CO., LTD.

The type of joy sought by each customer that comes to our card application centers is different. As I explain our services to customers, I often feel that my words resonate with them when I describe how I felt in a similar position. I think application centers should be venues for us to ask customers what is needed for the joy they seek and then attempt to provide this joy. Please feel free to stop by one of our application centers on your next shopping trip.

Employee Comment



Kei Kotani

Sales Promotion Section 2,
Sales Promotion Division,
Sales Department
Epos Card Co., Ltd.

Our EPOS card lineup includes collaboration cards offered through arrangements with our business partners. As we build trusting relationships with partners, we often discuss how EPOS cards can be used to provide joy to customers. In terms of payment services, credit cards are just one tool that can be used. I want to go further than payment services, working together with partners to offer even more convenient services to customers through cards.