



CO-CREATION

Co-Creation Sustainability Report 2016

MARUI GROUP CO., LTD.

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Co-Creation Management Report 2016



Co-Creation Sustainability Report 2016

For the fiscal year ended March 31, 2015, MARUI GROUP published *Co-Creation Management Report 2015*, its first integrated report for shareholders, investors, and other stakeholders, which was followed up with the release of *Co-Creation CSR Report 2015*, a digest report. "Co-creation management" refers to the type of management for co-creating customer happiness to which MARUI GROUP aspires. Our co-creation management reports place more emphasis on management strategies while co-creation CSR reports focus primarily on the Company's connection with communities and the greater society. The Company has published CSR reports every year since 2008 (some are available in Japanese only). For this latest edition, we chose the name "Co-Creation Sustainability Report" as an expression of the passion we have held thus far and our commitment to the future.

www.0101maruigroup.co.jp/english.html

Editorial Policy

In compiling *Co-Creation Sustainability Report 2016*, we endeavored to make the report of interest to readers, selecting topics with a focus on important initiatives based on MARUI GROUP's business characteristics. In the future, we plan to create a sustainability page on our corporate website, which we will continually update with environmental, social, and governance (ESG) data for use by ESG evaluation institutions and ESG-minded investors alike.

MARUI GROUP aims to be a company that provides fulfilling lifestyles for all customers.

MARUI GROUP aims to be a company that provides fulfilling lifestyles for all customers through its unique business model comprising its Retailing and FinTech businesses.

The Company has continued to develop its characteristic business model merging retailing with sales on credit since it was founded in 1931, thereby establishing truly unique strengths and a distinctive position in the Japanese retailing industry.

MARUI GROUP strives to practice “co-creation management,” which entails working together with all of its stakeholders to co-create customer happiness. Moreover, we are focused on the concept of “inclusion” as the key to responding to ever-changing customer needs and social issues and forging a better future.

Through co-creation activities advanced with all stakeholders, MARUI GROUP will endeavor to help build a flourishing society in which all are included.



Promoting inclusion will be an important theme for us as we advance toward the future.

In response to social changes, we have adopted a perspective emphasizing environmental, social, and governance (ESG) concerns and defined realizing the type of sustainability advocated by this perspective as our new goal. Accordingly, we are advancing initiatives to transform our main business into a socially contributing undertaking with eyes to the future.

Hiroshi Aoi

President and Representative Director
Representative Executive Officer

1. Commitment to Sustainability and the Future

MARUI GROUP has published a CSR report each year since 2008. For this latest edition, we chose the name "Co-Creation Sustainability Report." This decision was not just an attempt to shoehorn in a recent buzzword. Rather, it is an expression of the passion we have held thus far and our commitment to the future.

You may ask why we changed our focus from CSR to sustainability. One reason can be found in changing social trends. A trend we are paying particular attention to is the new emphasis on ESG investment. Investors have previously tended to view investments from a short-term perspective, seeing them as a means to make their money work for them. This is especially true in Japan. The emphasis on ESG investment is an important trend as it represents an increase in the desire of investors to endorse good governance and also to value the resolution of environmental and social issues.

The Government Pension Investment Fund, the institution with the world's largest balance of assets, recently requested that pension fund operators promote ESG investment. When issuing this request, MARUI GROUP's Co-Creation Management Report was chosen as an example of a superior integrated report for facilitating ESG investment decisions, a fact that was greatly encouraging.

At MARUI GROUP, we have continued working to transform our main business into a socially contributing undertaking. As we went about these efforts, however, we were unable to escape the idea that CSR was something separate from our business, something to be promoted on top of business activities. For this reason, ESG proved to be a more easily understood evaluation standard that is more compatible with our desire to transform in this manner.

We thus adopted a perspective that emphasizes ESG concerns in response to social changes, defining realizing the type of sustainability advocated by this perspective as our new goal. We are thus advancing initiatives to transform our main business into a socially contributing undertaking with eyes to the future based on a timeline that is even longer than previously used.

2. Transforming Our Main Business into a Socially Contributing Undertaking with Eyes to the Future

Our efforts to achieve sustainability will be detailed in this report from environmental, social, and governance perspectives. Rather than focusing on maintaining a balance between these three perspectives, we have instead chosen to highlight those areas that we wish to talk most about.

E: Environmental

Reconciliation of Reduction and Profit Improvement

In regard to environmental concerns, we are continuing to implement the apparel recycling program, but the focus of this program is being shifted from reuse to resource use reduction.

Apparel is one of MARUI GROUP's principal product categories, and some may think that pursuing resource use reduction with regard to these products would lead to lower profits. However, I am confident that we can reconcile this contradiction between reduction and profit improvement through our unique initiatives.

MARUI GROUP began offering shoe trade-ins a step ahead of the rest of the industry in 2013. A startling number of customers brought shoes to be traded in, and some of these shoes had hardly been worn at all.

Wondering why so many customers had so many unworn shoes, employees staffing the shoe trade-in counter decided to ask. They were shocked by the large number of customers that had bought shoes based on their design, but had then given up on wearing them due to a lack of comfort or pain resulting from size issues.

These employees later transferred to the division responsible for developing private brand shoes, where they played a part in creating the Rakuchin Kirei series of shoes, which have continued to win strong praise from customers since their launch. More than 3 million pairs of Rakuchin Kirei series shoes have been sold to date, making this line an unprecedented hit, and these shoes are now the star of MARUI GROUP's private brand lineup. By providing shoes that not only feature appealing designs but are also

comfortable and match customers' feet, we should be able to satisfy our customers while also preventing them from making wasteful purchases, effectively contributing to resource use reduction in the process.

MARUI GROUP will take charge in advancing unique initiatives that form an integrated process encompassing everything from product trade-ins to product development. These initiatives will further us on our ongoing quest to reconcile resource use reduction with profit improvement.

S: Social

Promotion of Inclusion and Creation of New Demand

With a focus on the inside of the Company, MARUI GROUP has been fostering diversity by promoting women's contributions, hiring people with disabilities, and implementing the profession change system, a unique human resources system that cultivates diversity in terms of individual talents by allowing employees to experience various positions within the Group.

Thanks to these efforts, we have been able to earn recognition in the form of awards from the national government and various organizations, which will be explained later on in this report.

Our next step will be to direct these diversity initiatives outside of the Company toward customers and other consumers. Being receptive toward customers' diversity and promoting inclusion will be an important theme for us as we advance toward the future.

We have always sought to develop our stores in a manner that ensures they can be enjoyed by all customers, regardless of their age or gender. Looking ahead to 2020, the year of the Tokyo 2020 Olympic and Paralympic Games, we will strive to guarantee that a pleasurable store experience can be had by people with and without disabilities and by members of the LGBT community and other individuals that do not conform to traditional gender categories.

As for our products, we are developing apparel products, private brands in particular, that can satisfy customers regardless of their physical characteristics.

This undertaking entails going beyond simply focusing on product design; it emphasizes comfort and, more importantly, greatly expands the range of sizes available.

The fashion industry has traditionally targeted individuals whose bodies were of "standard" size, developing and supplying products for them. Those people with larger or smaller bodies did not have products made for them. Among the customers we queried with this regard were many that, due to their small body size, were unable to find high heels in their size and were thus forced to wear sneakers. We also spoke to several customers that wore children's clothing because there was nothing in their size. Such concerns are shared by small- and large-bodied individuals and members of the LGBT community.

Examining the reason why the apparel industry only provides "standard" sizes, one possible reason could be inventory efficiency issues. Increasing the number of sizes means increasing inventories, which in turn leads to higher risk of inventory losses and lower profit margins. This, of course, is an issue MARUI GROUP will need to overcome. We are looking to address this issue by creating systems that manage individual items in real time, utilizing in-house distribution centers, developing omni-channel sales floors that do not require inventories, and pursuing other innovations.

A society in which only people with "standard" body sizes can enjoy fashion and in which everyone else is neglected cannot be viewed to be a flourishing society. For this reason, we will work to expand the range of sizes of our various apparel products and make them more comfortable to ensure that they can be enjoyed by everyone, regardless of their physical characteristics. The provision of such forward-looking fashion products will no doubt help promote inclusion and create new demand.

With regard to our credit card services, we have promoted inclusion since the time of the Company's founding by developing a unique business model of providing credit cards for youths. As we move forward, we will evolve our credit card services business into a FinTech business, a move that will greatly increase the business scope. When people think of FinTech, many of

them focus on how technologies are used in this field. At MARUI GROUP, however, we see the fundamental aspect of FinTech as being its mission to promote financial inclusion by supplying financial services to everyone.

The finance industry has traditionally catered primarily to the wealthy. However, as FinTech burgeons on the global stage, companies operating in this field are being charged with the mission of delivering financial services that can be used by youths and everyone else, not just the wealthy. MARUI GROUP has taken the initiative in advocating this type of inclusion in Japan's credit card industry. As such, we can fully endorse this mission. We are thus working together with FinTech companies and promoting open innovations to help further financial inclusion that makes financial services available to everyone.

G: Governance

Corporate Governance for All Stakeholders

As for corporate governance, in April 2016 we halved the number of internal directors from eight to four, making for a slim Board of Directors in which the two external directors represent one-third of the entire membership. This move allowed for better progress in discussions of management issues that delve deeper into the issues at hand.

In addition, we established the IR Department in October 2015 to facilitate efforts to co-create our corporate value together with shareholders and other investors. This was followed by the establishment of the ESG Promotion Department in October 2016, which is meant to enhance non-financial information disclosure and other activities for communicating with long-term investors.

We are also implementing other improvements to our corporate governance systems and how they are operated with the goal of making MARUI GROUP an expert on the forefront of governance. For more information, I would like to refer readers to *Co-Creation Management Report 2016*, the discussion between our two external directors in particular.

While we are still in the process of determining what steps we should take next, we do know that we want to evolve the General Meeting of Shareholders. Much progress has been seen in evolving the boards of directors of Japanese companies, MARUI GROUP included. However, the general meeting of shareholders, which functions as the highest authority within companies, still remains unchanged at many companies, leaving much room for improvement. With regard to discussions with private shareholders, for example, it seems possible that small meetings could be held with these shareholders in a similar fashion as is done with institutional investors.

Looking at boards of directors, in some countries, such as Germany and Sweden, employee representatives attend board meetings, and some companies have customer representatives participate as part of an advisory board. At MARUI GROUP, we view corporate value as being born out of the harmony between the interests and the happiness of all of our stakeholders. We thus believe that corporate governance systems should be made for the sake of all stakeholders. The Company will work to promote stakeholder inclusion to realize such governance systems.

Most of all, we realize that the aid of all of our stakeholders will be indispensable in resolving the issues MARUI GROUP faces and in furthering its evolution. I would therefore like to ask that readers of this report feel free to offer any opinions and requests you may have. We hope to make MARUI GROUP into a better company by engaging with our stakeholders, and I hope we can look forward to your support in the future.

November 2016

Dialogue
01

A Flourishing and Inclusive Society Offering Happiness to All

Toshiya Kakiuchi

President, Mirairo Inc. (left)



Fumino Sugiyama

Co-Representative
Nonprofit Organization TOKYO RAINBOW PRIDE (center)



Hiroshi Aoi

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



MARUI GROUP hopes to contribute to the realization of a flourishing society in which everyone can be included and find happiness regardless of their age, gender, or physical characteristics. This was the theme of the discussion between Toshiya Kakiuchi, a universal design specialist that advocates the concept of "Barrier Value," or viewing disabilities as a type of value; Fumino Sugiyama, an organizer of Japan's largest LGBT pride event; and President Hiroshi Aoi of MARUI GROUP. These three discussed the potential of inclusion and the role MARUI GROUP should play in this regard.



A Society Offering Happiness to All

Aoi: MARUI GROUP has decided to shift its emphasis from CSR to sustainability. The concept of “inclusion” will be important to achieving sustainability. We have previously evoked this concept with phrases like “for all customers.” For example, we feel that shopping experiences and services should be enjoyable for all customers, not just a select few. If we cannot accomplish this, society cannot be said to be truly flourishing. Including all customers, regardless of their age, gender, or physical characteristics, will be crucial to the society of the future. I believe that there is a lot of overlap to be found between businesses that offer joy to all customers and universally open societies that provide happiness for all.

Sugiyama: What turned you on to this idea of “for all customers”? When you, President Aoi, requested that I give a lecture on the idea of “for all customers,” I was very glad. In the past, I had felt like I was not included within the “all.” As I do not identify as traditionally male or female, people would pretend that I did not exist, even if they were aware of my existence. If I did not speak up, no one would understand my needs. This situation made me feel as if I was invisible. Now, however, I truly feel as though we are entering into an era in which people like me are included within the “all.”

Aoi: In the past, MARUI GROUP had primarily focused on younger customers. However, I could not help but feel opposed to this idea of excluding some customers. Companies should not be selective in their target customers, but should rather try to bring joy to as many customers as possible. When I thought about this, I arrived at the idea of “for all customers.”

Kakiuchi: So you mean to say that there was some basis for your arrival at this idea, such as an ideological stance that people with disabilities and members of the LGBT community should be included in the “all.” I believe that MARUI GROUP’s current inclusion initiatives are truly symbolic. The way in which society views different individuals is changing. When people talk about my wheelchair in the same manner they might talk about someone’s shirt, it makes me realize how much people like me have come to be accepted by society.

Aoi: When you told me that story, it made me very happy. It is reassuring to hear that you are accepted in this way. I feel that my world has begun to grow much wider, encompassing realms I had not known before, after speaking with both of you and hearing your unique perspectives, and this feeling fills me with excitement and joy.

“I ask people to tell me if there is anything they do not understand about me, but whether or not this communication occurs is determined by whether or not they take interest in others.”

Fumino Sugiyama





“I think true inclusion only occurs when it is natural, or nonchalant, not when you go out of your way to give someone special treatment.”

Toshiya Kakiuchi

A Tomorrow in Which Labels Are No Longer Necessary

Aoi: I previously wondered why, despite the fact that the desire to help all customers was entrenched throughout MARUI GROUP, we did not get many customers in wheelchairs or with vision impairments. I soon realized it was because we did not actively reach out to these customers and invite them into our stores. It was then that I pledged to make our stores into the type of stores that all customers choose.

Kakiuchi: Japanese people tend to be a bit perfectionist, making it difficult for people to announce that their facility is equipped to accommodate differently abled individuals. For this reason, there are times when exceptional accessibility initiatives go unannounced, never reaching the ears of the individuals they seek to include or their families. It is not necessary for your accessibility initiatives to be perfect. If you want to include normally excluded individuals, your first step should be to express those feelings. Many will be inspired to visit your store by those feelings.

Sugiyama: Similarly, the allies that strive to understand and support the LGBT community are often invisible. The more progressive the company, the more they see such support as completely normal. These companies will not go out of their way to say “I am your ally.” I too do not like to make distinctions between the majority and minorities,

but if you do not make this clear, no one will know.

We must use the label “LGBT” today in order to create a tomorrow in which this label is no longer necessary.

Kakiuchi: The label of “person with disabilities” is the same. The idea of categorizing people based on whether or not they have a disability may be nonsense, but there are times when this distinction must be made in order to resolve the issues we face. I hope to work together with everyone to create a society in which my using a wheelchair does not make me “different,” but is rather seen as completely normal, a society in which there is no need to make a distinction between those with disabilities and those without.

Transition from an Age of Strength from Similarities to an Age of Strength from Differences

Sugiyama: The past was an age in which people drew strengths from their similarities. The so-called Japanese economic miracle was a period of growth built upon conformity. However, we are now entering into an age in which differences should be seen as strengths. No one is the same, and it is these differences that make life interesting.

Aoi: I too believe that life is more interesting because we are different. I often speak of how interesting diversity makes things. This is because I feel it is important to find

joy in the differences of others, rather than just promoting diversity because of some kind of duty. By embracing the changes that have occurred and promoting further changes ourselves, we can build a different society.

Kakiuchi: Building tolerance for differences takes time, and tolerance can only be fostered through familiarity, which must be cultivated by means of frequent interaction. Speaking with you two today has made me once again realize the importance of telling the world of tomorrow about the power of differences and how interesting they make life.

Sugiyama: I think we need to change the mentality of acting “for minorities.” A society that is kind to minorities will no doubt also be kind to the majority. Thus, addressing the needs of minorities will also likely help resolve the issues faced by majorities.

Aoi: That is an interesting idea. In the past, it seemed as though the world revolved around the majority. This was particularly true in the period of the Japanese economic miracle, when difficult times drove Japan to focus on the group with the largest numbers. This approach helped Japan prosper in the past, but the country has stopped growing today. Regardless of this fact, the majority still remains the focus. This seems strange to me. I can understand focusing only on the largest group when times are tough. However, when the immediate perils

have been overcome, it is time to look to the prosperity of others. If we do not do this, what was the point of achieving prosperity in the first place?

Normalization of Inclusion

Kakiuchi: I often use the word “nonchalant.” I think true inclusion only occurs when it is natural, or nonchalant, not when you go out of your way to give someone special treatment. For example, when MARUI GROUP expanded the range of sizes for its products, it naturally included people of sizes not seen as “standard.” If people and companies adopt this approach when they consider previously marginalized people, I think the idea of inclusion will eventually become normalized.

Aoi: I do not like the word “disability,” and I have recently been trying to say “physical characteristics” instead. Some may not like my lumping disabilities in with body sizes, but I believe these two categories are similar in that they are both ways in which we are all different.

Kakiuchi: I think that such approaches will help foster familiarity and acceptance more easily.

Sugiyama: I believe that familiarity is at the heart of this type of acceptance. If something is unfamiliar, people tend to erect mental barriers that make it difficult to say

“I often speak of how interesting diversity makes things. This is because I feel it is important to find joy in the differences of others, rather than just promoting diversity because of some kind of duty.”

Hiroshi Aoi



"I don't understand this." A person in a wheelchair, for example, is only inconvenienced when they come across steps, and can get around normally otherwise. For this reason, you could take the perspective that the disability comes from society, and not from the individual. It is crucial to share such perspectives with others. Understanding this perspective requires knowledge, which means that the number of opportunities to gain such knowledge is quite important. I ask people to tell me if there is anything they do not understand about me, but whether or not this communication occurs is determined by whether or not they take interest in others.

Mutual Progress to Turn Barriers into Value

Kakiuchi: There are several barriers that are created by ignorance, but I feel that the way society approaches such issues is changing as of late. In fact, it may be us who are not quite used to this change yet. If ignorance is replaced with knowledge and "cannot" is replaced with "can," then I think that the majority and minorities can make mutual progress and bridge the gap between each other. I use the word "Barrier Value" to refer to the idea of taking some kind of disability and turning it into some kind of value. We should not use disabilities as reasons to hurt others or impose ourselves on others. Rather, it is important to clarify the mutual value we present to one another.

Sugiyama: Marginalized individuals may not always be aware of it, but they can sometimes internalize prejudices or be slightly discriminatory toward society on the basis that society discriminates against them. What you said now made me think that, indeed, there may be a degree to which we ourselves are not used to society being used to us. I believe that both previously marginalized individuals and the majority want to build relationships with each other that allow them to mutually propose how they should interact, including with regard to such distinctions.

Aoi: Japan is entering into a new era, and in this era it will be important for both the largest group and other groups to flourish. I see you two as the type of individuals that will herald this change in the new era. I hope to work together with you in building a new society going forward.

Toshiya Kakiuchi

President, Mirairo Inc.

Mr. Kakiuchi was born in Nakatsugawa City, Gifu Prefecture in 1989. He established Mirairo in 2010 while attending the College of Business Administration at Ritsumeikan University. One in three of Mirairo's 35 employees have some kind of disability. From the perspective of "Barrier Value," turning a disability into a value, Mr. Kakiuchi offers universal design consulting services to companies, municipal government agencies, and educational institutions. In 2015, he became an advisor to the Nippon Foundation Paralympic Support Center. He was then appointed as an advisor to the Tokyo Organising Committee of the Olympic and Paralympic Games in 2016.



Mirairo conducts investigations of facilities, products, apps, and other various articles and proposes improvements from the perspective of "Barrier Value."



Mr. Kakiuchi gives lectures at educational institutions as well as companies, and these lectures are a required part of the curriculum at Shinagawa Joshi Gakuin.

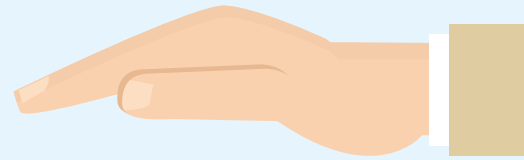
Fumino Sugiyama

Co-Representative
Incorporated Nonprofit Organization TOKYO RAINBOW PRIDE
Representative, Heart wo Tsunagou Gakko

Mr. Sugiyama is a transgendered individual born in 1981 that previously represented Japan in women's fencing. While in university, he wrote *Double Happiness*, which garnered much attention, eventually being translated into Korean and converted into a comic. After graduation, he embarked on a backpacking voyage, visiting around 50 countries and witnessing the social issues therein. Back in Japan, he now manages his own restaurant while also holding positions as co-representative of TOKYO RAINBOW PRIDE and representative of Heart wo Tsunagou Gakko, a nonprofit organization offering support for children that identify as sexual minorities. His other diverse activities include giving lectures and hosting a television program. Mr. Sugiyama helped establish Shibuya's ordinance recognizing same-sex partnerships, the first of its kind in Japan, and now serves on Shibuya's committee for promoting gender equality and diversity.



Mr. Sugiyama is a co-representative of TOKYO RAINBOW PRIDE, which holds Japan's largest LGBT pride parade as well as other events throughout Japan in early May.



We will achieve harmony between the happiness of all stakeholders through inclusion.

MARUI GROUP has turned its attention to the concept of "inclusion" to facilitate its efforts for providing fulfilling lifestyles for all customers. Inclusion entails including and reaching out to all those who have previously been excluded.

Our idea of sustainability requires that no one be excluded and that everyone be able to enjoy quality living, health, and prosperity. With similar goals in mind, international society adopted Transforming our World: The 2030 Agenda for Sustainable Development at the United Nations General Assembly, convened in September 2015. This agenda included the Sustainable Development Goals (SDGs), a set of 17 goals with 169

targets that have been embraced by Japan and 192 other countries worldwide.

Inclusion, or excluding no one, is part of the spirit of the SDGs, meaning that these goals point us in the same direction as adopted by MARUI GROUP's management, which seeks to achieve harmony between the interests and the happiness of all stakeholders. Through co-creation activities with all of its stakeholders, MARUI GROUP will actively contribute to the accomplishment of the SDGs through its business to help create a flourishing society in which everyone is included.



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Four Core Themes

MARUI GROUP has defined four core themes based on the perspective of inclusion that it believes will further it as a company providing fulfilling lifestyles for all customers.

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.



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.



Core Theme 3

Ecological Inclusion

We will develop eco-friendly businesses that are considerate of natural capital and propose ecologically sound lifestyles that are in harmony with nature and the environment.



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.



Process for Establishing Core Themes

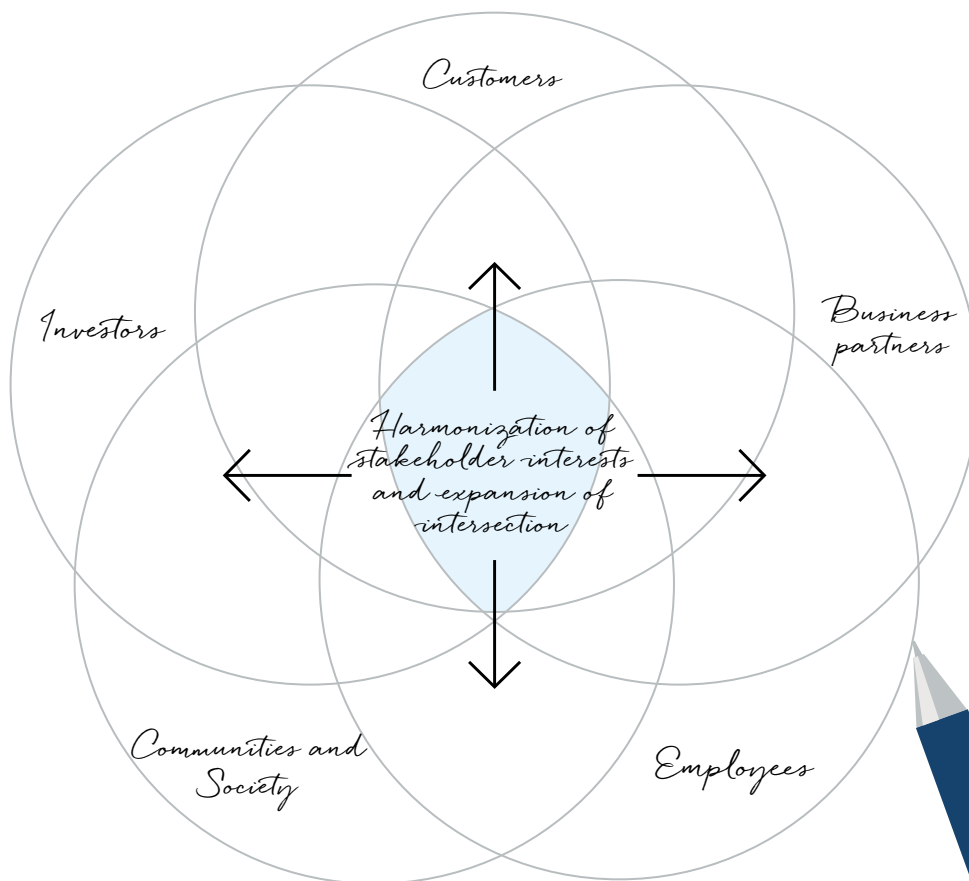
Focusing our concept of co-creation management and the impact this approach will have on society, the environment, and natural capital, we examined the issues and opportunities this approach will create, based on which we defined four core themes for initiatives from the perspective of inclusion. In formulating these themes, we held meetings with ESG-minded investors, sustainability experts, nonprofit organizations, and other stakeholders in the greater society as well as with customers, business partners, and Group officers and employees. In addition, we referenced the ratings of ESG evaluation institutions; internal and external guidelines, such as those of the Global Reporting Initiative, ISO 26000, the Sustainability Accounting Standards Board, and the International Integrated Reporting Council; and the SDGs.

Co-Creation with All Stakeholders

MARUI GROUP has a corporate culture of listening to customer input that dates back to its founding. Dialogue with customers and other stakeholders is exceptionally important to co-creation management, and we seek to always make communication constructive, never marginalizing others' opinions. Such dialogue is crucial to achieving harmony

between the interests and the happiness of all stakeholders. We must continue innovating our business frameworks and practices in order to increase the intersection between stakeholder interests and happiness. This is MARUI GROUP's approach toward innovation and its vision for co-creation management.

MARUI GROUP's View of Corporate Value



Co-Creation with Customers

The planning meetings we hold with customers are not just a venue for soliciting customer feedback; they are a co-creation activity that invites customers to take part in the value creation process for developing stores and products that all customers choose.



Planning Meetings Held with Customers

More than 600
(For planning Hakata Marui)

Customers Performing Sample Checks

1,000 per year
(For Rakuchin Kirei series of shoes)

Co-Creation with Shareholders and Other Investors

We established the IR Department in October 2015, and, in one year, we met with approximately 300 institutional investors, including those overseas. We then formed the ESG Promotion Department in October 2016, through which we are enhancing communication with ESG-minded investors and the disclosure of ESG information.



Institutional Investors Met with

Approx. 300
(Fiscal year ended March 31, 2016)

Shareholders Attending General Meeting of Shareholders

Approx. 470
(June 2016 meeting)

Co-Creation with Business Partners

The MARUI GROUP Procurement Policy was formulated in April 2016, and we conduct surveys and on-site investigations together with business partners to ensure a stable supply of products and confirm partners' human rights and work environment initiatives.



Business Partners Participating in
Explanatory Forums

Approx. 100
(Fiscal year ended March 31, 2016)

Co-Creation with Employees

Our intra-Group project teams, including the Diversity Project Team, Marui Future Project Team, Healthcare Promotion Project, Medium-Term Management Visionary Committee, and other such forums, provide opportunities for employees to discuss and share thoughts with individuals from other companies.



Employees Participating in
Intra-Group Project Teams

Approx. 320
(Fiscal year ended March 31, 2016)

Co-Creation with Communities and Society

MARUI GROUP participated in the TOKYO RAINBOW PRIDE 2016 LGBT pride event, held a regional development event that blended the popular anime series *Osomatsu-san* with a local shopping district, and worked to increase the number of EPOS card collaboration partners.



©FA/O

Aggregate number of customers attending
"OSOMATSU ICHI in Miyazaki" event

10,000
(March 17 - April 6, 2016)



CORE THEME

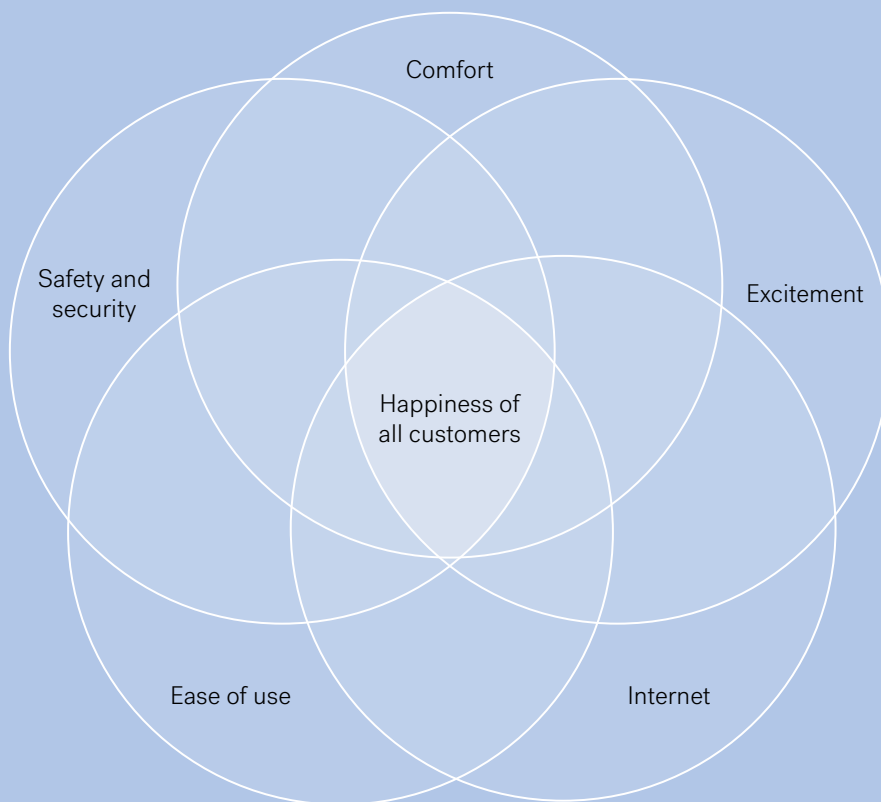
MARUI GROUP Core Theme

1

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

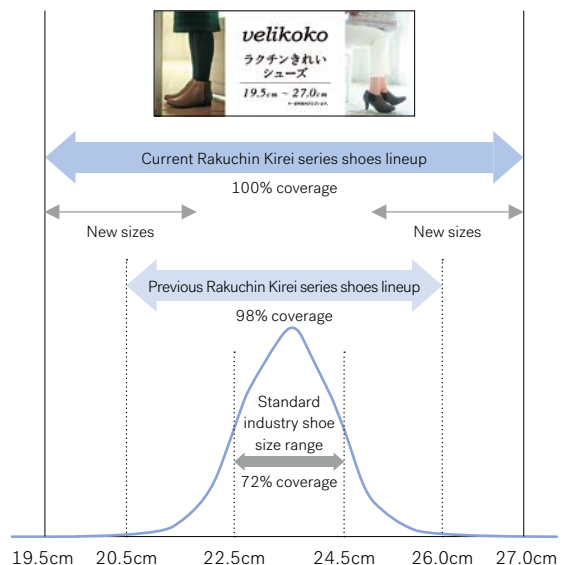
30%

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



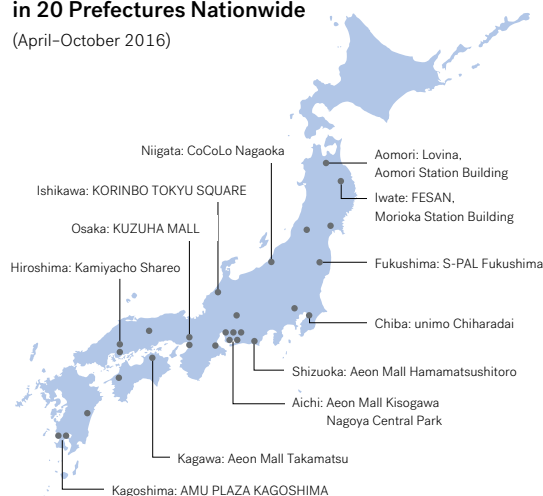


Try-On Stores Serving Customers Nationwide

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.

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

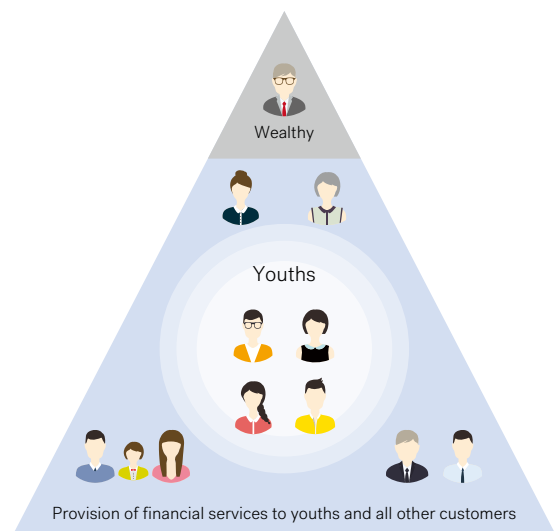
Ratio of two-or-more-person households in Japan that utilize Internet shopping services

27.6%

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

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.





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.





Dialogue 02

Potential of MARUI GROUP's Business from the Perspective of Inclusion

As a provider of fulfilling lifestyles, MARUI GROUP strives to include all customers, regardless of their age, gender, or physical characteristics. We are thus committed to developing products, services, and stores that can bring joy to a wide range of customers.

On the following pages, we will recount a discussion held between the leaders of MARUI GROUP's Retailing and FinTech businesses, in which they discussed the inclusion initiatives being implemented in their businesses, the issues faced in this regard, and the potential for integrated Group businesses.

Yoshinori Saito

Senior Executive Officer (left)
President and Representative Director, Epos Card Co., Ltd.

Mar. 1986 Joined the Company
Jul. 2008 Executive Officer
General Manager, Financial Department
Apr. 2011 Director and General Manager,
Direct Marketing Department, MARUI CO., LTD.
Apr. 2013 Director and General Manager,
Collaboration Card Business Department,
Epos Card Co., Ltd.
Oct. 2013 Director and General Manager,
Sales Promotion Department, Epos Card Co., Ltd.
Apr. 2015 Managing Director, Epos Card Co., Ltd.
Director, M & C SYSTEMS CO., LTD. (Incumbent)
Apr. 2016 Senior Executive Officer (Incumbent)
President and Representative Director,
Epos Card Co., Ltd. (Incumbent)
Director, MRI Co., Ltd. (Incumbent)

Hajime Sasaki

Senior Executive Officer (right)
President and Representative Director, MARUI CO., LTD.

Mar. 1986 Joined the Company
Oct. 2007 Director and General Manager,
Card Planning Division, Epos Card Co., Ltd.
Apr. 2012 Director and General Manager,
Private Brand Department,
MARUI CO., LTD.
Apr. 2013 Executive Officer
Apr. 2014 Managing Director and General Manager,
Specialty Store Department, MARUI CO., LTD.
Jun. 2014 Director
Apr. 2015 Director and Senior Executive Officer
Responsible for Retailing and Store Operation Business
Senior Managing Director, MARUI CO., LTD.
Director, Epos Card Co., Ltd.
Apr. 2016 Senior Executive Officer (Incumbent)
President and Representative Director,
MARUI CO., LTD. (Incumbent)

Broadening of Focus to "Inclusion" After Entrenching "For All Customers"

Sasaki: I think it was around 2007 when President Aoi began using the phrase "for all customers." At the time, we were limiting our scope of target customers by focusing primarily on providing fashion to youths. Later, we had customers participate in the development process for the Rakuchin Kirei series, which hit store shelves in 2010. I believe this experience is what broadened our focus, drawing it to the idea of "inclusion."

Saito: The idea of "for all customers" was a drastic departure from standard marketing conventions, which call for clear targets.

Sasaki: This idea was difficult to warm up to at first. I was eventually able to get used to it by considering the needs of people with "non-standard" body sizes, senior citizens, people with disabilities, members of the LGBT community, and others, and thinking about how I could address these needs. In the process of creating successes and hearing the words of satisfied customers, I began to reexamine what our true mission was. It was at this point that "for all customers" went beyond a mere slogan to become a concept entrenched in our business.

Saito: Now, the idea of "for all customers" is just a normal part of conversation.

Sasaki: The results of this change can be seen in the Rakuchin Kirei series of private brand shoes and in the store development approach taken at Hakata Marui. Through these undertakings, we came to realize the fact that this demand had always been present in society; we had just failed to address it. The next step in addressing this demand is the try-on store initiative we are testing with shoes. I now recognize that there are several unresolved issues faced by society and communities.

Shift from Company Perspective to Customer Perspective

Sasaki: Customers do not get joy from buying products; they get joy *through* the products as well as *through* the experiences they have. This realization enabled us to give form to a store development concept that puts the spotlight on the joy customers seek through products, which was a major shift in perspective.

Saito: To put it differently, we shifted from the



perspective of a company that emphasizes efficiency to the perspective of the customers that visit our stores. Similarly, we placed card application centers, which were previously located on the top floors of buildings, in areas that were more convenient for customers.

Sasaki: In the still unfinished process of developing Hakata Marui, we enlisted the aid of Kyushu University, Lifestyle Design Lab, and Mirairo to help us craft the store's facilities. These universal design specialists put forth many ideas we would not have come up with on our own, such as signs displaying the distance to restrooms and areas for charging electric wheelchairs, which were actually implemented in the store.

Saito: I think some of the issues fixed had been pointed out previously but had gone unresolved. We were able to address these issues as we gained encouragement through ongoing co-creation activities based on the customer's perspective.

Familiarity with Finance, Growing Potential of FinTech

Saito: The areas targeted by FinTech are, in fact, areas in which MARUI GROUP has always operated. In regard to credit cards, the higher the income—and subsequently credit limit—one has, the more likely they are to have a bank-issued card. MARUI GROUP, meanwhile, has



Dialogue 02

supplied installment payment services and credit cards to youths and low-income individuals since its founding to encourage them to buy its products, and we created completely unique credit evaluation standards through this process.

Sasaki: Our proprietary system in which customers are provided a credit limit that increases based on their purchase and repayment history is inspired by the founder's basic belief that creditability should be built together with customers.

Saito: The services currently provided in MARUI GROUP's FinTech business remain based on this belief and are centered around payment services using credit cards. However, interest in asset management is high among individuals of all ages and genders, and finance needs are diversifying. The most significant change brought about by the advent of FinTech is that consumers who rarely went to banks or securities companies are now becoming familiar with financial services through the Internet. Considering the idea of inclusion, I think that FinTech has real potential to develop into new businesses.

Fulfilling Lifestyles Provided through Union of Retail and FinTech

Sasaki: Looking at our try-on stores for shoes, the size of

shoes is an important factor for grabbing customers. After that, we can encourage them to apply for an EPOS card when they order their products through the Internet. Once customers become used to this method of purchasing, we will be able to encourage more customers to buy our products as they will no longer be restricted to in-store purchases. The stores that serve as a space for experiencing our products as well as our e-commerce and credit card operations are all supported by our in-house IT and logistics operations. If we strategically integrate the Group's various businesses, we should be able to forge new strengths.

Saito: I believe a major strength of MARUI GROUP is that it handles all functions in-house, allowing us to operate our business in an integrated manner. EPOS Card could not exist without both the Retailing business and our system development company. Perhaps our greatest strength is that employees versed in both retailing and finance are able to accumulate know-how by being transferred between Group companies.

Sasaki: By integrating stores, the Internet, and credit cards to develop a business model that fully leverages the strengths of physical stores, we will be able to include an even more diverse range of customers.

Saito: Pursuing new ways of inclusion through the integration of the Retailing and FinTech businesses is also an undertaking very characteristic of MARUI GROUP. Our strength is, after all, born out of this union of our two major businesses.

Sasaki: When attempting to tackle a new challenge, it can be easy to become preoccupied by pressing short-term issues and lose sight of the uncertain future. However, we cannot create fulfilling lifestyles 10 or 20 years down the line with this shortsightedness. I believe it is important for everyone to envision such lifestyles and actively work toward making them a reality. This endeavor will require all employees to have the courage to change.

Saito: We strive to bring our customers joy through EPOS cards and to give them a chance to pursue various dreams. Our credit cards are not just cards; they give customers access to services at a wide range of locations and act as a reliable ally to help them out in times of need. Our mission is to develop our business based on the customer's perspective. I hope to create a corporate culture in which MARUI GROUP's businesses are united in accomplishing this mission.



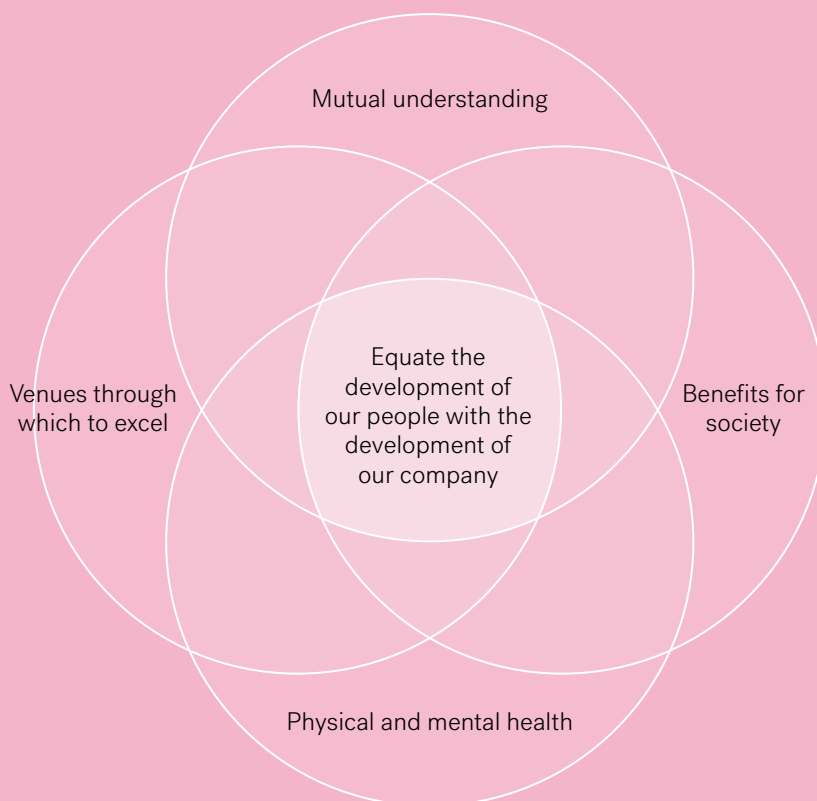
CORE THEME

MARUI GROUP Core Theme

2 Workplace Inclusion

MARUI GROUP's Goal

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.



The roughly 6,000 employees working for MARUI GROUP are a precious asset borrowed from society. We are promoting workplace inclusion—remaining receptive toward employees' diversity in terms of work styles, values, and other characteristics—as we recognize that this endeavor will directly contribute to achieving diversity and inclusion with regard to all customers.



Empowerment of Every Employee through Mutual Understanding

MARUI KIT CENTER CO., LTD., is a special subsidiary of MARUI GROUP that advances initiatives for providing employment opportunities to people with disabilities that date back to 1992. This company's differently abled employees utilize various techniques to overcome the challenges faced in their work while fostering mutual understanding as they work together. Using the common language of sign language and picture boards, MARUI KIT CENTER employees sat down to discuss the issues faced in their daily work and techniques used to overcome them as well as their motivation toward work.

45 of 56 MARUI KIT CENTER employees have disabilities

Blue Team	Orange Team
People with mental disabilities: 32 People with physical disabilities: 3	People with hearing impairments: 10

Comfortable Workplace Built on Understanding of Each Other's Area of Weakness

Oyamada: I have a mental disability. Apparently, I was born with minor cerebral palsy. When I toured MARUI KIT CENTER three years ago, the lively atmosphere gave the impression that it would be a comfortable environment for me to work in, and I thus chose to join.

Nishimoto: I have a hearing impairment. I originally worked in a different company located here, in the Toda Product Center, but I decided to join KIT CENTER 11 years ago.

Komiyama: When I was 24, I suffered from cerebral hemorrhaging, which resulted in paralysis in the left half of my body. I had originally joined MARUI GROUP 10 years ago out of an interest in fashion. In October 2016, I transferred to KIT CENTER.



From left: Takashi Komiyama, Yuta Oyamada, Megumi Arai, Yukari Nishimoto, Yuka Sugita (Sign language interpreter), Mitsuru Hori (Moderator and sign language interpreter)



Arai: I have a hearing impairment. I was a homemaker for several years, but I joined KIT CENTER 11 years ago with the aim of returning to the workforce. This company offers an incredibly comfortable workplace environment in which everyone strives to compensate for each other's area of weakness.

Oyamada: One benefit of joining KIT CENTER was learning that there were areas of work I could handle as well as areas in which I was weak.

Hori: You are referring to our unique license system if I am correct. A detailed checklist is used to identify which types of work each employee feels that they cannot perform and what their areas of weakness are.

Komiyama: I can only use my right hand, but my coworkers joined me in thinking of ways I could perform my work more smoothly with only one hand.

Sugita: In the past, we had an employee who indicated on the license system checklist that his work took a long time to do. This employee was left-handed, but he had been trained by a right-handed individual, which made it difficult for the employee to use the same techniques. When we learned what was causing his work to take so long, we quickly put our heads together to think of a way for a left-handed person to perform the work efficiently.

Arai: I cannot hear, and I am therefore very sensitive about what goes on around me. At KIT CENTER, there are many employees that get distracted by their surroundings, so everyone faces the same direction when they work. It is very nice to be able to focus only on the work in front of me.

Sugita: An organized work station is incredibly important. If the necessary items are not always in the same place, even work that one is normally able to perform can become an area of weakness. At KIT CENTER, the locations for all items are set.

Oyamada: The recipients of deliveries are now written in alphabet letters and numbers as opposed to kanji characters. This has helped prevent mistakes and sped up work.

Hori: It seems that alphabet letters and numbers were easier to recognize than kanji characters. One trait of KIT CENTER is how it incorporates many such ideas and techniques. A little consideration here and there can remove barriers, making work go smoother and improving productivity.

Nishimoto: People that come up with good ideas receive "little consideration awards." At work, we are always sharing ideas about how to remove the barriers we may face.

Shift in Common Language from Writing to Sign Language

Hori: I am sure everyone's experience has been different, but have you faced any issues when working with the other employees?

Arai: At first, I did not know how to interact with Blue Team when working with them because sign language was not an option.

Nishimoto: I felt the same. I worried much over how I would tell Blue Team if an issue arose, how I would get my point across.

Sugita: How do you overcome this language barrier between Blue Team and Orange Team?

Oyamada: The leader of the product inspection team I belong to is from Orange Team, so I used a writing board at first. However, communicating by writing takes time and makes it hard to really understand one another. I therefore decided to learn sign language.

Arai: I am the leader of the office service team. Many people at KIT CENTER are able to use sign language, which really makes work progress smoothly.

Hori: Mr. Oyamada has an advanced sign language license from our internal system. I understand that you also received third rank certification in the national sign language certification test last year.

Oyamada: I still use a writing board to communicate very detailed points, but I am able to get by with sign language for almost everything else.

Arai: People that are not good at sign language sometimes use both a writing board and a picture board.

Nishimoto: People with hearing impairments are usually seen as having a disability. However, this disability disappears when they are able to communicate with sign language. I think that the real disability arises from a lack of common language when people who can hear work with those who cannot.



Oyamada: People from Blue Team have people from Orange Team teach them sign language on a daily basis. Everyone is cooperating so that we can quickly become able to use sign language effectively for work communication.

Motivation from Knowing You Are Helping

Hori: What have you enjoyed about your work and what has made you happy?

Oyamada: When I help out a coworker, it makes me happy to hear them say “thank you.” I want to be someone everyone relies on, so I am trying to learn the work of both the product inspection team and the delivery center.

Arai: When I am asked to make an urgent delivery and I make it on time, I am always happy to receive an email thanking me for the quick response. After making a delivery and seeing the products on display in stores, I become very happy. This experience has really hit home how much we are helping out.

Nishimoto: When I was on the product inspection team, employees from Group company MOVING would often ask me to help out when they were busy. Product inspectors handle lots of products in a single day, and when I accomplish my goal, it really makes me feel that I am being useful.

Komiyama: I am still in training, but I get praised when I finish my work on time. I really feel like KIT CENTER is a comfortable place to work. As I am on the supply team, I do not have the opportunity to interact with customers directly. However, I go about my work with the belief that I am aiding the Company by helping staff across Japan perform their work more easily.

Arai: As a leader, I aim to be considerate of our various needs and develop methods of facilitating our work in order to make the workplace environment even more comfortable.

Nishimoto: In the future, I hope to work in a different department at MARUI GROUP so I can learn new skills.

Komiyama: I only transferred to KIT CENTER just recently. I therefore want to get accustomed to the work as soon as possible so I can become a jack-of-all-trades capable of helping out in various positions.

Hori: Everyone here is so very passionate about their work. At KIT CENTER, I do not feel that employees are impeded by barriers, such as from being unable to hear or having trouble communicating.



Yuta Oyamada

Product Inspection Team
MARUI KIT CENTER CO., LTD.

● Blue Team
(mental disability)



Megumi Arai

Office Service Team Leader
MARUI KIT CENTER CO., LTD.

● Orange Team
(hearing impairment)



Yukari Nishimoto

Delivery Center Leader
MARUI KIT CENTER CO., LTD.

● Orange Team
(hearing impairment)



Takashi Komiyama

Supply Team
MARUI KIT CENTER CO., LTD.

● Blue Team
(physical disability)



Mitsuru Hori

Work Leader
MARUI KIT CENTER CO., LTD.
(Moderator and sign language interpreter)



Yuka Sugita

Work Leader
MARUI KIT CENTER CO., LTD.
(Sign language interpreter)



Creation of Venues through Which All Employees Can Excel

MARUI GROUP's corporate philosophy calls for us to "equate the development of our people with the development of our company," and we therefore view the Company as a space for supporting employee growth. We thus strive to cultivate a workplace environment that is conducive to generating innovation and is characterized by mutual understanding among all employees, regardless of their age, gender, lifestyle, or sexual orientation. Through these efforts, we will foster a corporate culture that furthers employee growth and creates venues that provide opportunities to everyone.

Promotion of Diversity Driving Organizational Innovation

Based on the belief that diversity makes life interesting, we are promoting diversity in terms of employee gender, age, and individual talents. In the midst of substantial social change illustrated by trends such as globalization and IT advancement, people's values are beginning to diverge, causing the diversification of customer needs. When our employees sincerely look at society, allowing for various values to merge, innovation will be born.

Profession Change System

As of April 2016, an aggregate total of 1,418 employees, or approximately 25% of all employees, had taken advantage of the shared Groupwide profession change system, providing an opportunity for employees to break away from their sense of normalcy and escape preconceptions to better adopt the viewpoint of stakeholders. Active relocations among the various posts present at Group companies are a means of promoting the contributions of female and younger employees and shaping work styles that remain viable throughout one's life.

Improvement in Group Productivity via Profession Changes

Operating income per employee
(including temporary employees)

¥2.5 million → ¥4.7 million

1.8 times higher in the fiscal year ended March 31, 2016,
than in the fiscal year ended March 31, 2012

Personnel and Evaluation Systems

The Personnel Division is actively exchanging opinions with employees of various standpoints, companies, and positions to formulate proposals for future personnel and evaluation systems.



Silver Rating in work with Pride 2016

In October 2016, MARUI GROUP received a silver rating from among the three levels (bronze, silver, and gold) of the PRIDE INDEX in work with Pride 2016. The PRIDE INDEX was established by work with Pride



and is the first index in Japan designed to encourage the development of LGBT-friendly workplaces in a manner that exceeds the boundaries of companies. MARUI GROUP will continue its efforts to support the LGBT community into the future.

Supporting the Next Generation

The AOI SCHOLARSHIP FOUNDATION was established by MARUI GROUP founder Chuji Aoi with the aim of contributing to the development of people that can shape the future of Japan and benefit society. Over the more than 40



Group of new university students supported in the fiscal year ending March 31, 2017

years since its establishment, this foundation has helped fund the education of high school and university students while facilitating networking between students receiving scholarships and past graduates.



Proactive Healthcare Management Supporting Employee Growth

MARUI GROUP believes that people's ability to grow is supported by their health. By changing employee awareness and behavior from the perspective of health, we can energize employees and improve labor productivity. Furthermore, through the implementation of proactive healthcare management designed to help employees deliver the best possible performance, we aim to improve corporate value while making contributions to society.

Healthcare Promotion Project

The health of each individual employee represents a building block for the corporate value of the Company. Seeking to create a corporate culture in which all members of MARUI GROUP are considerate of this sentiment, we set up the Healthcare Promotion Project together with relevant divisions in November 2016. We also positioned female healthcare promotion leaders throughout Japan. As part of the activities of this project, we implemented stress checks and health- and cigarette-related surveys during Healthcare Month, a month designated as a period for raising employee awareness regarding health and health improvement.



Healthcare Promotion Project meeting held in the fiscal year ending March 31, 2017

DBJ Employees' Health Management Rated Loan Program

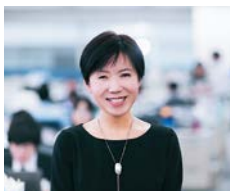
The Development Bank of Japan Inc.'s proprietary DBJ Employees' Health Management Rated Loan Program evaluates companies based on their healthcare management initiatives and the consideration given to employee health, selecting superior companies and setting financing conditions based on their rating. MARUI GROUP was awarded the program's highest rank of "A."



Evaluation Points

1. Company has established a healthcare promotion organization and entrenched healthcare management by setting quantitative targets, monitoring and analyzing employee health conditions and lifestyle diseases, or other means.
2. Company has set standards for lifestyle diseases and medium-term targets for reducing risks and is collaborating with health insurance unions to aid employees in improving lifestyle diseases.
3. Company has established systems, such as infertility treatment leave and child nursing care leave, and numerical targets to offer employees work-life balance support and is otherwise building a comfortable workplace environment.

Employee Comment



Ayumi Hiromatsu

General Manager,
Diversity Promotion Section,
Personnel Division
General Manager,
Health Management Section,
Health Management Division
MARUI GROUP CO., LTD.

Development of an Environment in Which Employees Work Hard and Exercise Their Talents

One of the goals of promoting diversity is to remove barriers preventing employees from working to the extent they desire and thereby create an environment in which all employees can deliver their best performance. Each of our roughly 6,000 employees is unique. When these employees understand each other and unite under a common goal, their combined wisdom will no doubt give rise to innovation. We are currently reviewing our personnel evaluation systems, striving to establish systems that will better facilitate everyone's growth. We also realize that employees' desire to excel must be supported by good physical and mental health, a concept that is linked to the idea that we should "equate the development of our people with the development of our company" described in the corporate philosophy. It is only when our employees can grow and feel joy that they will be able to bring joy to customers. In this manner, the goals of diversity and healthcare management are, in fact, one and the same.



CORE THEME

MARUI GROUP Core Theme

3

Ecological Inclusion

MARUI GROUP's Goal

We will develop eco-friendly businesses that are considerate of natural capital and propose ecologically sound lifestyles that are in harmony with nature and the environment.



As a company that provides customers with fulfilling lifestyles, our environmental responsibilities are not limited to reducing our own environmental impact. We believe that MARUI GROUP can propose ecologically sound lifestyles as it promotes ecological inclusion through co-creation activities with its stakeholders prefaced on consideration for the environment throughout society.



ACTION

Group Effort to Reduce Environmental Footprint

Creation of Biodiversity-Rich Spaces in Urban Areas



Nakano Marui's Four Seasons and Waterside Gardens (top photograph) were certified as "Urban Oases" in 2013 and 2016. They also received the Nakano Greenery Contribution Award in 2015 and an award in the 5th Contest for Corporate Activities on Biodiversity in 2016.

The Q-COURT British-style garden (bottom photograph) of the Shinjuku Marui Main Building was certified as an "Urban Oasis" in 2014.

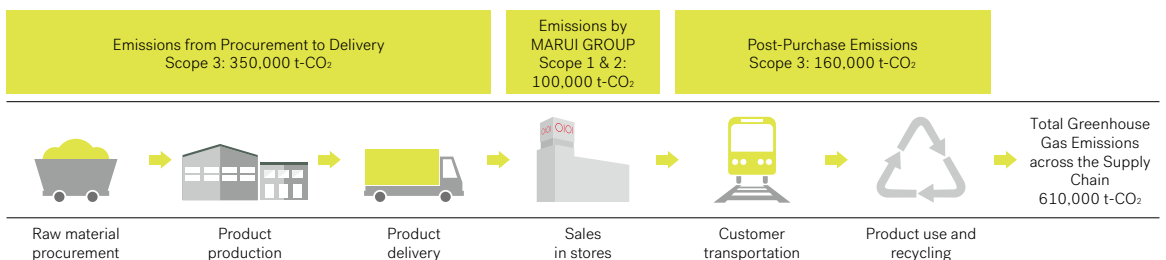
Renewable Energy Initiatives

Nakano Marui participates in green power certification systems and is utilizing renewable energy sources for a portion of the electricity it consumes. Also, solar power generation facilities were installed at AIM Logisport (Toda City, Saitama Prefecture) in 2014, and we are advancing other initiatives for utilizing renewable energy.



Tracking of Environmental Footprint across the Value Chain

MARUI GROUP endeavors to track its environmental footprint across the entire value chain with regard to emissions of CO₂ and other greenhouse gases, based on which it advances measures for reducing its footprint together with customers, business partners, communities, and society as a whole.



The Company calculates emissions volumes based on the *Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain*, released by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. The results of these calculations have been checked by Mizuho Information & Research Institute, Inc.

Employee Comment



Mamoru Koide

Sales Representative Manager,
Nakano Marui
MARUI CO., LTD.

Expansion of Ecological Network through Co-Creation with Community Members

Nakano Marui's Four Seasons and Waterside Gardens provide refreshing spaces for people living in Nakano, places in which they can relax when they get a break from work. Several community members requested that these spaces be used for events, inspiring us to work together with local councils and shopping districts to plan events rooted to the Nakano community in the gardens, such as educational events for teaching children about nature and animals. When these gardens were first opened, they originally felt a bit artificial. Seeking to make the gardens a hospitable environment for animals, rather than just a tool for reducing our environmental impact, we worked together with specialists, receiving advice on how trees should be planted and other matters. Now, the gardens seem more natural, even to the degree that birds lay eggs in them. Going forward, we hope to continue to expand our ecological network through co-creation activities with community members in order to create a space for enjoying connections with nature and learning the importance of animals.



Proposal of Ecologically Sound Lifestyles

MARUI GROUP seeks to reduce waste throughout all processes related to its private brands, from product development to the trade-in of no-longer-necessary products. In addition, on private brand products, we display information about the environmental impacts that will occur throughout their entire lifecycle. We thereby propose ecologically sound lifestyles by helping customers choose eco-friendly products.

Evolution from Reuse to Reduction

Introduced in 2010, the apparel recycling program entails collecting trade-ins of clothing and shoes so that these items may be reused (resold). In addition, we ask customers submitting trade-in items about their shoe-related concerns and use this information in the development of our Rakuchin Kirei series of private brand shoes, which feature not only appealing designs but also superior comfort delivered through sizes matched to customer feet. In developing these shoes, we have employed a process fine-tuned to addressing customer concerns. This process includes having customers participate in planning meetings and creating original shoe trees to expand the range of sizes we can provide. These efforts help to prevent products from going unused due to not matching customer needs, for example, being too painful to wear and thus getting thrown away, effectively expanding the function of the apparel recycling program to include the reduction of waste. We hope to contribute to the resolution of social issues through these efforts.

Shoes Thrown Away

Ratio of people throwing away shoes that are no longer worn

92%

Based on 2013 survey of EPOS cardholders

Number of clothing items and shoes traded in by customers

Approx. 4.5 million

May 2010–March 2015

Omni-Channel Try-On Stores Mitigating Environmental Impacts

It is common for shoes sold via the Internet to be returned due to not matching the customer's foot shape or size. Handling these returns results in wasted energy and packing. Our omni-channel try-on stores are an initiative advanced in an integrated manner by the Group that unites product creation, Internet sales, and physical stores to address this issue. These stores eliminate the need for store inventories, subsequently lowering the risk of inventory disposal losses, while also reducing customer returns and with it, warehouse inventories. Try-on stores thus help mitigate environmental impacts.

Social Benefits of Try-On Stores

Attend short-term event stores



Freely select size from samples

Lowering of inventory disposal losses and logistics burden by eliminating the need for store inventories



Try on in self-service fashion

Alleviation of concern due to not being able to try on items bought via the Internet



Order with dedicated tablet

Reduction of packing use due to lack of need for bags to carry home



Receive product via home delivery

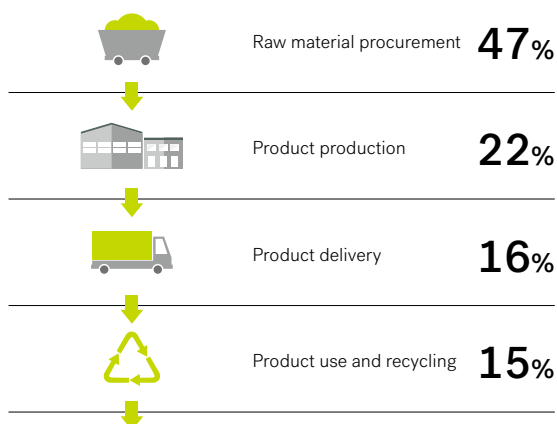
80% reduction in returned products, lowering logistics burden



Initiatives Targeting Customers Hoping to Help Address Environmental Issues

In August 2014, MARUI GROUP took steps to display the carbon footprint, or the amount of CO₂ emissions, of each pair of Rakuchin Kirei series shoes to make clear the environmental impact associated with these shoes across the value chain. These displays help customers make a conscious decision to choose eco-friendly shoes. This is one way in which we are proposing ecologically sound lifestyles to customers hoping to help address environmental issues by purchasing eco-friendly products.

Example Breakdown of CO₂ Emissions throughout Shoes Value Chain



The results of these calculations have been checked by Mizuho Information & Research Institute, Inc.



In-store display informing customers about carbon footprint initiatives

Ecological Actions to Eliminate Environmental Impacts

MARUI GROUP is proposing ecologically sound lifestyles to the greater society and promoting ecological inclusion together with its customers, business partners, and other stakeholders.

Revision of MARUI GROUP Environmental Policy from a Natural Capital Perspective

MARUI GROUP views all the resources it uses in its business as being borrowed from society. Based on this belief, we examined the impacts of our business on natural capital and then revised the MARUI GROUP Environmental Policy in order to better guide us in preventing climate change and pollution and otherwise advancing eco-friendly business activities on a Groupwide basis.

→ See page 45 for more information on the MARUI GROUP Environmental Policy.

Responsible Procurement Practiced Together with Business Partners

The MARUI GROUP Procurement Policy was formulated in April 2016 to serve as a roadmap for practicing responsible procurement together with business partners across the entire supply chain in relation to the development of private brands. To disseminate this policy, we held explanatory forums with approximately 100 partners. Surveys were then distributed and on-site investigations were conducted by dedicated staff from the CSR Promotion Department. The findings of these activities have been shared with partners. Moreover, based on the opinion of a third-party institution, we adopted an approach emphasizing mutual cooperation in encouraging business partners to adhere to this policy.

Offset of 50 Tons of CO₂ Emissions in 2016

MARUI GROUP has employed carbon offset schemes since 2009 as an ecological action for offsetting emissions of CO₂ and other greenhouse gases that it is unable to reduce in its own operations through reductions or the absorption of emissions elsewhere.

These efforts have been highly evaluated, as indicated by the Company receiving an award of excellence in the 6th Carbon Offset Awards.

→ See page 43 for more information on awards received.





CORE THEME

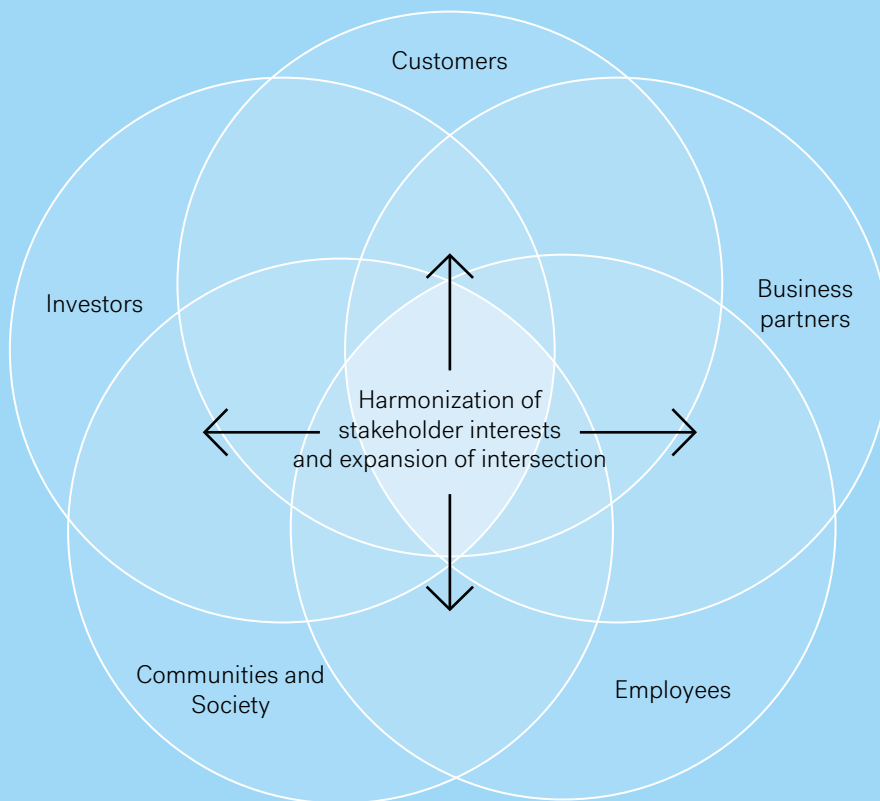
MARUI GROUP Core Theme

4

Co-Creation Corporate Governance

MARUI GROUP's Goal

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



MARUI GROUP believes that corporate value is created through harmony between the interests and the happiness of all stakeholders. We are thus practicing stakeholder inclusion to make stakeholders a part of management in order to realize governance that works for all stakeholders and thereby achieve this harmony.



Multi-Stakeholder Perspective Enabling Challenges into Unexplored Realms



Hidemi Tomita

Director and General Manager of
Business Development Division
Lloyd's Register Japan K.K.



Hiroshi Aoi

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

The Great Potential of a Management Model Based on a Multi-Stakeholder Perspective

Tomita: I feel that MARUI GROUP's idea of co-creation management matches my concept of sustainability. I understand that you define corporate value as being born out of the harmony between the interests and the happiness of all of our stakeholders, which is most intriguing. It is likely that people will come to view this sentiment as part of an ideal company in the future. Taken to its extreme, the belief that companies are for shareholders can lead companies to reduce the income of employees and the profits of suppliers in order to improve corporate earnings and make greater returns to shareholders. Company representatives often ask me what perspective they should take in management. My answer is to adopt a multi-stakeholder perspective.

Aoi: The idea of a multi-stakeholder perspective is very easy to understand.

Tomita: Company workers prioritize their company at work, but when they go home, they become members of

the community, or maybe even shareholders of their company. They also pay taxes and vote, giving them a role in supporting the government. Moreover, some engage in volunteer activities. In this manner, each stakeholder does not fall into a single stakeholder category. If employees adopt the perspective of a customer, for example, they may see areas needing to be changed. I have always thought that it was important to find a way to reconcile the differing perspectives of all stakeholders. MARUI GROUP's idea of corporate value seems to exemplify what I was thinking. This concept lends itself to a management model focused on expanding the intersection between stakeholder interests, an approach that I think has great potential.

Sustainability as Key to Shifting Focus from Growth to Evolution

Aoi: The timelines people use to view matters seem to be getting shorter, and this is not just limited to managers.



However, a short timeline makes it difficult to perceive the possibilities that can be realized far into the future. Having a longer timeline can be crucial.

Tomita: Employees are generally evaluated on a yearly basis, meaning that they need to create results within a single year. Managers are the same. However, if results are expected to be created on such a short timeline, I fear that the final destination companies find themselves at may be quite bleak. Achieving harmony between the interests and the happiness of all of our stakeholders is essential for a company to continue developing over the long term.

Aoi: The question then becomes: How should a company grow over the long term? However, I feel that the word “growth” is not ideal. “Evolution” may be more appropriate. When thinking about how a company should evolve, corporate value and sustainability seem to be key to a company’s evolution. It is not enough for one to profit at another’s expense. Rather, the ideal form of evolution is for something new, a great and unprecedented type of value, to be born out of harmony, out of reconciling inconsistencies between stakeholder interests.

Tomita: The word “evolution” is truly amazing. While some advocate sustainable growth, others go further to claim that, given environmental and other restrictions, simple economic growth is unrealistic, and that we should instead be working to maintain stable performance that is sustainable, or even reduce performance. The word “evolution,” however, has a strong nuance of change, whether in form or in thinking. Environmental restrictions are thrusting us into an era in which we will need to change prior conceptions of economic growth and reexamine what true value is.

Spaces for Driving Evolution Arising from Empathy

Tomita: When people speak of the shift from consumption of goods to consumption of experiences, they are talking about one type of change. We must next think about a change that is not purely monetary, a change that will truly create a new world.

Aoi: Looking at the example of music, some music fans now buy 10 or even 20 copies of the same CD. This is not because they want the CDs themselves, but rather because they want to display their support for their

favorite artist. I envision a world in which this desire to support something can be fully expressed via money or virtual currency and in which participation in this economy eventually contributes to the happiness of participants and society as a whole. In this world, consumption will become more like a form of self-expression.

Tomita: You speak of creating spaces, correct? I believe that your stores function by providing a space in which customers and business partners can play a leading role in creating vibrant new worlds. It seems to me that this is the model MARUI GROUP is trying to create.

Aoi: I think you really summed up our model well. In our concept of corporate value, we are not present. This concept is more based on interests and happiness, making it similar to the multi-stakeholder perspective you mentioned previously. We remove ourselves and the Company from the picture; what remains is a space. In other words, it is the job of a company to operate this space. Companies are places for supporting the growth of people. You could even look at companies as a box packed full of people and objects. If the box is emptied,





and if its sides and top collapse, all that remains is the space of the box. This is how I see our role as a company.

Tomita: I think that MARUI GROUP is creating such a space through its co-creation activities. Empathy, I believe, is of utmost importance in this undertaking.

Aoi: Empathy is indeed very important. Harmony, I believe, is built through dialogue, and empathy is crucial to effective dialogue as it opens lines of communication and prevents people from becoming locked in their own one-sided thinking. From dialogue, we can make many new discoveries. Creating spaces in which this dialogue can flourish will likely supply a strong driving force for our evolution.

Going Beyond Governance for Shareholders to Governance for Stakeholders

Aoi: If we were to redefine the concept of corporate governance based on our view of corporate value, the result would be governance for the sake of all stakeholders

that goes beyond traditional governance for the benefit of shareholders. Practicing this type of governance would entail stepping into the unexplored realm of stakeholder inclusion. This realm echoes the idea of a multi-stakeholder perspective you spoke of, Mr. Tomita. In the past, customers that have participated in planning meetings have ended up joining the Company or being employed by business partners. I want to have individuals such as these participate in management. In addition, by offering customers that participate in planning meetings shares of MARUI GROUP's stock as a form of thanks, we can make them into shareholders. In this way, it is possible for a customer to hold three perspectives, supporting us as a customer as well as from their shareholder and other perspectives.

Tomita: I think you could also offer employees bonuses in the form of stocks. Such an initiative would increase the number of shareholders supporting MARUI GROUP and also create a situation where it would not be strange to see employee or customer representatives at Board of Directors' meetings. This is one step you might take in expanding the intersection between the interests of stakeholders.

Aoi: At MARUI GROUP, we strive to always be at the forefront of all of our pursuits, and we thus aim to work together with our stakeholders to create the society of tomorrow.

Hidemi Tomita

Director and General Manager of
Business Development Division
Lloyd's Register Japan K.K.

Mr. Tomita served as head of the Corporate Social Responsibility Department at Sony Corporation for roughly a decade following the establishment of this department. He later participated in the establishment of the ISO 26000 social responsibility standard and the ISO 20400 sustainable procurement standard as a representative of Japan. He was also involved in formulating the new GRI Standards as a member of the Global Reporting Initiative's Global Sustainability Standards Board. Furthermore, Mr. Tomita has been a member of committees on similar topics at the Ministry of Economy, Trade and Industry; Ministry of the Environment; Cabinet Office; and The Tokyo Organising Committee of the Olympic and Paralympic Games.



Overview of MARUI GROUP

As of March 31, 2016

Company Overview

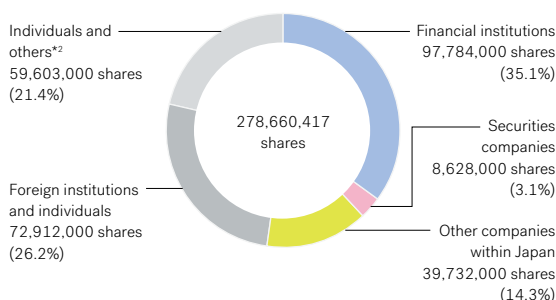
Name	MARUI GROUP CO., LTD.
Head office	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
Date of foundation	February 17, 1931
Date of establishment	March 30, 1937
Capital	¥35,920 million
Business activities	Corporate planning and management for Group companies conducting Retailing and Store Operation, Credit Card Services, and Retailing-Related Services businesses and other businesses
Stores	Marui: 24 located in Kanto, Tokai, and Kansai regions Modi: 4 located in Kanto region
Total sales floor area	441,800 m ²
Number of employees	5,899 (Group total, excludes temporary employees)
Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mitsubishi UFJ Trust and Banking Corporation Mizuho Bank, Ltd. Development Bank of Japan Inc.
Accounting auditor	KPMG AZSA LLC

Stock Information

Stock listing	Tokyo Stock Exchange, First Section (loan margin trading issues)
Securities code	8252
Number of authorized shares	1,400,000,000
Number of common shares issued*1	278,660,417
Number of shareholders	21,770

*1 Number of common shares issued includes 36,270,334 shares of treasury stock, equivalent to 13% of the total number of shares of common stock issued.

Distribution of Shares Held by Shareholder Type



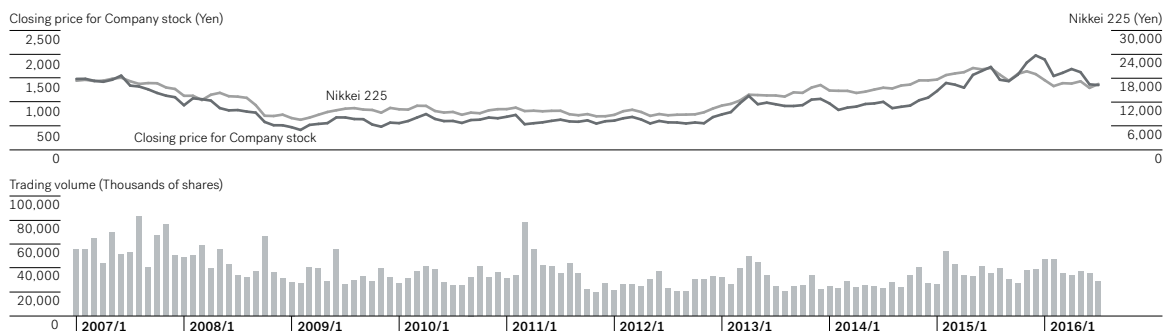
*2 Individuals and others includes 36,270,334 shares of treasury stock.

Major Shareholders

Name	Number of shares (Thousands of shares)	Percentage of total shares issued*3 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,505	11.3
Japan Trustee Services Bank, Ltd. (Trust Account)	22,496	9.3
Aoi Real Estate Co., Ltd.	6,019	2.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,808	2.4
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,133	2.1
Toho Co., Ltd.	3,779	1.6
MSCO CUSTOMER SECURITIES	3,654	1.5
AOI SCHOLARSHIP FOUNDATION	3,234	1.3
Toriyama Co., Ltd.	3,104	1.3
STATE STREET BANK WEST CLIENT-TREATY 505234	3,048	1.3

*3 Percentage of total shares issued is calculated excluding treasury stock.

Stock Price



Awards Received

MARUI GROUP Ranked High in the 2016 All-Japan Executive Team Rankings Released by U.S. Financial Industry Magazine *Institutional Investor*

MARUI GROUP was placed in the upper ranks among retail sector companies in the Best IR Companies category and President Aoi placed high among retail sector peers in the Best CEOs category of the 2016 All-Japan Executive Team Rankings. These rankings are compiled by globally renowned U.S. financial industry magazine *Institutional Investor*.

Best IR Companies Sell Side No. 2

Best CEOs

Sell Side No. 1, Buy Side No. 3, Combined No. 2

About the All-Japan Executive Team Rankings

The All-Japan Executive Team Rankings is a ranking of major listed Japanese companies compiled by U.S. financial industry magazine *Institutional Investor* based on votes from institutional investors and securities analysts from around the world. The ranking consists of six categories (Best CEOs, Best CFOs, Best IR Professionals, Best IR Companies, Best Analyst Days, and Best Websites). In 2016, votes were received from 515 institutional investors and securities analysts from 205 institutions.

Ranking Details

www.institutionalinvestor.com/Research/6280/Honored-Companies.html#V1UuU01f2M8



Receipt of 16th Porter Prize by Credit Card Services Business

The Porter Prize is an award created in July 2001 to bestow recognition on Japanese companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies based on innovations in products, processes, and ways of managing. The name of the award is derived from Professor Michael E. Porter of Harvard University, a leading authority on competitive strategy. www.porterprize.org/english/index.html



Ranked 1st in Retail Category of 2016 Awards for Excellence in Corporate Disclosure

MARUI GROUP was ranked 1st in the retail category of the 2016 Awards for Excellence in Corporate Disclosure given by the Securities Analysts Association of Japan.



Best IR Award

In November 2016, the Japan Investor Relations Association presented MARUI GROUP with the Best IR Award in its 2016 IR Award out of recognition for the Company's improvement of disclosure materials based on investor input and the uniqueness of initiatives such as MARUI IR DAY.



Platinum "Kurumin" Certification for Companies that Actively Support Child-rearing

The Platinum "Kurumin" program is designed to recognize companies that have regular "Kurumin" certification and have made exceptional progress in promoting the use of work-life balance systems. In July 2016, Platinum "Kurumin" certification was awarded to MARUI GROUP by the Ministry of Health, Labour and Welfare (MHLW) to certify the Company as providing superb levels of support for employees' child-rearing efforts.



Award of Excellence in 6th Carbon Offset Awards

The Carbon Offset Awards were established with the aim of furthering the development of a low-carbon society by promoting proper understanding of carbon offset and encouraging utilization in business activities to spread usage. The acknowledgment of the Rakuchin Kirei series of shoes as eco-friendly products and the high evaluation of related carbon offset initiatives, which began in 2014, made MARUI GROUP the first apparel company to be recognized by this award program.



Grand Prix Award in Ikumen Enterprise Award 2016

The MHLW presents the Ikumen Enterprise Award to help support men in participating in child-rearing and acquiring childcare leave. MARUI GROUP has introduced a short-term childcare leave system, and usage of this system by men has increased rapidly. We thus received a Special Encouragement Award in the 2014 program and then the Grand Prix Award in the 2016 program.



GP Environmental Award

The Japan Federation of Printing Industries selects companies for the GP Environmental Award that have demonstrated a passionate approach to reducing their environmental impact and displayed the GP mark on the largest number of publications. MARUI GROUP received this award in both 2015 and 2016 for its understanding and active use of the GP certification system.



Grand Prix Award in Ikuboss Award 2015

The MHLW's Ikuboss Award program recognizes managers that support their subordinates' work-life balance. Kazumi Abe, a director and store manager at MARUI CO., LTD., received the Grand Prix Award in the Ikuboss Award 2015 program. Reasons for Ms. Abe's selection included her management style that inspires her staff as well as her consideration for the unique situations of her employees. Ms. Abe also received recognition for her efforts to encourage the use of childcare leave by male employees on a Companywide basis.



Finalist in 3rd Nikkei Social Initiative Awards

In April 2015, MARUI GROUP was selected as a finalist in the Tohoku category of the 3rd Nikkei Social Initiative Awards. This decision was a reflection of the high evaluation of the Company's efforts to resolve social issues; support reconstruction in the Tohoku region, which was heavily damaged by the 2011 Great East Japan Earthquake; and help people in this region achieve independence by supplying trade-in clothing and shoes to be resold in special charity bazaars in the Tohoku region.

Financial and Non-Financial Data

Fiscal years ended March 31

		2014	2015	2016
Number of employees	Women	2,655	2,641	2,685
	Men	3,311	3,277	3,214
	Total	5,966	5,918	5,899
Average number of temporary employees	Women	1,491	1,596	1,585
	Men	485	457	362
	Total	1,976	2,053	1,947
Average number of consecutive years served	Women	12.9	13.4	13.9
	Men	20.9	21.3	21.8
Average age	Women	35.4	36	36.4
	Men	44.4	44.8	45.3
Number of intra-Group profession changes* ¹		383	552	196
Aggregate total number of intra-Group profession changes		670	1,222	1,418
Ratio of employees with disabilities (%)* ²		2.12	2.08	2.16
Number of female leaders		545	576	603
Number of female managers		24	28	29
Ratio of female managers (%)		7.0	8.0	8.9
Childcare leave (average acquisition numbers for women)* ³		289	309	305
Shortened working hours for childbirth or childcare purposes (men and women)* ⁴		312	345	386
Ratio of applicable male employees taking childcare leave (%)		14	54	66
Ratio of female employees returning to work full time after taking childcare leave (%)* ⁵		36	55	66
Total number of stores		27	27	28
Total sales floor area (thousand m ²)		446.5	444.0	441.8
Environment preservation expenditure (thousands of yen)		924,500	1,281,000	837,400
Energy consumption (t-CO ₂)		90,670	86,150	80,902
Per unit energy consumption		0.0364	0.0368	0.0332
Water consumption (thousands of m ³)		1,270	1,240	1,254
Electricity consumption (thousands of kWh)		214,905	199,700	196,196
Total waste production (tons)		13,620	13,390	12,900
Waste sent to final disposal (tons)		5,760	5,550	5,200
Ratio of waste recycled (%)		58	59	60
CO ₂ emissions (Scope 1 and 2) (t-CO ₂)* ⁶		113,227	109,528	101,278
CO ₂ emissions (Scope 3) (t-CO ₂)* ⁶		550,612	530,595	509,070

*1 Figures represent the total for April and October of each year.

*2 Figures are as of June 1 of each year.

*3 Figures are the average for each fiscal year.

*4 Figures are the total for each fiscal year.

*5 Ratio of employees returning to work full time after taking childcare leave is the ratio of female employees returning to work full time to the total number of female employees that returned to work shortened hours after childcare leave within a given year.

*6 Scope 1 and 2 represent CO₂ emissions from the Group. Scope 3 represents CO₂ emissions from areas including raw material procurement, transportation, and use by customers. Emissions calculations for Scope 3 are verified by Mizuho Information & Research Institute, Inc.

MARUI GROUP Environmental Policy

Established in 2008, revised in 2016

MARUI GROUP views all the resources it uses in its business as being borrowed from society. Based on this belief, we examined the impacts of our business on natural capital and then revised the MARUI GROUP Environmental Policy in order to better guide us in preventing climate change and pollution and otherwise advancing eco-friendly business activities on a Groupwide basis.

Basic Policy

MARUI GROUP strives to provide all of its customers with joy and fulfilling lifestyles through a unique business model comprising its Retailing and FinTech businesses.

We believe that a fulfilling lifestyle is one in which an individual's sensibilities are such that they wish for a sustainable and flourishing society that is considerate of natural capital and the enrichment of people's lives.

Code of Conduct

1. Integrated Group Efforts to Reduce Environmental Footprint

To contribute to the realization of a sustainable and flourishing society, all Group employees should practice autonomy in expanding the scope of our socially beneficial activities and proposing fulfilling lifestyles steeped in the unique characteristics of MARUI GROUP. This objective should be accomplished while advancing eco-friendly business activities.

2. Co-Creation with Stakeholders

MARUI GROUP is to advance ongoing initiatives for reducing its environmental impact together with customers, implement the MARUI GROUP Procurement Policy together with business partners, and engage in other co-creation activities with all stakeholders. In this manner, we should actively work toward environmental preservation and contribute to communities and society as a whole.

3. Reduction of Environmental Footprint of Stores

Initiatives at stores should include energy-saving measures at shopping centers, development of green spaces at stores in urban locations, preservation of biodiversity, and promotion of the 3Rs (reduce, reuse, and recycle) with regard to resources.

4. Reduction of Environmental Footprint of Private Brand Products

MARUI GROUP should strive to reduce waste by preventing the creation of products that go unused due to not meeting customer needs while reducing greenhouse gas emissions and developing eco-friendly products. At the same time, we should track conditions across the value chain, from raw material procurement to disposal or reuse, in order to engage in safe and trustworthy production and procurement, which should include management of work environments and chemical substances.

5. Development of Innovative Services for Reducing Environmental Impacts

MARUI GROUP shall utilize its unique platform, which incorporates its strengths in IT and logistics, in its Retailing and FinTech businesses to develop innovative services that deliver new forms of convenience, addressing social change and customer needs while also reducing environmental impacts.

6. Compliance with Environmental Regulations

Based on environmental legislation, regional ordinances and agreements, and international customs and conventions, MARUI GROUP shall comply with and properly address the environmental regulations present in each country of operation. We shall also manage our own business activities in accordance with internal standards.

Hiroshi Aoi

President and Representative Director
Representative Executive Officer
MARUI GROUP CO., LTD.
November 1, 2016

Targets Leading up to 2050

The MARUI GROUP Environmental Policy was established in 2008, after which MARUI GROUP accomplished its targets of reducing per unit greenhouse gas emissions by more than 1% each year and achieving a recycling rate of 60%. Based on projected future changes in our business activities and our impact on natural capital, we are in the process of discussing possible short-, medium-, and long-term targets for reducing environmental impacts leading up to 2050.

Management Systems

The Company has in place the 20-member Compliance Promotion Board, which is chaired by MARUI GROUP's president, and the 10-member Environment CSR Promotion Committee, which is chaired by the officer in charge of CSR promotion. Meetings and committee assemblies are held regularly. The details of discussions by the Environment CSR Promotion Committee are periodically reported to the Compliance Promotion Board to promote collaborative discussion.

Compliance Promotion Board

Chairman: President and Representative Director and Representative Executive Officer of MARUI GROUP CO., LTD.
Members: Senior managing executive officers, managing executive officers, senior executive officers, executive officers, and Audit & Supervisory Board members of MARUI GROUP CO., LTD.; president and representative director of MRI Co., Ltd.; and president and representative director of Epos Small Amount and Short Term Insurance Co., Ltd.
Secretariat: General manager of General Affairs Division of MARUI GROUP CO., LTD.

Environment CSR Promotion Committee

Chairman: Managing executive officer in charge of CSR promotion of MARUI GROUP CO., LTD.
Members: Directors of Group companies; general manager of CSR Promotion Department of MARUI GROUP CO., LTD.; general manager of Store Manager & Store Support Division of MARUI CO., LTD.; and chairman of Central Vice Executive Committee of MARUI GROUP UNION
Secretariat: Chief manager of CSR Promotion Department of MARUI GROUP CO., LTD.

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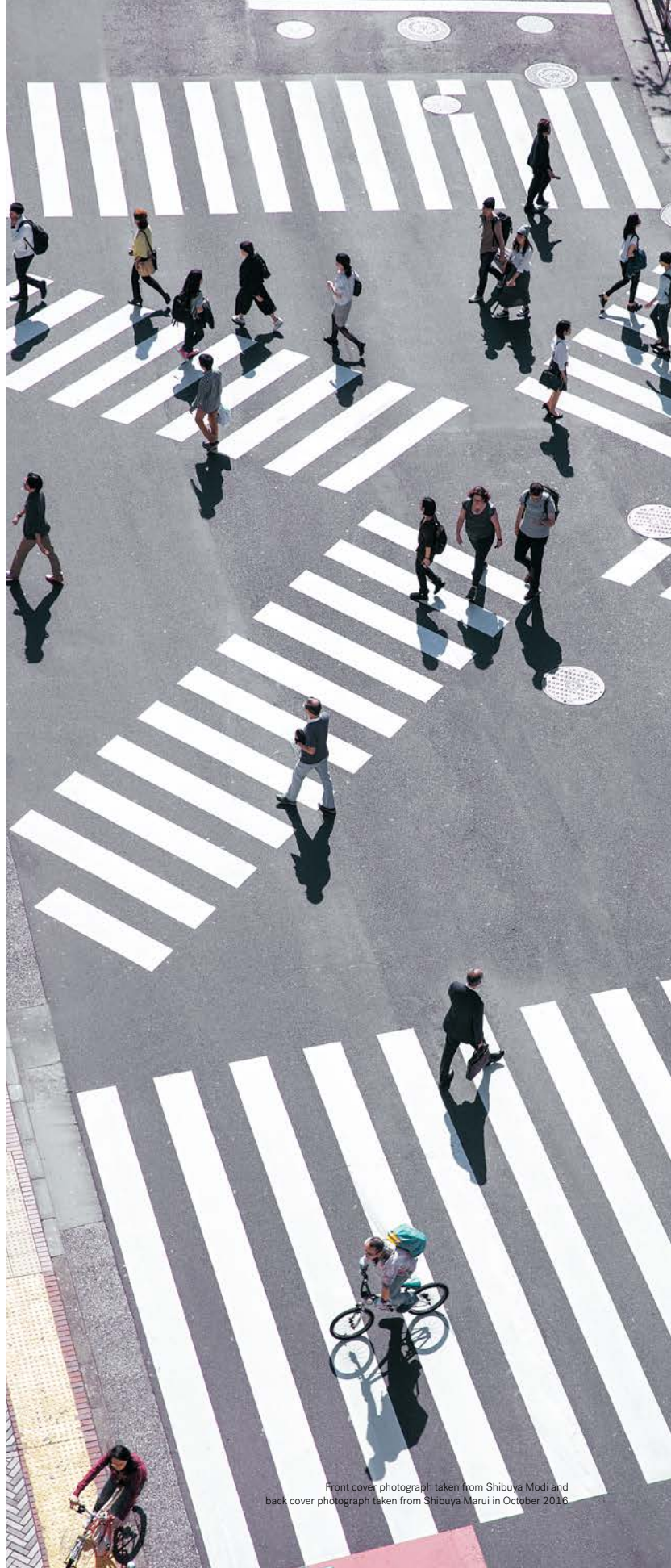
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