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Management Systems / Corporate Information

In this section, we will look at the corporate governance systems and frameworks that support MARUI GROUP's co-creation management as well as provide basic information on the Group.

Team Supporting Co-Creation Management

As of June 29, 2016

From back left

Takehiko Takagi
External Audit & Supervisory Board Member

Tetsuji Sunami
Audit & Supervisory Board Member (Full time)

Hirotsugu Kato
Director

Tomoo Ishii
Director

Hideaki Fujizuka
Audit & Supervisory Board Member (Full time)

Tadashi Ooe
External Audit & Supervisory Board Member

From front left

Masao Nakamura
Director

Koichiro Horiuchi
External Director

Hiroshi Aoi
President and Representative Director

Etsuko Okajima
External Director

Co-Creation Management and DNA of Innovation as Seen by External Directors

MARUI GROUP's Corporate Governance and Board of Directors

MARUI GROUP pursues medium-to-long-term improvements in corporate value through the practice of co-creation management.

The Company's two external directors discussed the type of deliberations that take place at the Board of Directors, which is charged with guiding management, and whether corporate governance systems were functioning effectively.

Koichiro Horiuchi
External Director
President and Representative Director, FUJI KYUKO CO., LTD.

Etsuko Okajima
External Director
President & CEO, ProNova Inc.

A Board of Directors Engaged in Lively Debate

Okajima: I have been an external director at MARUI GROUP for two years now, and I have a very positive opinion of the atmosphere of the Board of Directors. With a total of six members, including us two external directors, the Company's Board is lean but highly conducive to lively debate.

Moreover, the Board of Directors does not just make decisions about important matters; it also engages in open, active, and constructive discussions of management issues from a medium-to-long-term perspective. While I specialize in management strategies and organizational development, retail and finance lie outside of my area of expertise. For this reason, I often ask somewhat naive questions, but the internal directors are always thoughtful enough to offer me a comprehensive answer to my inquiry.

Horiuchi: Discussions at MARUI GROUP's Board of Directors are practical, and the discussion processes are such that they ensure necessary decisions are made. You can plainly see that the Company has taken steps to make Board meetings a forum that is conducive to discussion, most likely out of a strong desire to invigorate the Board and make it a more meaningful body. The ratio of two internal directors to one external director is also ideal.

Since Ms. Okajima joined two years ago, the atmosphere of the Board of Directors has improved significantly. In the past, when the Board was all male, discussions tended to be a bit intense and were often locked in a single direction. However, with the advent of Ms. Okajima, the atmosphere has been more relaxed, and you have provided us with various ideas on how to make discussion livelier. Yes, there truly have been a lot of changes.

Okajima: Looking back over the past year, I can remember various discussions that were held at meetings of the Board of Directors. I have a particularly strong impression of the Company's passion with regard to Hakata Marui, which was opened in the spring of 2016. This opening was not seen simply as the establishment of a new store; it was treated as an opportunity to ask society its opinion on the future direction of Marui stores in general. The commitment to exercise the Group's strength in its entirety in this undertaking was palpable.

It was also through Hakata Marui that I was able to deepen my understanding of the Company's concept of co-creation management, which entails developing stores through an exhaustive process of incorporating customer feedback. This experience convinced me that the direction chosen by MARUI GROUP's management was right on target.

Horiuchi: What left a strong impression on me was the discussions related to the massive transformation that MARUI GROUP has been undergoing over the past several years, including the shift toward shopping center style stores. President Aoi was particularly passionate about the Company's corporate value-raising business model innovations. When providing an explanation as to why this transformation was being pursued now, the depth of his passion and commitment could not have been clearer.

At the same time, President Aoi exhibits exceptional leadership while exercising a sense of balance, first carefully listening to our opinions at meetings and then putting forth his thinking and final decisions. I suspect that the growth of MARUI GROUP's business and performance is due in part to these characteristics of its Board of Directors and the corporate governance systems enacted to achieve these characteristics.

Okajima: We also discussed human resources development at the Board of Directors. MARUI GROUP is actively utilizing its profession change system, which allows for personnel to be relocated among Group companies and divisions. I originally had misgivings regarding this system, primarily out of concern that it might impede the accumulation of expertise within the organization.

However, over the course of our discussions on this topic, I grew to understand the merits of this system, such as how changes in professions offer new opportunities to junior employees while helping enhance the ability of veteran employees to adapt to different work situations. I also learned that this process thereby contributes to cross-divisional co-creation. In other words, it was an example of an initiative to "equate the development of our people with the development of our company," as described in the Company's corporate philosophy. The ability for us to discuss MARUI GROUP's policies for improving corporate value at meetings of the Board of Directors is truly meaningful.

MARUI GROUP's Ongoing Process of Innovation

Horiuchi: Recently, the common consensus among investors and other people outside the Company is that "MARUI GROUP has changed." However, I feel a little differently. I have been an external director at the Company since 2008, and I do not get the impression MARUI GROUP underwent any drastic change.

MARUI GROUP has always had its eyes to the future, aware of the dangers that lie ahead and committed to transforming these dangers into opportunities. This is part of its corporate DNA. If, from the outside, it looks as though the Company has suddenly changed, this is most likely because the reforms that it has been advancing for several years have finally begun producing results. MARUI GROUP undoubtedly has a corporate culture of tackling the challenge of innovation while also considering what constitutes the essence of the Company.

Okajima: I feel the same way. One of the roles external directors of Japanese companies are currently expected to fulfill is to support management with regard to taking appropriate risks while realizing long-term growth. However, this approach toward growth is already entrenched in MARUI GROUP.

For this reason, discussions at meetings of the Board of Directors are not based on precedent or preconceived notions. Rather, the atmosphere is one in which no topic of discussion is taboo, and you can feel the devotion to carrying out any decision made, leaving no measure incomplete. An ideal example of this devotion can be seen in the Company's committed stance toward co-creation management.

Horiuchi: Because of this devotion on the part of management, I feel that we, as external directors, are expected to verify the appropriateness of the strategies and measures MARUI GROUP is looking to advance and examine any risks it may face. I manage a land transport company, which operates in an industry where careful preparation for risks is exceptionally important. From this perspective, I tend to voice opinions from a conservative standpoint in my capacity as an external director at MARUI GROUP.

In the end, President Aoi is a manager that will also make decisions that target an ideal position from the perspective of all stakeholders. As he can be relied upon for this type of prudency, I am able to voice my opinions without unnecessary restraint.

Okajima: I believe that my expected role is a little bit different than yours, Mr. Horiuchi, especially given my relationship to the diversity of the Board of Directors. It is for this reason that I try to make suggestions to spur forward the growth of MARUI GROUP from my differing perspective as a woman as well as in terms of corporate management and human resources development.

As a management advisor, I have observed both successes and failures at numerous companies. I believe that this experience can be of use to MARUI GROUP in making aggressive management decisions. In addition, I hope to help promote innovation at MARUI GROUP and contribute to increased competitiveness from the perspective of human resources and organizational development, my areas of expertise.

Directors, Audit & Supervisory Board Members, and Executive Officers

As of June 29, 2016

Directors

Hiroshi Aoi

President and Representative Director
Shares held: 1,611,700
Born: January 17, 1961

Jul. 1986 Joined the Company
Apr. 1991 Director and General Manager, Sales Planning Headquarters
Apr. 1995 Managing Director and Deputy General Manager, Sales Promotion Headquarters and General Manager, Sales Planning Division
Jan. 2001 Managing Director and General Manager, Sales Promotion Headquarters
Jun. 2004 Executive Vice President and Representative Director
Apr. 2005 President and Representative Director
Oct. 2006 President and Representative Director Representative Executive Officer (Incumbent)

Participation in committees:
Management Committee (Chairman)
Compliance Promotion Board (Chairman)
Public Relations IR Committee (Chairman)
Nominating and Compensation Committee

Koichiro Horiuchi

External Director
Shares held: 0
Born: September 17, 1960

Apr. 1983 Joined Long-Term Credit Bank of Japan
Mar. 1988 Joined FUJI KYUKO CO., LTD. General Manager, Corporate Planning Division, FUJI KYUKO CO., LTD.
Jun. 1988 Director, FUJI KYUKO CO., LTD.
Feb. 1989 Senior Managing Director, FUJI KYUKO CO., LTD.
Jun. 1989 Representative Director and Senior Managing Director, FUJI KYUKO CO., LTD.
Sep. 1989 President and Representative Director, FUJI KYUKO CO., LTD. (Incumbent)
Jun. 2008 External Director (Incumbent)
Jun. 2012 External Audit & Supervisory Board Member, Yamanashi Chuo Bank, Ltd. (Incumbent)

Participation in committees:
Nominating and Compensation Committee

Etsuko Okajima

External Director
Shares held: 0
Born: May 16, 1966

Apr. 1989 Joined Mitsubishi Corporation
Jan. 2001 Joined McKinsey & Company
Jul. 2005 Representative and CEO, GLOBIS Management Bank
Jun. 2007 President & CEO, ProNova Inc. (Incumbent)
Jun. 2014 External Director, Astellas Pharma Inc. (Incumbent) External Director (Incumbent)
Mar. 2016 Outside Director, Link and Motivation Inc. (Incumbent)

Participation in committees:
Nominating and Compensation Committee

Masao Nakamura

Director
Shares held: 20,000
Born: June 11, 1960

Apr. 1983 Joined the Company
May 2003 General Manager, Store Planning Division, Sales Promotion Headquarters
Apr. 2007 Executive Officer and General Manager, Group Business Promotion Division
Jun. 2008 Director and Executive Officer, General Manager, Corporate Planning Division and General Manager, Business Development Division
Apr. 2011 Managing Director and Managing Executive Officer President and Representative Director, MARUI CO., LTD.
Apr. 2015 Director and Managing Executive Officer Responsible for Retailing and Store Operation Business President and Representative Director, MARUI CO., LTD.
Apr. 2016 Director and Managing Executive Officer Responsible for Retailing Business (Incumbent) President and Representative Director, AIM CREATE CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee

Tomoo Ishii

Director
Shares held: 16,800
Born: July 16, 1960

Apr. 1983 Joined the Company
Oct. 2005 General Manager, Group Compliance Division
Apr. 2007 Executive Officer and General Manager, Group Compliance Division
Jun. 2009 Director and Executive Officer, General Manager, General Affairs Division
Apr. 2013 Director and Executive Officer, General Manager, Personnel Division
Apr. 2015 Director and Managing Executive Officer, and Chief Operating Officer Healthcare Promotion and General Manager, Personnel Division In charge of General Affairs and Healthcare Promotion
Apr. 2016 Director and Managing Executive Officer, and Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee
Environment CSR Promotion Committee
Safety Control Committee

Hirotsugu Kato

Director
Shares held: 2,000
Born: July 30, 1963

Mar. 1987 Joined the Company
Apr. 2013 General Manager, Corporate Planning Division
Apr. 2015 Executive Officer and General Manager, Corporate Planning Division
Oct. 2015 Executive Officer and General Manager, Corporate Planning Division and IR Department
Jun. 2016 Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Department (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee
Internal Control Committee
Insider Trading Prevention Committee

Audit & Supervisory Board Members

Hideaki Fujizuka

Audit & Supervisory Board Member (Full time)
Shares held: 200
Born: September 1, 1955

Apr. 1980 Joined Mitsubishi Bank Ltd. (currently The Bank of Tokyo Mitsubishi UFJ, Ltd.)
Jun. 2007 Executive Officer and General Manager, General Affairs Dept., The Bank of Tokyo Mitsubishi UFJ, Ltd.
Jun. 2010 President and Director, Chitose Kosan, Co., Ltd.
Apr. 2012 Director, Senior Executive Managing Officer and Group President of Corporate Center, Olympus Corporation
Apr. 2015 Director, Olympus Corporation
Jun. 2015 Audit & Supervisory Board Member (Full time) (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee

Tetsuji Sunami

Audit & Supervisory Board Member (Full time)
Shares held: 1,900
Born: August 13, 1958

Mar. 1981 Joined the Company
Jan. 2002 General Manager, Store Planning Division, Sales Promotion Headquarters
Oct. 2004 General Manager, DM Business Division, Sales Promotion Headquarters
Apr. 2006 Representative and CEO, Marui Voi, Co., Ltd.
Oct. 2007 Managing Director, M & C SYSTEMS CO., LTD.
Apr. 2011 Representative and CEO, MRI Co., Ltd.
Jun. 2014 Audit & Supervisory Board Member (Full time) (Incumbent)

Participation in committees:
Compliance Promotion Board
Internal Control Committee

Tadashi Ooe

External Audit & Supervisory Board Member
Shares held: 68,400
Born: May 20, 1944

Apr. 1969 Registered as Attorney
Apr. 1989 Practicing-Attorney, Professor for Civil Advocacy, Legal Training and Research Institute of the Supreme Court of Japan
Mar. 1994 Outside Audit & Supervisory Board Member, Canon Inc. (Incumbent)
Jun. 2004 External Audit & Supervisory Board Member (Incumbent)
Jun. 2011 Director, Jeco Co., Ltd. (Incumbent)
Jun. 2015 Outside Director, Nissan Chemical Industries, Ltd. (Incumbent)

Takehiko Takagi

External Audit & Supervisory Board Member
Shares held: 2,400
Born: January 23, 1945

Jul. 2001 Chief, Kanazawa Regional Taxation Bureau
Jul. 2002 President, National Tax College
Jul. 2003 Retired from National Tax Administration Agency
Aug. 2003 Registered as Certified Public Tax Accountant
May 2006 External Audit & Supervisory Board Member, TOH-TEN-KOH Corporation (Incumbent)
Jun. 2008 External Audit & Supervisory Board Member (Incumbent)
Jun. 2010 External Audit & Supervisory Board Member, KAWADA TECHNOLOGIES, Inc. (Incumbent)

Directors, Audit & Supervisory Board Members, and Executive Officers

Executive Officers

Hiroshi Aoi

Representative Executive Officer
Born: January 17, 1961

Jul. 1986 Joined the Company
Apr. 1991 Director and General Manager, Sales Planning Headquarters
Apr. 1995 Managing Director and Deputy General Manager, Sales Promotion Headquarters and General Manager, Sales Planning Division
Jan. 2001 Managing Director and General Manager, Sales Promotion Headquarters
Jun. 2004 Executive Vice President and Representative Director
Apr. 2005 President and Representative Director
Oct. 2006 President and Representative Director
Representative Executive Officer (Incumbent)

Participation in committees:
Management Committee (Chairman)
Compliance Promotion Board (Chairman)
Public Relations IR Committee (Chairman)
Nominating and Compensation Committee

Motohiko Sato

Senior Managing Executive Officer
Born: December 17, 1953

Mar. 1977 Joined the Company
Jan. 2000 General Manager, Supply Chain and Logistics Management Division, Sales Promotion Headquarters
Jun. 2005 Director and General Manager, Group Corporate Planning Division
Jun. 2008 Managing Director and Managing Executive Officer
Apr. 2012 Senior Managing Director and Senior Managing Executive Officer
Apr. 2015 Director and Senior Managing Executive Officer, and CFO
In charge of Corporate Planning and Finance
Responsible for Credit Card Services Business and Information Systems
Jun. 2016 Senior Managing Executive Officer and CFO
In charge of Corporate Planning, IR and Finance (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee
Internal Control Committee (Chairman)
Insider Trading Prevention Committee (Chairman)

Masao Nakamura

Managing Executive Officer
Born: June 11, 1960

Apr. 1983 Joined the Company
May 2003 General Manager, Store Planning Division, Sales Promotion Headquarters
Apr. 2007 Executive Officer and General Manager, Group Business Promotion Division
Jun. 2008 Director and Executive Officer, General Manager, Corporate Planning Division and General Manager, Business Development Division
Apr. 2011 Managing Director and Managing Executive Officer
President and Representative Director, MARUI CO., LTD.
Apr. 2015 Director and Managing Executive Officer
Responsible for Retailing and Store Operation Business
President and Representative Director, MARUI CO., LTD.
Apr. 2016 Director and Managing Executive Officer
Responsible for Retailing Business (Incumbent)
President and Representative Director, AIM CREATE CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee

Toshikazu Takimoto

Managing Executive Officer
Born: November 5, 1959

Mar. 1982 Joined the Company
Oct. 2003 General Manager, Credit Card Planning Division, Zero First Co., Ltd.
Mar. 2006 Director, Epos Card Co., Ltd.
General Manager, Credit Card Services Division
Mar. 2009 Executive Officer and General Manager, Group Profit Improvement Division
Oct. 2009 Director, Epos Card Co., Ltd.
Apr. 2011 Managing Director, Epos Card Co., Ltd.
Apr. 2012 President and Representative Director, Epos Card Co., Ltd.
President and Representative Director, Zero First Co., Ltd.
Jun. 2012 Director and Executive Officer
Apr. 2015 Managing Executive Officer
In charge of Credit Card Services Business
President and Representative Director, Epos Card Co., Ltd.
Apr. 2016 Managing Executive Officer
Responsible for FinTech Business (Incumbent)
President and Representative Director, MARUI HOME SERVICE Co., Ltd. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee

Takashi Wakashima

Managing Executive Officer
Born: November 19, 1956

Mar. 1981 Joined the Company
Jan. 2001 General Manager, Product Planning Division, Sales Promotion Headquarters
Jun. 2006 Director, Deputy General Manager, Sales Promotion Headquarters and General Manager, Sales Planning Division
Apr. 2011 Director and Executive Officer
President and Representative Director, MOVING CO., LTD. (Incumbent)
Apr. 2013 Director and Executive Officer
In charge of CSR Promotion and Real Estate Business & Architecture
President and Representative Director, Totsuka Commercial Buildings Management Co., Ltd. (Incumbent)
Jun. 2013 President and Representative Director, Nakano Suncoure Co., Ltd. (Incumbent)
Jun. 2015 Director and Managing Executive Officer
In charge of CSR Promotion and Real Estate Business & Architecture (Incumbent)
Director, AIM CREATE CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Environment CSR Promotion Committee (Chairman)

Tomoo Ishii

Managing Executive Officer
Born: July 16, 1960

Apr. 1983 Joined the Company
Oct. 2005 General Manager, Group Compliance Division
Apr. 2007 Executive Officer and General Manager, Group Compliance Division
Jun. 2009 Director and Executive Officer, General Manager, General Affairs Division
Apr. 2013 Director and Executive Officer, General Manager, Personnel Division
Apr. 2015 Director and Managing Executive Officer, and Chief Operating Officer
Healthcare Promotion and General Manager, Personnel Division
In charge of General Affairs and Healthcare Promotion
Apr. 2016 Director and Managing Executive Officer, and Chief Operating Officer, Healthcare Promotion
In charge of General Affairs, Personnel and Healthcare Promotion (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee
Environment CSR Promotion Committee
Safety Control Committee

Nariaki Fuse

Senior Executive Officer
Born: June 3, 1959

Mar. 1982 Joined the Company
Feb. 2005 General Manager, Customer System Development Department, M & C SYSTEMS CO., LTD.
Apr. 2007 Director, M & C SYSTEMS CO., LTD.
Apr. 2011 Executive Officer
Managing Executive Officer, M & C SYSTEMS CO., LTD.
Apr. 2013 President and Representative Director, M & C SYSTEMS CO., LTD. (Incumbent)
Jun. 2013 Director and Executive Officer
Apr. 2015 Senior Executive Officer
In charge of Audit and Information Systems
Apr. 2016 Senior Executive Officer and CIO
In charge of Audit (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Internal Control Committee
Personal Information Protection Promotion Committee (Chairman)

Hajime Sasaki

Senior Executive Officer
Born: November 24, 1963

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)

Participation in committees:
Management Committee
Compliance Promotion Board
Internal Control Committee
Safety Control Committee (Chairman)

Yoshinori Saito

Senior Executive Officer
Born: July 25, 1962

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)

Participation in committees:
Management Committee
Compliance Promotion Board
Internal Control Committee
Personal Information Protection Promotion Committee

Hirotsugu Kato

Senior Executive Officer
Born: July 30, 1963

Mar. 1987 Joined the Company
Apr. 2013 General Manager, Corporate Planning Division
Apr. 2015 Executive Officer and General Manager, Corporate Planning Division
Oct. 2015 Executive Officer and General Manager, Corporate Planning Division and IR Department
Jun. 2016 Director and Senior Executive Officer
General Manager, Corporate Planning Division and IR Department (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Public Relations IR Committee
Internal Control Committee
Insider Trading Prevention Committee

Yoshiaki Kogure

Executive Officer
Born: September 5, 1960

Apr. 1983 Joined the Company
Mar. 2006 General Manager, Group Financial Department
Apr. 2007 Executive Officer (Incumbent)
Jul. 2008 General Manager, Personnel Division
Oct. 2009 General Manager, Voi Business Department, MARUI CO., LTD.
Apr. 2011 General Manager, Corporate Planning Division
Apr. 2013 President and Representative Director, MARUI FACILITIES Co., Ltd. (Incumbent)
May 2013 President and Representative Director, Shiki City Development Co., Ltd. (Incumbent)
Apr. 2015 Director, MARUI HOME SERVICE Co., Ltd. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Internal Control Committee

Masahiro Aono

Executive Officer
Born: March 4, 1962

Mar. 1984 Joined the Company
Mar. 2008 General Manager, Women's Clothing and Accessories Department, MARUI CO., LTD.
Apr. 2010 General Manager, Women's Fashion Department, MARUI CO., LTD.
Apr. 2011 Director and General Manager, Business Promotion Department, MARUI CO., LTD.
Apr. 2013 Executive Officer (Incumbent)
Apr. 2014 Director and General Manager, Store Business Promotion Department, MARUI CO., LTD. (Incumbent)
Apr. 2015 Managing Director, MARUI CO., LTD. (Incumbent)
Director, AIM CREATE CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Environment CSR Promotion Committee
Safety Control Committee

Yuko Ito

Executive Officer
Born: June 2, 1962

Mar. 1986 Joined the Company
Oct. 2007 General Manager, Construction Department (Incumbent)
Apr. 2012 Director and General Manager, Creative Management Department
Deputy General Manager, Space Production Business Department, AIM CREATE CO., LTD.
Apr. 2014 Executive Officer (Incumbent)
Apr. 2016 Director and General Manager, Design Management Department
Deputy General Manager, Space Production Business Department, AIM CREATE CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Environment CSR Promotion Committee

Mayuki Igayama

Executive Officer
Born: June 19, 1964

Mar. 1987 Joined the Company
Apr. 2009 General Manager, New Business Department
Oct. 2009 Deputy General Manager, Voi Business Department, MARUI CO., LTD.
Apr. 2012 General Manager, Direct Marketing Department, MARUI CO., LTD.
Apr. 2014 Director and General Manager, Direct Marketing Department, MARUI CO., LTD.
Apr. 2015 Executive Officer (Incumbent)
Director, MOVING CO., LTD. (Incumbent)
Apr. 2016 Director and General Manager, Omni-Channel Retailing Department MARUI CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Personal Information Protection Promotion Committee

Junko Tsuda

Executive Officer
Born: May 25, 1972

Mar. 1995 Joined the Company
Apr. 2014 Store Manager, Nakano Marui, MARUI CO., LTD.
Apr. 2015 Executive Officer (Incumbent)
Director and Store Manager, Marui Family Shiki, MARUI CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board

Miyuki Kawara

Executive Officer
Born: August 6, 1963

Mar. 1986 Joined the Company
Apr. 2007 Store Manager, Kobe Marui, MARUI CO., LTD.
Oct. 2008 General Manager, Brand Development Department, MARUI CO., LTD.
Apr. 2012 General Manager, CSR Promotion Department
Apr. 2015 Director and General Manager, Collaboration Card Business Department, Sales Promotion Department, Epos Card Co., Ltd.
Apr. 2016 Executive Officer (Incumbent)
Director and General Manager, Sales Promotion Department, Epos Card Co., Ltd. (Incumbent)

Participation in committees:
Management Committee
Compliance Promotion Board
Personal Information Protection Promotion Committee

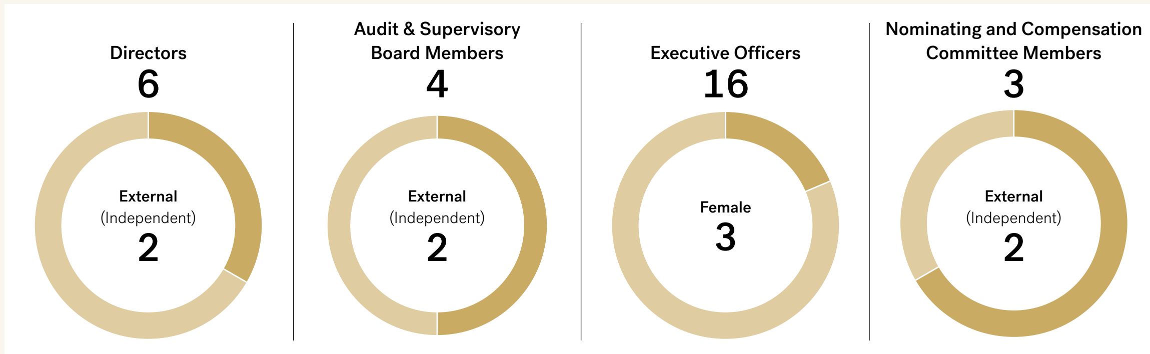
Corporate Governance: Emphasizing Corporate Value

MARUI GROUP's corporate philosophy calls for us to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." Accordingly, we support the passion of all employees to aid our customers to create a virtuous cycle in which the growth of our people furthers the development of the Company, which in turn facilitates the further growth of our people. This cycle is part of our pursuit of improvements to corporate value. Given this approach, reinforcing corporate governance is a top priority, and we endeavor to practice sound management that is highly transparent and efficient to heighten earnings capacity.

In addition to its Board of Directors and Audit & Supervisory Board, MARUI GROUP has established the Management Committee, which functions as the highest decision-making body and is composed of 16 executive officers. In the fiscal year ended March 31, 2016, the Company redefined the roles of the Board of Directors and the Management Committee, choosing to reduce the number of directors, and instituted other measures for reinforcing corporate governance. In addition, we formulated the MARUI GROUP Corporate Governance Guidelines to codify our stance toward corporate governance and our initiative policies.

MARUI GROUP Corporate Governance Guidelines
www.0101maruigroup.co.jp/pdf/cgg_en.pdf

Corporate Governance Report
www.0101maruigroup.co.jp/pdf/cgr_en.pdf



Initiatives for Reinforcing Corporate Governance

2007 Oct. Adopted a holding company system

2008 Jun. Appointed first external director

Mr. Koichiro Horiuchi has accumulated a wealth of management experience and insight from his long career at FUJI KYUKO CO., LTD., and actively offers opinions and advice from an independent and objective standpoint.

Shortened the term of all directors to one year to clarify management responsibilities

2014 Jun. Appointed second external director

Ms. Etsuko Okajima has accumulated a wealth of management experience and insight at ProNova Inc. as well as a deep understanding of diversity issues and actively offers opinions and advice from an independent and objective standpoint.

2015 Mar. Redefined roles of the Board of Directors and the Management Committee to separate management decision making and oversight from operational execution

The Board of Directors was defined as a forum for discussing important issues, and steps were taken to stimulate discussion centered on outside directors in order to enhance the Board's functionality as a venue for creating Groupwide strategies for improving corporate value. The Management Committee was delegated a wider range of decision-making authority from the Board of Directors in order to expedite management decisions.

Apr. Established Criteria for Independence of External Directors and Audit & Supervisory Board Members

Criteria for Independence of External Directors and Audit & Supervisory Board Members www.0101maruigroup.co.jp/pdf/cgg_en.pdf

Jun. Reduced the number of directors from 10 to 6

We reduced the number of directors by four to reinforce the supervisory functions of the Board of Directors by making it easier for the opinions of the external directors to be incorporated into management practices.

Aug. Published Japanese-language version of first integrated report, *Co-Creation Management Report 2015*; English-language version published in October 2015

Oct. Established dedicated investor relations department

MARUI GROUP strives to co-create corporate value together with shareholders and other investors. To this end, we conduct twice-yearly financial results briefings and also hold meetings with individual domestic and overseas shareholders and investors individually or in small groups.

➡ P141 MARUI GROUP Ranked High in the 2016 All-Japan Executive Team Rankings Released by U.S. Financial Industry Magazine *Institutional Investor*

Nov. Formulated MARUI GROUP Corporate Governance Guidelines

The MARUI GROUP Corporate Governance Guidelines codify our stance toward corporate governance and our initiative policies, including those for improving corporate value. For example, it is stated that one-third of directors should be external directors (independent directors), that the Company is to conduct appropriate capital measures based on its business structure, and that the Company will not engage in cross-shareholdings except when necessary.

MARUI GROUP Corporate Governance Guidelines www.0101maruigroup.co.jp/pdf/cgg_en.pdf

Published Japanese-language *Co-Creation CSR Report 2015*, focusing on our connections with local communities and the greater society; English-language digest published in February 2016

Dec. Held explanatory forum on *Co-Creation Management Report 2015*

MARUI GROUP held its first integrated report explanatory forum on *Co-Creation Management Report 2015* for institutional investors, analysts, and members of the press to faciliate understanding of the report's contents. In this forum, President Aoi and representatives from each business explained co-creation management policies and examples of specific initiatives.

2016 Mar.–May Conducted evaluation of the Board of Directors' effectiveness

All directors and Audit & Supervisory Board members completed a self-evaluation survey of the effectiveness of the Board of Directors. Based on these surveys, it was decided that the Board of Directors was functioning sufficiently. Areas applauded and issues identified included the following.

Areas Applauded

- Active discussion centered on external directors appointed by reducing the total number of directors
- Respect for opinions of external directors
- Incorporation of perspectives of shareholders, investors, and other stakeholders

Issues Identified

- Lack of successor development programs ❶
- Failure to link director compensation to medium-to-long-term performance ❷

May ❶ Established Nominating and Compensation Committee with external directors as its primary members

Based on a resolution by the Board of Directors, the Nominating and Compensation Committee must consist of at least three members, two of whom must be outside directors. At a meeting of the Board of Directors held on May 12, 2016, three members were appointed: external directors Koichiro Horiuchi and Etsuko Okajima, and President Hiroshi Aoi. We believe that discussing matters related to the nomination and compensation of directors at a committee with external directors as its primary members will help ensure objectivity and transparency and thereby contribute to the enhancement of our corporate governance system.

Jun. ❷ Introduced performance-linked, stock-based compensation to serve as a medium-to-long-term incentive for directors and executives of the Company and directors of subsidiaries

Through the performance-linked, stock-based compensation system, applicable officers receive allocations of Company stock every three years that are adjusted via a coefficient within the range of 0% to 100% based on the KPI defined for that period (ROE, EPS, and ROIC for the first three-year period). The Company has adopted the Board Incentive Plan Trust scheme for this system. Accordingly, director compensation now consists of fixed basic compensation, performance-linked bonuses, and performance-linked, stock-based compensation. In addition, an incentive plan based on the Employee Stock Ownership Plan Trust scheme has been instituted for managers of Group companies to increase their motivation to contribute to medium-to-long-term improvements in performance and corporate value for the Company.

Co-Creation of Corporate Value with Shareholders and Other Investors

Hirotsugu Kato

Director and Senior Executive Officer
General Manager,
Corporate Planning Division and IR Department

In October 2015, we established the IR Department, a dedicated organization consisting of seven members, who primarily engage in communication with institutional investors. In one year, we met with between 200 and 300 institutional investors, including those overseas. Through our discussions with these investors, we gain valuable insight into matters such as how to view corporate value and balance sheet policies. I feel that this input was effectively utilized in shaping MARUI GROUP's new medium-term management plan, which covers the period leading up to the fiscal year ending March 31, 2021. Corporate value certainly cannot be summed up in a single statement. Nevertheless, it is important for the Company to actively explain its view on corporate value and its efforts for improving this value. This is one of the main reasons we publish co-creation management reports. We also held explanatory forums on the 2015 report to delve into topics that were not completely covered in the report for that year. A number of junior employees from the frontlines of business took the stage at these events, providing energized perspectives of how co-creation efforts are contributing to corporate value or where they find motivation in their own work. Investors in attendance stated that these presentations greatly enhanced their understanding. Our initiatives over the past year bore results as the Securities Analysts Association of Japan identified MARUI GROUP as a company demonstrating a massive improvement in disclosure during the fiscal year ended March 31, 2016, and the Company ranked high in the 2016 All-Japan Executive Team Rankings released by U.S. financial industry magazine *Institutional Investor*. Going forward, we will continue to provide inclusive explanations of our activities to deepen stakeholder understanding.

MARUI GROUP's Business

Retailing

In the Retailing business, MARUI is transitioning toward a unique shopping center style store model to devote more of its stores' floor space to sundries, restaurants, and other high-demand areas that support all lifestyles.

The long-awaited opening of Hakata Marui, our first store in Kyushu, took place in April 2016.

MARUI CO., LTD.

Established	October 1, 2007	Number of Employees	3,370
Capital	¥100 million	Head Office	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
President and Representative Director	Hajime Sasaki	Telephone	03-3384-0101 (Receptionist)
Business Activities	Retailing and Marui store operation, Internet sales, specialty store business (operation and development of directly managed sales floors and private brands)	Homepage	www.0101.co.jp.e.ex.hp.transer.com

FinTech

MARUI GROUP issued Japan's first credit card. In the fiscal year ended March 31, 2015, card transactions exceeded ¥1 trillion for the first time since EPOS cards were launched in 2006. By leveraging the expertise gained through the Group's long history, Epos Card is working to expand the number of cardholders, improve usage rates, increase usage amounts, and strengthen operating foundations.

Epos Card Co., Ltd.

Established	October 1, 2004	Number of Employees	1,052
Capital	¥100 million	Head Office	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
President and Representative Director	Yoshinori Saito	Telephone	03-4574-0101 (Receptionist)
Business Activities	Credit card business, credit loan business	Homepage	www.eposcard.co.jp (Japanese only)

Space Production, Commercial Facility Management, and Advertising

By leveraging MARUI GROUP's expertise, AIM CREATE provides comprehensive proposals for design, construction, planning, promotion, advertising, and operation of commercial facilities and other places customers gather. The company strives to create facilities that bring joy to visitors.

AIM CREATE CO., LTD.

Established	August 4, 1959
Capital	¥100 million
President and Representative Director	Masao Nakamura
Business Activities	Design and construction of commercial facilities, advertisement planning and production, property management, Modi retailing, and store operation
Number of Employees	401
Head Office	34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	03-5340-0101 (Receptionist)
Homepage	www.aim-create.co.jp (Japanese only)

Apparel Distribution / Internet Sales Support

By combining MARUI GROUP's Internet sales know-how with leading-edge distribution operations, MOVING provides powerful support for customers' businesses by responding to their various needs.

MOVING CO., LTD.

Established	October 25, 1960
Capital	¥100 million
President and Representative Director	Takashi Wakashima
Business Activities	Trucking business, forwarding, and other businesses
Number of Employees	312
Head Office	5-1, Bijogihigashi 2-chome, Toda-shi, Saitama 335-0032, Japan
Telephone	048-233-1000 (Receptionist)
Homepage	www.moving.co.jp (Japanese only)

IT Systems

M & C SYSTEMS operates high-quality systems utilizing data centers equipped with exceptionally safe facilities and provides system support for the Retailing and FinTech businesses.

M & C SYSTEMS CO., LTD.

Established	September 1, 1984
Capital	¥234 million
President and Representative Director	Nariaki Fuse
Business Activities	Software development, IT systems operation
Number of Employees	109
Head Office	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
Telephone	03-5343-0100 (Receptionist)
Homepage	www.m-and-c.co.jp (Japanese only)

MARUI GROUP's Business

Total Building Management

MARUI FACILITIES offers comprehensive operation and management services for large-scale commercial facilities that include security, facility maintenance and management, janitorial, and food court operation services to improve facility value while creating comfortable environments.

MARUI FACILITIES Co., Ltd.

Established	July 1, 1987
Capital	¥100 million
President and Representative Director	Yoshiaki Kogure
Business Activities	Total building management business
Number of Employees	349
Head Office	34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	03-3229-0101 (Receptionist)
Homepage	www.marui-facilities.co.jp (Japanese only)

Real Estate Rental

MARUI HOME SERVICE manages rental condominiums in operations founded on the reliability and trust cultivated by MARUI GROUP. In addition, MARUI HOME SERVICE is coordinating with Epos Card to solicit its ROOM iD advanced-payment rent guarantee service.

MARUI HOME SERVICE Co., Ltd.

Established	October 1, 2007
Capital	¥100 million
President and Representative Director	Toshikazu Takimoto
Business Activities	Real estate rental business
Number of Employees	61
Head Office	34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	03-6361-0101 (Receptionist)
Homepage	www.marui-hs.co.jp (Japanese only)

Loan Collection

The greatest strengths of MRI's business are the claim collection expertise MARUI GROUP has developed as a pioneer and the ability to communicate with customers refined through its retailing operations. MRI provides reliable and trustworthy services by consulting with customers regarding their individual situations.

MRI Co., Ltd.

Established	November 25, 2004
Capital	¥500 million
President and Representative Director	Kazutoshi Masuda
Business Activities	Collection and management of receivables business, credit check business
Number of Employees	50
Head Office	34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	03-4574-4700 (Receptionist)
Homepage	www.mri-s.co.jp (Japanese only)

Small-Amount Short-Term Insurance Policy Business

Epos Small Amount and Short Term Insurance's ROOM GUARD comprehensive renters' insurance plans support rental housing tenants by providing coverage for personal belongings, repairs, and indemnity.

Epos Small Amount and Short Term Insurance Co., Ltd.

Established	February 1, 2013
Capital	¥300 million (including paid-in capital)
President and Representative Director	Izumi Aso
Business Activities	Small-amount short-term insurance policy business
Number of Employees	8
Head Office	34-28, Nakano 3-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	03-4546-0101 (Receptionist)
Homepage	www.epos-ssi.co.jp (Japanese only)

Support for Group Companies

MARUI KIT CENTER provides pickup services for supplies, conducts product inspections and office work, and operates supply dispatch and storage centers. These tasks are performed by people with disabilities, creating employment opportunities for such individuals while helping them achieve independence.

MARUI KIT CENTER CO., LTD.

Special subsidiary established to employ people with disabilities

Established	October 1, 2003
Capital	¥42.5 million
President and Representative Director	Takeo Horiguchi
Business Activities	Supply pickup, product inspection, various printing services
Number of Employees	52
Head Office	Toda Product Center, Second Building, 5-1, Bijogihigashi 2-chome, Toda-shi, Saitama 335-0032, Japan
Telephone	048-421-7351 (Receptionist)

公益財団法人
青井奨学会
AOI SCHOLARSHIP FOUNDATION

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 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.

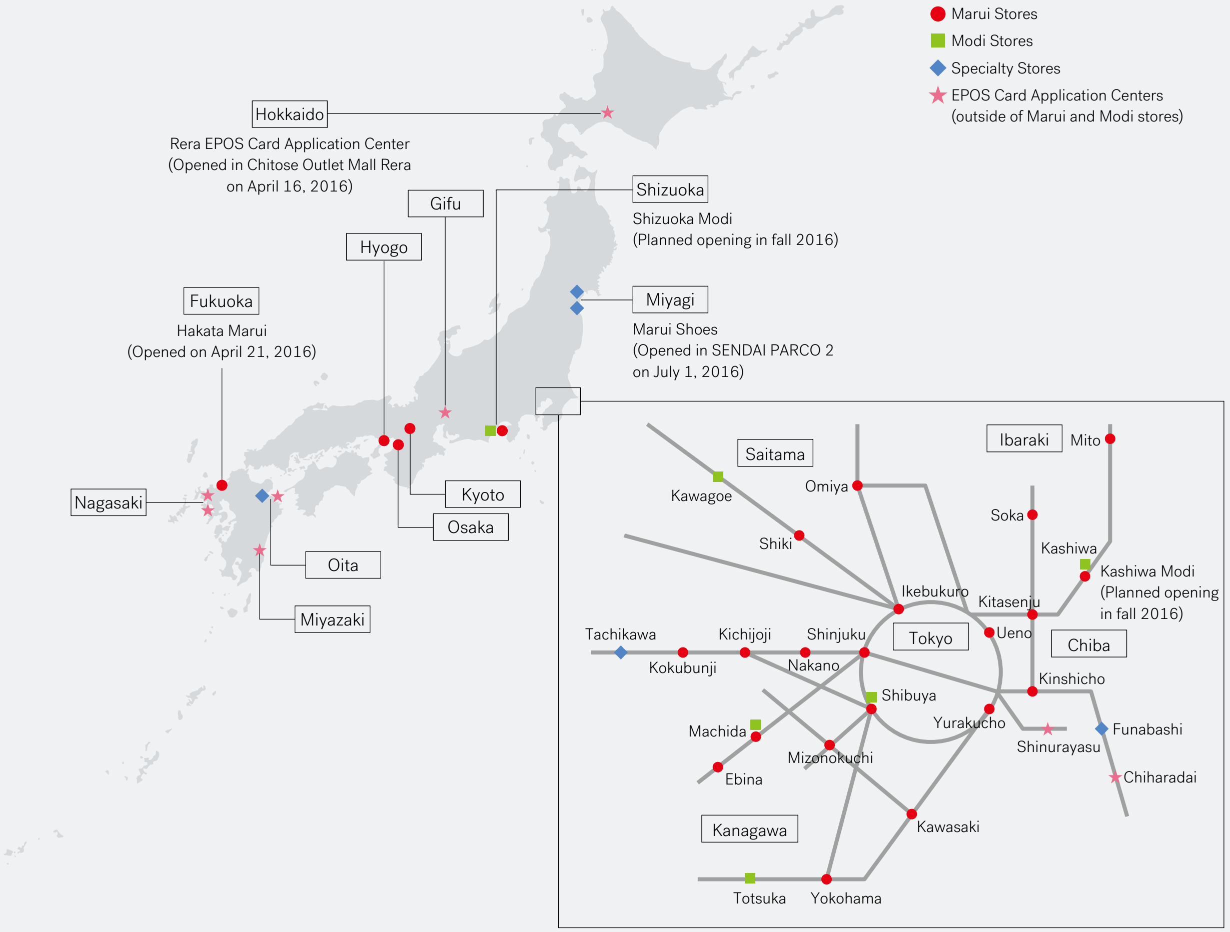
Established: January 1973 (became an incorporated public interest foundation in 2012)
Director: Tadao Aoi (Honorary Chairman of MARUI GROUP)
Total amount of scholarships provided: ¥1,690 million
Total number of students supported: 1,508 (As of April 2016)

Office: 3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
(located at MARUI GROUP head office)
Telephone: 03-5343-0351

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

MARUI GROUP Store Network

As of August 31, 2016




Shinjuku Marui


Kitasenju Marui


Yurakucho Marui


Marui Family Mizonokuchi


Namba Marui


Hakata Marui


Shibuya Modi


Machida Modi

Operating revenues are from the fiscal year ended March 31, 2016; other information is as of August 31, 2016.

Marui Stores

	Name	Sales floor area (m^2)	Transactions (billions of yen)	Opened	Address	Telephone
Tokyo	Shinjuku Marui	30,590	28.9	September 10, 1948	3-30-13 Shinjuku, Shinjuku-ku 160-0022	03-3354-0101
	Ikebukuro Marui	12,170	6.9	January 20, 1952	3-28-13 Nishi-Ikebukuro, Toshima-ku 171-0021	03-3989-0101
	Shibuya Marui	4,240	4.3	October 1, 1958	1-22-6 Jinnan, Shibuya-ku 150-0041	03-3464-0101
	Kinshicho Marui	22,990	12.7	September 2, 1983	3-9-10 Kotobashi, Sumida-ku 130-0022	03-3635-0101
	Ueno Marui	16,390	14.5	August 24, 1985	6-15-1 Ueno, Taito-ku 110-8502	03-3833-0101
	Kitasenju Marui	35,300	34.4	February 27, 2004	3-92 Senju, Adachi-ku 120-8501	03-5244-0101
	Yurakucho Marui	18,500	23.1	October 12, 2007	2-7-1 Yurakucho, Chiyoda-ku 100-0006	03-3212-0101
	Nakano Marui	4,950	5.5	February 17, 1931	3-34-28 Nakano, Nakano-ku 164-0001	03-3382-0101
	Kichijoji Marui	11,950	5.7	October 30, 1960	1-7-1 Kichijojiminami-cho, Musashino-shi 180-8552	0422-48-0101
	Machida Marui	7,550	5.7	September 20, 1980	6-1-6 Haramachida, Machida-shi 194-0013	042-728-0101
	Kokubunji Marui	14,300	13.6	March 1, 1989	3-20-3 Minami-cho, Kokubunji-shi 185-8562	042-323-0101
Kanagawa	Marui City Yokohama	16,770	12.2	September 20, 1996	2-19-12 Takashima, Nishi-ku, Yokohama-shi 220-0011	045-451-0101
	Kawasaki Marui	12,310	4.5	March 11, 1988	1-11 Nisshin-cho, Kawasaki-ku, Kawasaki-shi 210-0024	044-245-0101
	Marui Family Mizonokuchi	32,260	21.4	September 12, 1997	1-4-1 Mizonokuchi, Takatsu-ku, Kawasaki-shi 213-0001	044-814-0101
	Marui Family Ebina	19,500	11.3	April 19, 2002	1-6-1 Chuo, Ebina-shi 243-0483	046-232-0101
Saitama	Omiya Marui	13,970	9.6	September 28, 1982	2-3 Sakuragi-cho, Omiya-ku, Saitama-shi 330-9501	048-642-0101
	Soka Marui	16,530	4.5	February 21, 1992	2-9-1 Takasago, Soka-shi 340-0015	048-922-0101
	Marui Family Shiki	18,900	12.2	February 25, 2000	5-26-1 Hon-cho, Shiki-shi 353-0004	048-487-0101
Chiba	Kashiwa Marui	8,220	7.0*1	April 24, 1964	1-1-11 Kashiwa, Kashiwa-shi 277-0005	04-7163-0101
Ibaraki	Mito Marui	13,300	3.2	July 25, 1970	1-2-4 Miyamachi, Mito-shi 310-0015	029-225-0101
Shizuoka	Shizuoka Marui	7,920	4.9*1	September 21, 1969	6-10 Miyukicho, Aoi-ku, Shizuoka-shi 420-0857	054-252-0101
Osaka	Namba Marui	17,000	11.7	September 22, 2006	3-8-9 Namba, Chuo-ku, Osaka-shi 542-0076	06-6634-0101
Hyogo	Kobe Marui	6,940	4.8	October 3, 2003	1-7-2 Sannomiya-cho, Chuo-ku, Kobe-shi 650-0021	078-334-0101
Kyoto	Kyoto Marui	8,760	4.2	April 27, 2011	68 Shin-cho, Shijodori-Kawaramachi-Higashiiru, Shimogyo-ku, Kyoto-shi 600-8567	075-257-0101
Fukuoka	Hakata Marui	15,000	—	April 21, 2016	9-1 Chuogai, Hakataeki, Hakata-ku, Fukuoka-shi 812-0012	092-415-0101

Modi Stores

	Name	Sales floor area (m^2)	Transactions (billions of yen)	Opened	Address	Telephone
Tokyo	Shibuya Modi	9,840	2.5	November 19, 2015	1-21-3 Jinnan, Shibuya-ku 150-0041	03-4336-0101
	Machida Modi	13,720	8.5	September 28, 2006	6-2-6 Haramachida, Machida-shi 194-0013	042-812-2700
Kanagawa	Totsuka Modi	16,580	9.2	March 15, 2007	10 Totsuka-cho, Totsuka-ku, Yokohama-shi 244-0003	045-862-0135
Saitama	Kawagoe Modi	7,850	1.7	March 24, 2007	4-2 Wakita-cho, Kawagoe-shi 350-1122	049-227-5950
Chiba	Kashiwa Modi	Planned opening in fall 2016			1-2-26 Kashiwa, Kashiwa-shi 277-0005 (tentative)	—
Shizuoka	Shizuoka Modi	Planned opening in fall 2016			6-10 Miyukicho, Aoi-ku, Shizuoka-shi 420-0857 (tentative)	—

*1 Operating revenue figures for Kashiwa Marui and Shizuoka Marui are from when both stores comprised two buildings during the fiscal year ended March 31, 2016.

As of August 31, 2016

Specialty Stores

	Name	Address	Telephone
Tokyo	Marui Shoes LaLaPort Tachikawa Tachihi Store	1st Floor, LaLaPort Tachikawa Tachihi, 935-1 Izumi-cho, Tachikawa-shi 190-0015	042-540-6235
Chiba	Marui Shoes & Bags / Watches LaLaPort TOKYO-BAY Store	2nd Floor, West Building, LaLaPort TOKYO-BAY, 2-1-1 Hama-cho, Funabashi-shi, 273-8530	047-421-7264
Miyagi	Marui Shoes SENDAI PARCO 2 Store	4th Floor, SENDAI PARCO 2, 3-7-5 Chuo, Aoba-ku, Sendai-shi, 980-8450	022-212-8350
	MARUI MODEL IZUMI PARK TOWN Tapio Store	1st Floor, IZUMI PARK TOWN Tapio, 6-5-1 Teraoka, Izumi-ku, Sendai-shi, 981-3204	022-342-5950
Oita	Marui Shoes AMU PLAZA OITA Store	2nd Floor, AMU PLAZA OITA, 1-14 Kanamemachi, Oita-shi, 870-8550	097-573-3220

EPOS Card Application Centers (outside of Marui and Modi stores)

	Name	Address	Telephone
Hokkaido	Chitose Outlet Mall Rera Rera EPOS Card Application Center	Rera EPOS Card Application Center, 1-2-1 Kashiwadai Minami, Chitose-shi, 066-8765	0123-27-3511
Chiba	MONA Shinurayasu MONA Card Application Center	MONA Card Application Center, MONA Shinurayasu, 2nd Floor, 1-5-1 Irifune, Urayasu-shi, 279-0012	047-390-5411
	unimo Chiharadai unimo Chiharadai EPOS Card Application Center	unimo Chiharadai EPOS Card Application Center, 2nd Floor, unimo Chiharadai, 3-4 Chiharadai Nishi, Ichihara-shi, 290-0194	0436-40-5411
Gifu	MALera GIFU MALera GIFU EPOS Card Application Center	MALera GIFU EPOS Card Application Center, 2nd Floor, MALera GIFU, 1100 Mitsuhashi, Motosu-shi, 501-0497	058-320-5811
Nagasaki	HUIS TEN BOSCH EPOS Card Application Center	HUIS TEN BOSCH EPOS Card Application Center, 2nd Floor, Passage, HUIS TEN BOSCH, 8-2 HUIS TEN BOSCH-cho, Sasebo-shi, 859-3292	0956-27-0971
	Sasebo 5bangai EPOS Card Application Center	Sasebo 5bangai EPOS Card Application Center, A-106, 1st Floor, Promenade East Zone, Sasebo 5bangai, 2-1 Shinko-cho, Sasebo-shi, 857-0855	0956-37-3711
Oita	AMU PLAZA OITA JQ CARD EPOS Card Application Desk	JQ CARD EPOS Card Application Desk, 302, 3rd Floor, AMU PLAZA OITA, 1-14 Kanamemachi, Oita-shi, 870-0831	097-513-2411
Miyazaki	BonBelta Tachibana Tachibana EPOS Card Application Center	Tachibana EPOS Card Application Center, 1st Floor, West Wing, BonBelta Tachibana, 3-10-32 Tachibanadorinishi, Miyazaki-shi, 880-8586	0985-35-4811

Financial and Non-Financial Summary

MARUI GROUP CO., LTD., and its consolidated subsidiaries

Millions of yen

Fiscal years ended March 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Group transactions	—	—	—	—	—	—	—	—	1,297,250	1,469,111	1,703,353
Retailing and Store Operation	—	—	—	—	—	—	—	—	338,705	322,866	312,511
Credit Card Services	—	—	—	—	—	—	—	—	1,054,706	1,234,339	1,465,227
Retailing-Related Services	—	—	—	—	—	—	—	—	34,695	33,816	37,279
Eliminations*1	—	—	—	—	—	—	—	—	(130,857)	(121,910)	(111,664)
Total operating revenues*2	—	—	—	—	—	—	—	—	253,077	249,847	245,867
Revenue*2	561,539	552,140	493,533	447,400	419,255	406,472	412,408	407,366	416,460	404,947	—
Gross profit	209,347	210,288	177,565	160,125	149,926	144,736	147,240	148,172	156,642	159,448	160,035
Selling, general and administrative expenses	164,641	166,599	159,382	150,986	139,488	129,940	129,224	123,886	129,495	131,406	130,419
EBITDA*3	62,322	61,415	36,870	28,522	29,695	30,457	33,085	35,237	37,134	38,338	39,286
Operating income	44,705	43,688	18,183	9,138	10,438	14,795	18,015	24,285	27,146	28,042	29,615
Net income (loss) attributable to owners of parent	23,983	4,248	7,603	(8,750)	5,104	(23,638)	5,251	13,255	15,409	16,036	17,771
Segment income:											
Retailing and Store Operation	24,245	19,309	10,645	1,252	37	2,110	7,547	9,885	10,562	8,074	7,856
Credit Card Services	19,818	21,892	5,740	6,725	10,272	13,704	10,619	13,177	15,634	20,126	22,186
Retailing-Related Services	4,429	6,913	6,772	3,740	2,509	1,568	2,567	3,792	4,523	3,333	3,674
Total assets	722,578	740,373	695,491	685,351	664,357	628,910	615,130	624,173	664,019	675,627	730,126
Shareholders' equity	432,695	402,610	336,445	310,818	312,188	284,526	289,975	303,637	315,446	306,795	281,610
Installment sales accounts receivable	40,045	51,310	73,781	88,761	95,871	111,760	142,995	171,187	213,466	227,121	279,763
Consumer loans outstanding	258,488	248,464	222,534	207,117	191,486	158,707	132,280	123,739	125,215	128,030	134,107
Interest-bearing debt	201,175	239,308	277,537	292,061	283,676	264,692	245,175	243,762	264,824	277,839	359,324
Net cash provided by (used in) operating activities	36,116	23,828	13,919	15,316	30,811	30,280	24,897	5,111	(9,227)	12,310	(35,310)
Net cash provided by (used in) investing activities	(33,846)	(28,025)	3,134	(18,234)	(13,034)	(7,033)	(3,913)	435	(6,791)	(3,867)	(4,063)
Net cash provided by (used in) financing activities	(12,956)	6,300	(32,241)	2,409	(14,519)	(22,926)	(23,660)	(5,571)	16,141	(7,267)	40,719
Cash and cash equivalents	42,619	44,722	29,535	29,026	32,283	32,603	29,928	29,940	30,053	31,229	32,575
Capital investments	25,812	30,293	23,649	24,073	17,398	14,332	7,941	7,665	11,238	9,786	12,882
Depreciation and amortization	17,616	17,727	18,686	19,384	19,257	15,661	15,069	10,951	9,988	10,296	9,670
Earnings (loss) per share (yen)	70.39	12.92	24.91	(31.90)	18.65	(86.36)	19.19	48.43	56.29	58.87	70.68
Net assets per share (yen)	1,286	1,233	1,207	1,135	1,140	1,039	1,059	1,109	1,152	1,166	1,161
Cash dividends per share (yen)	28.0	28.0	28.0	28.0	14.0	14.0	14.0	15.0	18.0	19.0	22.0
Payout ratio (%)	39.8	216.7	112.4	—	75.1	—	73.0	31.0	32.0	32.3	31.1
Total return ratio (%)	144.4	646.1	911.3	—	75.1	—	73.0	31.0	32.0	125.3	227.5
Operating income margin (%)*4	8.0	7.9	3.7	2.0	2.5	3.6	4.4	6.0	10.7	11.2	12.0
Return on equity (%)	5.5	1.0	2.1	(2.7)	1.6	(7.9)	1.8	4.5	5.0	5.2	6.0
Return on invested capital (%)	—	—	—	—	—	—	—	—	—	3.3	3.3
Return on assets (%)	6.4	6.1	2.4	1.1	1.5	2.2	2.8	3.9	4.3	4.2	4.1
Equity ratio (%)	59.9	54.4	48.4	45.4	47.0	45.2	47.1	48.6	47.5	45.4	38.6
Stock price at year-end (yen)	2,325	1,445	1,061	523	678	537	690	975	885	1,365	1,613
Market capitalization (including treasury stock) (billions of yen)	857.1	532.7	338.0	166.6	216.0	171.1	219.8	310.6	282.0	380.3	449.4
Price earnings ratio (times)	33.0	111.8	42.6	—	36.4	—	36.0	20.1	15.7	23.2	22.8
Price book-value ratio (times)	1.8	1.2	0.9	0.5	0.6	0.5	0.7	0.9	0.8	1.2	1.4
Number of common shares issued (including treasury stock)	368,660,417	368,660,417	318,660,417	318,660,417	318,660,417	318,660,417	318,660,417	318,660,417	318,660,417	278,660,417	278,660,417
Number of shares of treasury stock	32,217,405	42,222,840	39,913,811	44,918,979	44,941,174	44,946,398	44,947,345	44,948,289	44,901,353	15,588,364	36,270,334
Total number of employees	8,156	8,154	7,147	7,085	6,847	6,492	6,218	6,101	5,966	5,918	5,899
Ratio of female employees (%)	39.4	39.9	44.4	44.6	44.7	44.4	44.4	44.3	44.5	44.6	45.5
Total number of stores	31	28	25	25	25	26	27	27	27	27	28
Total sales floor area (thousand m²)	381.4	381.4	381.4	444.8	453.3	457.8	458.4	453.1	446.5	444.0	441.8
Environment preservation expenditure (thousands of yen)	—	588,300	660,600	731,900	633,700	893,700	1,165,400	1,141,300	924,500	1,281,000	837,400
Electricity consumption (thousands of kWh)	—	—	—	—	259,800	244,800	204,484	204,825	214,905	199,700	196,196
CO_2 emissions (Scope 1 and 2) (t-CO_2)*5	150,975	142,006	125,628	122,136	130,600	114,900	96,300	104,299	113,227	109,528	101,278
CO_2 emissions (Scope 3) (t-CO_2)*5	—	—	—	—	—	—	—	—	550,612	530,595	509,070

*1 Eliminations under total Group transactions represent the deduction of credit card transactions recorded in Retailing and Store Operation.

*2 Beginning with the fiscal year ended March 31, 2016, the display method was changed from total value display to net value display, the portion that represents income to the Company, for sales recorded through sale or return arrangements. In conjunction with this change, the previous "operating revenues" line item was replaced with the new "revenue" line item.

*3 EBITDA (earnings before interest, taxes, and depreciation and amortization) = Operating income + Depreciation and amortization

*4 Operating income margin is calculated using operating revenues for the fiscal year ended March 31, 2013, and prior fiscal years and revenue for the fiscal year ended March 31, 2014, and subsequent fiscal years.

*5 Scope 1 and 2 represent CO_2 emissions from the Group. Scope 3 represents CO_2 emissions from areas including raw material procurement, transportation, and use by customers. Emissions calculations are verified by Mizuho Information & Research Institute, Inc.

Consolidated Balance Sheets

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Assets			
Current assets:			
Cash and deposits (Notes 6 and 21)	¥ 31,240	¥ 32,586	$ 290,946
Notes and accounts receivable–trade (Note 6)	6,453	7,459	66,598
Accounts receivable–installment (Notes 4 and 6)	227,121	279,763	2,497,883
Operating loans (Notes 5 and 6)	128,030	134,107	1,197,383
Allowance for doubtful accounts (Note 6)	(8,110)	(7,800)	(69,642)
	353,495	413,530	3,692,232
Inventories	16,834	12,759	113,919
Deferred tax assets (Note 11)	6,444	5,569	49,723
Other	18,738	21,594	192,803
Total current assets	426,753	486,040	4,339,642
Property and equipment (Note 13):			
Land	99,665	99,683	890,026
Buildings and structures	256,707	261,491	2,334,741
Construction in progress	488	420	3,750
Other	35,146	34,523	308,241
Accumulated depreciation	(219,313)	(221,121)	(1,974,294)
Property and equipment, net	172,694	174,996	1,562,464
Investments and other assets:			
Investment securities (Notes 6 and 7)	24,389	19,610	175,089
Investments in unconsolidated subsidiaries and affiliates	772	772	6,892
Intangible assets	6,237	6,502	58,053
Leasehold and other deposits (Note 6)	35,824	34,895	311,562
Deferred tax assets (Note 11)	6,348	4,619	41,241
Other	2,606	2,688	24,000
Total investments and other assets	76,178	69,088	616,857
Total assets	¥ 675,627	¥ 730,126	$ 6,518,982
Liabilities			
Current liabilities:			
Accounts payable–trade (Note 6)	¥ 27,002	¥ 24,318	$ 217,125
Short-term loans payable and current portion of long-term loans payable (Notes 6 and 10)	56,839	48,324	431,464
Current portion of bonds payable (Notes 6 and 10)	17,000	30,000	267,857
Commercial paper (Notes 6 and 10)	10,000	10,000	89,285
Income taxes payable (Notes 6 and 11)	3,340	4,731	42,241
Provision for bonuses	3,763	3,756	33,535
Provision for point card certificates	4,590	6,586	58,803
Provision for loss on redemption of gift certificates	153	159	1,419
Other	28,593	30,601	273,223
Total current liabilities	151,281	158,477	1,414,973
Non-current liabilities:			
Bonds payable (Notes 6 and 10)	85,000	80,000	714,285
Long-term loans payable (Notes 6, 8, and 10)	109,000	191,000	1,705,357
Deferred tax liabilities (Note 11)	1,516	1,855	16,562
Provision for loss on interest repayment	12,652	6,078	54,267
Provision for loss on guarantees	140	164	1,464
Asset retirement obligations (Note 12)	548	881	7,866
Other	8,232	9,567	85,419
Total non-current liabilities	217,090	289,547	2,585,241
Total liabilities	368,371	448,025	4,000,223
Contingent liabilities (Note 14)			
Net assets (Note 15)			
Shareholders' equity:			
Capital stock	35,920	35,920	320,714
Authorized: 1,400,000,000 shares of common stock			
Issued: 278,660,417 shares as of March 31, 2015 and 2016			
Capital surplus	91,307	91,307	815,241
Retained earnings	197,875	210,237	1,877,116
Treasury stock (Note 26)			
15,588,364 shares as of March 31, 2015 and 36,270,334 shares as of March 31, 2016	(19,290)	(54,238)	(484,267)
Total shareholders' equity	305,813	283,226	2,528,803
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	982	(1,616)	(14,428)
Total accumulated other comprehensive income	982	(1,616)	(14,428)
Subscription rights to shares (Note 22)	39	53	473
Non-controlling interests	420	437	3,901
Total net assets	307,255	282,101	2,518,758
Total liabilities and net assets	¥ 675,627	¥ 730,126	$ 6,518,982

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
Consolidated Statements of Income	2015	2016	2016
Revenue (Notes 3 and 13)	¥249,847	¥245,867	$2,195,241
Cost of sales (Notes 3, 13 and 16)	90,398	85,832	766,357
Gross profit	159,448	160,035	1,428,883
Selling, general and administrative expenses (Notes 3, 13 and 17)	131,406	130,419	1,164,455
Operating income	28,042	29,615	264,419
Non-operating income (expenses):			
Interest income	110	86	767
Dividend income	446	370	3,303
Gain on bad debt recovered	1,275	1,190	10,625
Gain on sale of investment securities	12,094	972	8,678
Interest expenses	(1,870)	(1,797)	(16,044)
Financing expenses	(179)	(296)	(2,642)
Loss on retirement of property and equipment (Note 18)	(1,097)	(1,920)	(17,142)
Loss on interest repayment	(390)	—	—
Provision for loss on interest repayment	(12,652)	(1,201)	(10,723)
Other, net (Note 19)	(1,776)	(113)	(1,008)
	(4,041)	(2,709)	(24,187)
Income before income taxes	24,001	26,905	240,223
Income taxes (Note 11)			
Income taxes–current	6,193	5,676	50,678
Income taxes–deferred	1,745	3,434	30,660
	7,938	9,110	81,339
Net income	16,062	17,794	158,875
Net income attributable to non-controlling interests	25	23	205
Net income attributable to owners of parent	¥ 16,036	¥ 17,771	$ 158,669

	Yen		U.S. dollars (Note 1)
Per share data (Note 25)	2015	2016	2016
Net income per share:			
Basic	¥ 58.87	¥ 70.68	$ 0.63
Diluted	58.86	70.67	0.63
Cash dividends	19.00	22.00	0.19
Net assets per share	1,166.20	1,161.81	10.37

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Consolidated Statements of Comprehensive Income	2015	2016	2016
Net income	¥16,062	¥17,794	$158,875
Other comprehensive income (Note 20):			
Valuation difference on available-for-sale securities	(4,794)	(2,598)	(23,196)
Total other comprehensive income	(4,794)	(2,598)	(23,196)
Comprehensive income	¥11,268	¥15,196	$135,678
Comprehensive income attributable to:			
Owners of parent	¥11,242	¥15,172	$135,464
Non-controlling interests	25	23	205

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Total	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥35,920	¥ 91,307	¥236,274	¥(53,832)	¥309,669	¥ 5,776	¥ 5,776	¥39	¥402	¥315,889
Changes of items during period:										
Dividends from surplus			(4,927)		(4,927)					(4,927)
Net income attributable to owners of parent			16,036		16,036					16,036
Purchase of treasury stock				(15,002)	(15,002)					(15,002)
Disposal of treasury stock		(6)		43	36					36
Retirement of treasury stock		(49,500)		49,500	—					—
Transfer from retained earnings to capital surplus		49,507	(49,507)		—					—
Net changes of items other than shareholders' equity						(4,794)	(4,794)	0	17	(4,776)
Total changes of items during period	—	—	(38,398)	34,541	(3,856)	(4,794)	(4,794)	0	17	(8,633)
Balance as of April 1, 2015	¥35,920	¥ 91,307	¥197,875	¥(19,290)	¥305,813	¥ 982	¥ 982	¥39	¥420	¥307,255
Changes of items during period:										
Dividends from surplus			(5,391)		(5,391)					(5,391)
Net income attributable to owners of parent			17,771		17,771					17,771
Purchase of treasury stock				(35,002)	(35,002)					(35,002)
Disposal of treasury stock		(17)		54	36					36
Retirement of treasury stock					—					—
Transfer from retained earnings to capital surplus		17	(17)		—					—
Net changes of items other than shareholders' equity						(2,598)	(2,598)	13	16	(2,568)
Total changes of items during period	—	—	12,361	(34,947)	(22,586)	(2,598)	(2,598)	13	16	(25,154)
Balance as of March 31, 2016	¥35,920	¥ 91,307	¥210,237	¥(54,238)	¥283,226	¥(1,616)	¥(1,616)	¥53	¥437	¥282,101

The accompanying notes are an integral part of these consolidated financial statements.

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Total	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2015	$320,714	$815,241	$1,766,741	$(172,232)	$2,730,473	$ 8,767	$ 8,767	$348	$3,750	$2,743,348
Changes of items during period:										
Dividends from surplus			(48,133)		(48,133)					(48,133)
Net income attributable to owners of parent			158,669		158,669					158,669
Purchase of treasury stock				(312,517)	(312,517)					(312,517)
Disposal of treasury stock		(151)		482	321					321
Retirement of treasury stock					—					—
Transfer from retained earnings to capital surplus		151	(151)		—					—
Net changes of items other than shareholders' equity						(23,196)	(23,196)	116	142	(22,928)
Total changes of items during period	—	—	110,366	(312,026)	(201,660)	(23,196)	(23,196)	116	142	(224,589)
Balance as of March 31, 2016	$320,714	$815,241	$1,877,116	$(484,267)	$2,528,803	$(14,428)	$(14,428)	$473	$3,901	$2,518,758

Consolidated Statements of Cash Flows

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes	¥ 24,001	¥ 26,905	$ 240,223
Depreciation and amortization	10,296	9,670	86,339
Increase (decrease) in provision for point card certificates	1,777	1,996	17,821
Increase (decrease) in provision for allowance for doubtful accounts	670	(310)	(2,767)
Increase (decrease) in provision for loss on interest repayment	5,781	(6,574)	(58,696)
Increase (decrease) in provision for bonuses	(253)	(7)	(62)
Interest and dividend income	(556)	(457)	(4,080)
Interest expenses	1,870	1,797	16,044
Loss (gain) on retirement of property and equipment	604	655	5,848
Loss (gain) on sale of investment securities	(12,094)	(972)	(8,678)
Decrease (increase) in notes and accounts receivable–trade	(129)	(1,006)	(8,982)
Decrease (increase) in accounts receivable–installment	(13,655)	(52,641)	(470,008)
Decrease (increase) in operating loans	(2,815)	(6,076)	(54,250)
Decrease (increase) in inventories	1,964	4,145	37,008
Increase (decrease) in accounts payable–trade	(2,973)	(2,683)	(23,955)
Other, net (Note 19)	2,839	(2,657)	(23,723)
Subtotal	17,328	(28,215)	(251,919)
Interest and dividend income received	475	388	3,464
Interest expenses paid	(1,906)	(1,811)	(16,169)
Income taxes paid	(3,721)	(5,741)	(51,258)
Income taxes refund	135	68	607
Net cash provided by (used in) operating activities	12,310	(35,310)	(315,267)
Cash flows from investing activities:			
Purchase of property and equipment	(10,874)	(9,058)	(80,875)
Purchase of investment securities	(17,931)	(678)	(6,053)
Proceeds from sale of investment securities	22,684	3,340	29,821
Payments for leasehold and other deposits	(70)	(619)	(5,526)
Proceeds from collection of leasehold and other deposits	2,165	1,485	13,258
Other, net	159	1,467	13,098
Net cash provided by (used in) investing activities	(3,867)	(4,063)	(36,276)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(29,985)	(6,042)	(53,946)
Proceeds from long-term loans payable	45,000	97,000	866,071
Repayments of long-term loans payable	—	(17,500)	(156,250)
Proceeds from issuance of bonds	19,897	24,875	222,098
Redemption of bonds	(20,000)	(17,000)	(151,785)
Net increase (decrease) in commercial paper	(2,000)	—	—
Purchase of treasury stock	(15,016)	(35,035)	(312,812)
Cash dividends paid (Note 15)	(4,927)	(5,391)	(48,133)
Other, net	(234)	(185)	(1,651)
Net cash provided by (used in) financing activities	(7,267)	40,719	363,562
Net increase (decrease) in cash and cash equivalents	1,176	1,345	12,008
Cash and cash equivalents at beginning of period	30,053	31,229	278,830
Cash and cash equivalents at end of period (Note 21)	¥ 31,229	¥ 32,575	$ 290,848

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of MARUI GROUP CO., LTD. ("the Company") and its consolidated subsidiaries (collectively, "the Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations as well as in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥112 = $1, the approximate rate of exchange at March 31, 2016, and were then rounded down to the nearest thousand. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollars do not necessarily agree with the sums of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements as of and for the fiscal year ended March 31, 2016 and 2015, include the accounts of the Company and its nine significant subsidiaries.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method. For the fiscal years ended March 31, 2015 and 2016, there was no subsidiary or affiliate accounted for using the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting was applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation.

The fiscal year-end of all consolidated subsidiaries is March 31, the same as that of the Company.

(2) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated balance sheet dates. All revenues and expenses associated with foreign currencies are translated into Japanese yen at the exchange rates prevailing when such transactions were made. The resulting exchange gains or losses are credited or charged to income.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, the Group considers cash on hand, readily available deposits, and highly liquid short-term investments with maturities of three months or less when purchased that are exposed to an insignificant risk of changes in value to be cash and cash equivalents.

(4) Investment securities

Investment securities held by the Group are all classified as available-for-sale securities.

Available-for-sale securities with a determinable market value are stated at fair value based on the market value at the balance sheet date, and unrealized gains or losses, net of applicable income taxes, are reported as a separate component of net assets. Cost of securities sold is computed based on the moving-average method. Available-for-sale securities without a determinable market value are stated at cost determined by the moving-average method.

Investments in unconsolidated subsidiaries and affiliates are stated at cost determined by the moving-average method.

(5) Inventories

Inventories are measured at the lower of cost determined by the monthly weighted-average method or net selling value.

(6) Depreciation and amortization

Property and equipment (excluding leased assets) are depreciated by the straight-line method.

Intangible assets are amortized by the straight-line method. Capitalized computer software costs for internal use are amortized by the straight-line method over the estimated useful lives (within five years).

For finance leases which do not transfer ownership of the leased assets to the lessee, leased assets are depreciated by the straight-line method over the lease terms with no residual value.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is stated at the amount determined based on the historical experience of bad debt with respect to ordinary receivables ("general reserve"), plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables of customers experiencing financial difficulties ("specific reserve").

(8) Provision for bonuses

The provision for bonuses is accrued at the fiscal year-end to which such bonuses are attributable.

(9) Provision for point card certificates

Credit points are awarded to customers when they make purchases using the Group's member card and, upon request, the Company will issue gift certificates or allow customers to use their accumulated credit points for their payment.

The provision for point card certificates is accrued to the estimated amount required based on the balance of credit points awarded to card members outstanding at the fiscal year-end.

(10) Provision for loss on redemption of gift certificates

The monetary value of gift certificates and other certificates that have not been redeemed for a set period of time after issuance is recognized as income. However, some gift certificates and other certificates can be redeemed after the recognition of income.

The provision for loss on redemption of gift certificates is provided at the estimated amount to be redeemed in the future based on historical experience.

(11) Provision for loss on interest repayment

The provision for loss on interest repayment is provided to the estimated amount of repayment claims on consumer loan interests at the fiscal year-end.

(12) Provision for loss on guarantees

The provision for loss on guarantees is provided at the estimated amount of loss arising from the Group's guarantee obligations of customers' liabilities in relation to loans to individuals from financial institutions with which the Group has guarantee service arrangements.

Notes to Consolidated Financial Statements

(13) Basis for revenue recognition

The charges for installment sales and interest income on consumer loans are recognized on an accrual basis based on the remaining loan balances.

(14) Hedge accounting

The Group utilizes interest rate swaps to mitigate the fluctuation risk of interests on loans payable.

The Group applies the special accounting treatment for interest rate swaps as all requirements for this treatment are fulfilled. The Group omits the evaluation of hedge effectiveness for interest rate swaps under the special accounting treatment.

(15) Consumption taxes

National and local consumption taxes are accounted for by the tax-excluded method. Non-deductible consumption tax and other taxes imposed on fixed assets are recorded as expenses as incurred.

3. CHANGES IN ACCOUNTING POLICIES

(a) Business combinations and others

Effective from the fiscal year ended March 31, 2016, the Group adopted the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and changed the presentation of net income and used the term "non-controlling interests" instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

(b) Revenue recognition

In the Retailing and Store Operation segment, certain sales are made under a sale or return arrangement with tenants. Under the arrangement, a good is purchased from a tenant when the good is sold to a customer and the Group does not bear substantial risk on inventory since the title of the good remains with the tenant until the good is sold to a customer.

The Group previously recognized revenue from such arrangement by recording both operating revenues and cost of sales. However, effective from the fiscal year ended March 31, 2016, the Group comprehensively applied JICPA Accounting Practice Committee Research Report No. 13, the "Research Report on Revenue Recognition in Japan (Interim Report)—considerations in light of IAS 18 'Revenue'" and changed its accounting treatment to recognize a profit, net of cost of sales, as revenue.

In response to changes in the consumer market environment, the Group has been moving away from its traditional retailing business and developing shopping centers of its own unique style, in accordance with the medium-term management plan. The change of revenue recognition described above will enable the Group to not only disclose the results of operations more appropriately and thus monitor the progress of implementation of the management plan, but to also use the amount of revenue as a more practical KPI.

Thus, the Group changed the account name from "Total operating revenues" to "Revenue" on the consolidated statements of income.

Regarding expenses arising from a tenant with a fixed term lease contract, the Group previously accounted for fixed expenses such as depreciation of retail space as cost of sales in correspondence with rent revenue. However, effective from the fiscal year ended March 31, 2016, the Group changed the treatment to account for the expenses arising from a tenant with a sales-based rent agreement as selling, general and administrative expenses. This is consistent with the treatment for expenses arising from the sales or return arrangement described above, which are accounted for as selling, general and administrative expenses. Thus, the results of operations will be more clearly stated.

The Group applied this accounting policy retroactively and restated the consolidated financial statements for the fiscal year ended March 31, 2015. As a result, revenue and cost of sales for the fiscal year ended March 31, 2015 decreased by ¥155,100 million ($1,384,821 thousand). There was no impact on gross profit, operating income, and income before income taxes. In addition, there was no accumulated impact on the beginning balance of net assets for the fiscal year ended March 31, 2015.

In addition, due to the change in presentation, an amount of ¥1,303 million ($11,633 thousand) included in cost of sales on the consolidated statements of income for the fiscal year ended March 31, 2015 was reclassified to selling, general and administrative expenses.

Impacts on segment information are stated in Note 23, "SEGMENT INFORMATION."

(c) Accounting standard issued but not yet applied

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

(i) Overview

Following the framework in Auditing Committee Report No. 66, the "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(ii) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(iii) Effects of application of the Guidance

The Company is currently evaluating the effects of application.

4. ACCOUNTS RECEIVABLE–INSTALLMENT

The following balances for lump sums receivable and revolving receivable were securitized and are therefore excluded from the consolidated balance sheets as of March 31, 2015 and 2016:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Card shopping:			
Lump sums receivable	¥53,000	¥55,000	$491,071
Revolving receivable	13,526	13,928	124,357

5. LOAN COMMITMENTS

Certain consolidated subsidiaries that operate in the Credit Card Services segment provide consumer loan services to customers.

The unused balance of loans contingent with the loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Total loan limits	¥1,081,117	¥1,090,691	$9,738,312
Amount executed as loans	128,030	134,107	1,197,383
Unused balance	¥ 953,086	¥ 956,583	$8,540,919

Under the provisions of the loan service contract, the Group is able to decline a loan request or decrease a loan limit when a customer's financial condition or other circumstances change. Thus, the total unused balance will not necessarily be executed as loans.

6. FINANCIAL INSTRUMENTS

(1) Status of financial instruments

(a) Policy on financial instruments

The Group raises necessary funds for business operations through bank loans and corporate bond issuance. Temporary surplus funds are invested in highly safe short-term deposits. Derivative transactions are utilized to avoid the interest rate fluctuation risk on loans. The Group does not use derivative transactions for speculative purposes.

(b) Financial instruments, their risks, and the risk management system

Accounts receivable–installment and operating loans are exposed to the credit risk of customers. In accordance with the internal risk management rules, the Group mitigates such risk by monitoring and evaluating the credit status of each customer by means of third-party personal credit information agencies and the Group's own credit monitoring system.

Investment securities primarily consist of shares issued by business partners and are exposed to both credit risk and market risk. The Group mitigates such risks by regularly monitoring the share price and the financial condition of the issuers.

Leasehold and other deposits consist of security deposits to rent properties for stores.

Accounts payable–trade is settled in the short term.

Long-term loans payable with a floating interest rate is exposed to interest rate fluctuation risk. The Group utilizes interest rate swaps to avoid such risk by fixing the future interest rate.

(2) Estimated fair value of financial instruments

Carrying value, fair value, and the difference between them as of March 31, 2015 and 2016, are summarized below. Financial instruments for which the fair value is difficult to estimate are excluded from the following table (See Note 2 below).

Millions of yen

	2015			2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 31,240	¥ 31,240	¥ —	¥ 32,586	¥ 32,586	¥ —
(2) Notes and accounts receivable–trade	6,453	6,453	—	7,459	7,459	—
(3) Accounts receivable–installment	227,121			279,763		
Allowance for doubtful accounts *1	(5,198)			(5,246)		
	221,923	249,151	27,227	274,517	312,365	37,847
(4) Operating loans	128,030			134,107		
Allowance for doubtful accounts *2	(2,231)			(2,114)		
	125,798	142,766	16,968	131,993	152,737	20,744
(5) Investment securities:						
Available-for-sale securities	24,152	24,152	—	19,329	19,329	—
(6) Leasehold and other deposits	9,493	9,312	(180)	8,404	8,324	(80)
Assets, total	¥419,062	¥463,077	¥44,015	¥474,290	¥532,801	¥58,510
(1) Accounts payable–trade	¥ 27,002	¥ 27,002	¥ —	¥ 24,318	¥ 24,318	¥ —
(2) Short-term loans payable and current portion of long-term loans payable	56,839	56,839	—	48,324	48,324	—
(3) Current portion of bonds payable	17,000	17,000	—	30,000	30,000	—
(4) Commercial paper	10,000	10,000	—	10,000	10,000	—
(5) Income taxes payable	3,340	3,340	—	4,731	4,731	—
(6) Bonds payable	85,000	85,860	860	80,000	80,650	650
(7) Long-term loans payable	109,000	109,046	46	191,000	191,382	382
Liabilities, total	¥308,181	¥309,089	¥ 907	¥388,374	¥389,407	¥ 1,032
Derivative transactions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

*1 The amount presents the total of general reserve and specific reserve for accounts receivable–installment.
*2 The amount presents the total of general reserve and specific reserve for operating loans.

	Thousands of U.S. dollars (Note 1)		
	2016		
	Carrying value	Fair value	Difference
(1) Cash and deposits	$ 290,946	$ 290,946	$ —
(2) Notes and accounts receivable–trade	66,598	66,598	—
(3) Accounts receivable–installment	2,497,883		
Allowance for doubtful accounts	(46,839)		
	2,451,044	2,788,973	337,919
(4) Operating loans	1,197,383		
Allowance for doubtful accounts	(18,875)		
	1,178,508	1,363,723	185,214
(5) Investment securities			
Available-for-sale securities	172,580	172,580	—
(6) Leasehold and other deposits	75,035	74,321	(714)
Assets, total	$4,234,732	$4,757,151	$522,410
(1) Accounts payable–trade	$ 217,125	$ 217,125	$ —
(2) Short-term loans payable and current portion of long-term loans payable	431,464	431,464	—
(3) Current portion of bonds payable	267,857	267,857	—
(4) Commercial paper	89,285	89,285	—
(5) Income taxes payable	42,241	42,241	—
(6) Bonds payable	714,285	720,089	5,803
(7) Long-term loans payable	1,705,357	1,708,767	3,410
Liabilities, total	$3,467,625	$3,476,848	$ 9,214
Derivative transactions	$ —	$ —	$ —

Note 1. Calculation method for fair value of financial instruments and information on securities and derivative transactions

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable–trade

The fair value approximates their carrying value because of their short maturities.

(3) Accounts receivable–installment and (4) Operating loans

The fair value is determined as their present value by discounting, using the risk-free rate, their future cash flows adjusted for their credit risk identified in the credit control process. With regard to bad receivables and loans, allowance for doubtful accounts is estimated based on the present value of their estimated future cash flows. The fair value approximates the amount of carrying value less allowance for doubtful accounts. Thus, the amount of carrying value less allowance for doubtful accounts is used as fair value.

(5) Investment securities

The fair value is based on quotes on an exchange.

(6) Leasehold and other deposits

The fair value is determined as their present value by discounting future cash flows at the risk-free rate adjusted for credit risk premium. The amount includes the current portion of leasehold and other deposits.

Liabilities:

(1) Accounts payable–trade, (2) Short-term loans payable and current portion of long-term loans payable, (3) Current portion of bonds payable, (4) Commercial paper, and (5) Income taxes payable

The fair value approximates their carrying value because of their short maturities.

(6) Bonds payable

The fair value is based on the present value calculated by discounting the sum of principal and interests using an interest rate, for which credit risk and redemption periods are taken into account.

(7) Long-term loans payable

The carrying value of long-term loans payable with a floating interest rate approximates its fair value since the interest rate reflects the market rate in the short term. Thus, carrying value is used as its fair value. The fair value of long-term loans payable hedged by interest rate swaps under special accounting treatment is calculated by discounting the sum of principal and interests accounted for together with interest rate swaps using a reasonably estimated interest rate applied to similar borrowings. The fair value of long-term loans payable with fixed interest rates is calculated by discounting the sum of principal and interests using an interest rate that would be applied to similar new borrowings.

Derivative transactions

See Note 8, “DERIVATIVE TRANSACTIONS,” for details.

Note 2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Unlisted stocks	¥ 877	¥ 921	$ 8,223
Part of security deposits	27,915	28,103	250,919

Unlisted stocks are not included in (5) Investment securities in the table above, as there were no market prices available and it is extremely difficult to determine the fair value. Similarly, part of security deposits is not included in (6) Leasehold and other deposits.

Note 3. Redemption schedule for monetary claims and securities with maturities

Millions of yen

	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 31,240	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	6,453	—	—	—
Accounts receivable–installment	129,841	66,160	19,638	11,481
Operating loans	62,466	65,005	486	72
Leasehold and other deposits	1,515	3,654	2,843	1,480
Total	¥231,516	¥134,820	¥22,968	¥13,034

Millions of yen

	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 32,586	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	7,459	—	—	—
Accounts receivable–installment	154,581	83,294	23,502	18,386
Operating loans	62,913	70,885	245	63
Leasehold and other deposits	1,352	2,986	2,218	1,846
Total	¥258,892	¥157,166	¥25,966	¥20,296

Thousands of U.S. dollars (Note 1)

	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 290,946	$ —	$ —	$ —
Notes and accounts receivable–trade	66,598	—	—	—
Accounts receivable–installment	1,380,187	743,696	209,839	164,160
Operating loans	561,723	632,901	2,187	562
Leasehold and other deposits	12,071	26,660	19,803	16,482
Total	$2,311,535	$1,403,267	$231,839	$181,214

See Note 10, "SHORT–TERM LOANS PAYABLE AND LONG–TERM DEBT," for the schedule of aggregate annual maturities of long-term loans payable and long-term debt.

7. INVESTMENT SECURITIES

(1) Information on available-for-sale securities as of March 31, 2015 and 2016, is as follows:

Millions of yen

	2015			2016		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:						
Stocks	¥18,783	¥16,468	¥2,314	¥ 9,072	¥ 8,510	¥ 562
Subtotal	18,783	16,468	2,314	9,072	8,510	562
Carrying value not exceeding acquisition cost:						
Stocks	5,369	6,319	(950)	10,256	12,544	(2,287)
Subtotal	5,369	6,319	(950)	10,256	12,544	(2,287)
Total	¥24,152	¥22,787	¥1,364	¥19,329	¥21,054	¥(1,725)

Thousands of U.S. dollars (Note 1)

	2016		
	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:			
Stocks	$ 81,000	$ 75,982	$ 5,017
Subtotal	81,000	75,982	5,017
Carrying value not exceeding acquisition cost:			
Stocks	91,571	112,000	(20,419)
Subtotal	91,571	112,000	(20,419)
Total	$172,580	$187,982	$(15,401)

Unlisted stocks in the amount of ¥237 million and ¥281 million ($2,508 thousand) as of March 31, 2015, and 2016, respectively, are not included in the table above since their market price is not readily available and it is extremely difficult to determine their fair value.

(2) Information on sale of available-for-sale securities for the fiscal years ended March 31, 2015 and 2016 is as follows:

	2015			2016		Millions of yen
	Proceeds from sales	Gains	Losses	Proceeds from sales	Gains	Losses
Stocks	¥22,684	¥12,094	¥—	¥3,340	¥972	¥0
Total	¥22,684	¥12,094	¥—	¥3,340	¥972	¥0

	Thousands of U.S. dollars (Note 1)		
	2016		
	Proceeds from sales	Gains	Losses
Stocks	$29,821	$8,678	$0
Total	$29,821	$8,678	$0

(3) When the fair value of investment securities declines by 30% to 50%, the Group recognizes an impairment loss after comprehensively evaluating the recoverability of the market price. For the fiscal year ended March 31, 2015, the Group recognized an impairment loss on available-for-sale securities but omitted its disclosure since the amount was immaterial. No significant impairment loss on investment securities was recognized for the fiscal year ended March 31, 2016.

8. DERIVATIVE TRANSACTIONS

For the fiscal years ended March 31, 2015 and 2016, the Group's derivative transactions were limited to interest rate swaps that qualified for hedge accounting and met the requirements for the special accounting treatment for interest rate swaps as described below. There were no derivative transactions for which hedge accounting was not applied.

Hedge accounting method: Special treatment for interest rate swaps
Type of derivative transactions: Interest rate swaps, receive floating / pay fixed
Hedged item: Long-term loans payable

2015			2016 (Millions of yen)			2016 (Thousands of U.S. dollars (Note 1))		
Contract amount			Contract amount			Contract amount		
Total	Due after one year	Fair value	Total	Due after one year	Fair value	Total	Due after one year	Fair value
¥17,000	¥17,000	*	¥27,000	¥22,000	*	$241,071	$196,428	*

* Interest rate swaps under the special accounting treatment are accounted for as an integral component of the long-term loans payable designated as hedged items. Thus, their fair value is included in that of long-term loans payable.

9. LEASES

(As a Lessee)

The Group capitalizes leased assets under finance leases that do not transfer ownership. These assets mainly consist of buildings and properties in connection with the Retailing and Store Operation segment and software.

The future minimum lease payments under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Within one year	¥ 3,960	¥ 4,782	$ 42,696
Over one year	18,469	25,136	224,428
Total	¥22,429	¥29,919	$267,133

(As a Lessor)

The future minimum lease receipts under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Within one year	¥ 3,452	¥ 7,049	$ 62,937
Over one year	8,859	9,485	84,687
Total	¥12,311	¥16,534	$147,625

10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable and current portion of long-term loans payable as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Short-term loans payable	¥39,339	¥33,324	$297,535
Current portion of long-term loans payable	17,500	15,000	133,928
Total	¥56,839	¥48,324	$431,464

Annual weighted-average interest rates of short-term loans payable were 0.42% and 0.36% and those of current portion of long-term loans payable were 0.88% and 0.42% for the fiscal years ended March 31, 2015 and 2016, respectively.

Annual weighted-average interest rates of commercial paper, due within a year, were 0.10% and 0.001% for the fiscal years ended March 31, 2015 and 2016, respectively.

Long-term debt as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
0.38% long-term loans from banks and others due through 2028, excluding current portion	¥109,000	¥191,000	$1,705,357
13th series unsecured 1.51% corporate bond, due 2017	10,000	10,000	89,285
16th series unsecured 1.01% corporate bond, due 2015	12,000	—	—
18th series unsecured 0.97% corporate bond, due 2017	10,000	10,000	89,285
19th series unsecured 0.58% corporate bond, due 2015	5,000	—	—
20th series unsecured 0.79% corporate bond, due 2017	10,000	10,000	89,285
21st series unsecured 0.57% corporate bond, due 2017	10,000	10,000	89,285
22nd series unsecured 0.85% corporate bond, due 2019	5,000	5,000	44,642
23rd series unsecured 0.342% corporate bond, due 2016	10,000	10,000	89,285
24th series unsecured 0.582% corporate bond, due 2018	10,000	10,000	89,285
25th series unsecured 0.344% corporate bond, due 2019	10,000	10,000	89,285
26th series unsecured 0.562% corporate bond, due 2021	10,000	10,000	89,285
27th series unsecured 0.337% corporate bond, due 2020	—	15,000	133,928
28th series unsecured 0.543% corporate bond, due 2022	—	10,000	89,285
Lease obligation	2,047	1,868	16,678
	213,047	302,868	2,704,178
Less: Current portion	17,178	30,149	269,187
Total	¥195,869	¥272,719	$2,434,991

The aggregate annual maturities of long-term debt subsequent to March 31, 2016, are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
Year ending March 31	Long-term loans payable	Bonds payable	Lease obligation	Long-term loans payable	Bonds payable	Lease obligation
2017	¥ 15,000	¥ 30,000	¥ 149	$ 133,928	$267,857	$ 1,330
2018	10,000	20,000	149	89,285	178,571	1,330
2019	31,000	10,000	149	276,785	89,285	1,330
2020	32,000	15,000	149	285,714	133,928	1,330
2021 and thereafter	118,000	35,000	1,272	1,053,571	312,500	11,357
Total	¥206,000	¥110,000	¥1,868	$1,839,285	$982,142	$16,678

11. DEFERRED TAX ACCOUNTING

Major components of deferred tax assets and deferred tax liabilities as of March 31, 2015 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Deferred tax assets:			
Depreciation	¥ 6,339	¥ 6,016	$ 53,714
Impairment loss	5,586	5,232	46,714
Provision for loss on interest repayment	4,478	2,114	18,875
Provision for point card certificates	1,624	2,291	20,455
Net operating loss carried forward	1,494	1,105	9,866
Net unrealized loss on non-current assets	1,372	1,357	12,116
Provision for bonuses	1,324	1,293	11,544
Other	6,055	4,990	44,553
Subtotal	28,275	24,403	217,883
Valuation allowance	(7,684)	(7,192)	(64,214)
Total deferred tax assets	¥20,590	¥17,210	$153,660
Deferred tax liabilities:			
Reserve for special account for advanced depreciation of non-current assets	¥ 8,737	¥ 8,523	$ 76,098
Valuation difference on available-for-sale securities	380	4	35
Other	197	350	3,125
Total deferred tax liabilities	¥ 9,315	¥ 8,877	$ 79,258
Deferred tax assets, net	¥11,275	¥ 8,332	$ 74,392

(Change in presentation)
As of March 31, 2016, the amount of allowance for doubtful account, which was previously shown as one of major components of deferred tax assets, became immaterial and was included in other. Accordingly, the allowance for doubtful accounts of ¥1,423 million as of March 31, 2015 was reclassified to other to conform to the classification used in 2016.

Income taxes consist of corporation, inhabitants' and enterprise taxes. Reconciliations between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income were as follows:

	2015	2016
Statutory tax rate	35.6%	33.1%
Adjustments:		
Permanent differences such as entertainment expenses, etc.	0.4	0.3
Permanent differences such as dividends	(0.3)	(0.1)
Change in valuation allowance	(4.7)	(0.8)
Inhabitants' tax	0.6	0.6
Adjustments due to changes in tax rate	1.9	0.4
Other	(0.4)	0.4
Effective tax rate	33.1%	33.9%

On March 29, 2016, amendments to the Japanese tax regulations were enacted in the Diet session. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 33.1% to 30.9% and 30.6%, respectively, as of March 31, 2016.

As a result of this change, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥110 million ($982 thousand), valuation difference on available-for-sale securities decreased by ¥6 million ($53 thousand) and income taxes–deferred increased by ¥104 million ($928 thousand) as of March 31, 2016.

12. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations recognized in the consolidated balance sheets

The Group's asset retirement obligations mainly include the cost of restoring the store sites to their original condition under the real estate lease contracts of stores. The Group calculated its asset retirement obligations by assuming the lease period as the expected period of use and applying discount rates of 0.00% to 1.38%.

Asset retirement obligations as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Beginning balance	¥549	¥635	$5,669
Increase due to acquisition of property and equipment	—	348	3,107
Increase due to change in estimate *1	87	80	714
Adjustments due to passage of time	2	2	17
Decrease due to fulfillment of obligation	(13)	(93)	(830)
Other increase (decrease)	9	—	—
Ending balance	¥635	¥974	$8,696

*1 The reasonable estimate of obligation became available for stores to be closed.

(2) Asset retirement obligations other than those recognized in the consolidated balance sheets

While the Group estimates asset retirement obligations based on the real estate lease contracts of stores, it is not possible to reasonably estimate the cost of restoring the store sites to their original condition under the general lease contracts since the period of use is not clearly determined. Therefore, the Group does not recognize the asset retirement obligations for stores other than those that are planning to be closed.

13. INVESTMENT AND RENTAL PROPERTY

Certain consolidated subsidiaries hold commercial properties, including land, for rental in the Tokyo metropolitan area and other areas. The net rental income in connection with these properties for the fiscal years ended March 31, 2015 and 2016, was ¥3,824 million and ¥5,320 million ($47,500 thousand), respectively. The rental income was included in revenue and the associated rental expenses were included in cost of sales and selling, general and administrative expenses. The carrying value and the fair value of such assets were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Carrying value *1:			
Beginning balance	¥32,285	¥32,367	$288,991
Changes during the year	81	12,873	114,937
Ending balance	¥32,367	¥45,240	$403,928
Fair value *2	¥66,959	¥95,079	$848,919

*1 Carrying value represents the amount on the consolidated balance sheets which is carried at the acquisition costs less the accumulated depreciation.
*2 Fair value is based on the appraised value provided by third-party real estate appraisers.

14. CONTINGENT LIABILITIES

The Group has commitments to guarantee customers' liabilities in relation to personal loans to individuals from financial institutions with which the Group has guarantee service arrangements.

As of March 31, 2015 and 2016, the amounts of the Group's guarantee obligations were ¥19,327 million and ¥23,018 million ($205,517 thousand), respectively.

15. NET ASSETS

Under the Companies Act of Japan ("the Act"), the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The Act provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (other than additional paid-in capital) and retained earnings (other than legal earnings reserve) be transferred to additional paid-in capital and the legal earnings reserve, respectively, until the total of additional paid-in capital and the legal earnings reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders' meeting, or by resolution of the Board of Directors if certain conditions are met.

Under the Act, additional paid-in capital and the legal earnings reserve may not be distributed as dividends; the Act allows all additional paid-in capital and all legal earnings reserve to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The following tables summarize the dividends paid for the fiscal years ended March 31, 2015 and 2016:

2015					
Resolution	Class of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on June 26, 2014	Common stock	¥2,463	¥9	March 31, 2014	June 27, 2014
Board of Directors' meeting held on November 6, 2014	Common stock	2,464	9	September 30, 2014	December 4, 2014

2016							
Resolution	Class of share	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars) (Note 1)	Dividend per share (Yen)	Dividend per share (U.S. dollars) (Note 1)	Record date	Effective date
Annual general meeting of shareholders held on June 25, 2015	Common stock	¥2,630	$23,482	¥10	$0.08	March 31, 2015	June 26, 2015
Board of Directors' meeting held on November 6, 2015	Common stock	2,761	24,651	11	0.09	September 30, 2015	December 4, 2015

Dividends with a record date during the fiscal year ended March 31, 2016, but with an effective date subsequent to the fiscal year ended March 31, 2016, were as follows:

Resolution	Class of share	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars) (Note 1)	Source	Dividend per share (Yen)	Dividend per share (U.S. dollars) (Note 1)	Record date	Effective date
Annual general meeting of shareholders held on June 29, 2016	Common stock	¥2,666	$23,803	Retained earnings	¥11	$0.09	March 31, 2016	June 30, 2016

16. COST OF SALES

For the fiscal years ended March 31, 2015 and 2016, cost of sales included the revaluation loss on inventories in the amounts of ¥43 million and ¥94 million ($839 thousand), respectively.

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Advertisement	¥ 14,781	¥ 13,941	$ 124,473
Provision for point card certificates	4,590	6,586	58,803
Provision for allowance for doubtful accounts	7,748	7,289	65,080
Salaries and allowances	33,165	32,770	292,589
Provision for bonuses	3,533	3,513	31,366
Rent	15,775	15,782	140,910
Depreciation and amortization	9,165	8,614	76,910
Other	42,647	41,920	374,285
	¥131,406	¥130,419	$1,164,455

18. LOSS ON RETIREMENT OF PROPERTY AND EQUIPMENT

Loss on retirement of property and equipment for the fiscal years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Buildings and structures	¥ 515	¥ 546	$ 4,875
Furniture and fixtures	582	1,374	12,267
	¥1,097	¥1,920	$17,142

19. IMPAIRMENT LOSS

For the fiscal year ended March 31, 2016, the amount of impairment loss was immaterial and the disclosure was omitted.
An impairment loss recognized for the fiscal year ended March 31, 2015 was included in *other, net* under non-operating income (expenses) on the consolidated statements of income and *other, net* under cash flows from operating activities on the consolidated statement of cash flows. The details are as follows:

Use	Location	Type of assets	Millions of yen
Stores, etc.	Kyoto Marui	Buildings and structures	¥1,787
	Kyoto City, Kyoto	Other	71
		Total	¥1,859

The Group has grouped its fixed assets by either store or rental property, which are the minimum cash-generating units. The carrying value of each asset group is written down to its respective recoverable amount and in doing so is recognized as an impairment loss.

The Group estimated the recoverable amount of each asset group based on value in use or fair value less costs to sell. If a store reports continuous operating losses, the Group evaluates that the value in use of the store is zero since positive cash flows cannot be expected in the future. If a store is planned to be closed, the Group evaluates that the fair value less costs to sell is zero.

Notes to Consolidated Financial Statements

20. COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥ 5,473	¥(2,117)	$(18,901)
Reclassification adjustments	(12,094)	(972)	(8,678)
Before tax effect adjustment	(6,621)	(3,089)	(27,580)
Tax effect	1,827	491	4,383
Valuation difference on available-for-sale securities	(4,794)	(2,598)	(23,196)
Total other comprehensive income	¥ (4,794)	¥(2,598)	$(23,196)

21. CASH FLOW STATEMENTS

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash and deposits	¥31,240	¥32,586	$290,946
Time deposits with maturity in excess of three months	(11)	(11)	(98)
Cash and cash equivalents	¥31,229	¥32,575	$290,848

22. SUBSCRIPTION RIGHTS TO SHARES

For the fiscal years ended March 31, 2015 and 2016, the amounts of costs incurred for subscription rights to shares ("stock options") were ¥36 million and ¥50 million ($446 thousand), respectively, and were included in selling, general and administrative expenses.

The outline of stock options of the Company is as follows:

	2013	2014	2015	2016
Date of resolution	June 27, 2012	June 26, 2013	June 26, 2014	June 25, 2015
Title and number of grantee	7 Directors and 5 Executive Officers of the Company	7 Directors and 5 Executive Officers of the Company	8 Directors and 5 Executive Officers of the Company	4 Directors and 12 Executive Officers of the Company
Type and number of shares to be issued upon exercise of stock options	Common stock 52,000 shares	Common stock 38,400 shares	Common stock 43,500 shares	Common stock 32,000 shares
Granted date	August 3, 2012	July 11, 2013	July 11, 2014	July 10, 2015
Vesting conditions	No provision	No provision	No provision	No provision
Eligible service period	No provision	No provision	No provision	No provision
Exercise period	From April 1, 2013 to March 31, 2023	From April 1, 2014 to March 31, 2024	From April 1, 2015 to March 31, 2025	From April 1, 2016 to March 31, 2026

The following table describes the scale and changes in stock options that existed during the fiscal year ended March 31, 2016. The number of stock options is translated into the number of shares.

Number of shares

	2013	2014	2015	2016
Before vested:				
As of March 31, 2015	—	—	—	—
Granted	—	—	—	32,000
Forfeited	—	—	—	—
Vested	—	—	—	32,000
As of March 31, 2016	—	—	—	—
After vested:				
As of March 31, 2015	2,600	2,000	43,500	—
Vested	—	—	—	32,000
Exercised	—	2,000	41,400	—
Forfeited	—	—	—	—
As of March 31, 2016	2,600	—	2,100	32,000

	Yen	U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)	Yen	U.S. dollars (Note 1)
Exercise price	¥ 1	$0.008	¥ 1	$0.008	¥ 1	$0.008	¥ 1	$0.008
Average exercise price	—	—	1,546	13.80	1,434	12.80	—	—
Fair value at granted date	485	4.33	1,007	8.99	844	7.53	1,589	14.18

The Black-Scholes option-pricing model is applied to estimate the fair value of stock options granted for the fiscal year ended March 31, 2016, based on the following assumptions.

Expected volatility *1	32.943%
Expected holding period *2	5.7 years
Expected dividend *3	¥19 ($0.16) per share
Risk-free rate *4	0.125%

*1 It is estimated based on the share price over the period corresponding to the expected holding period.
*2 It is estimated based on the assumption that stock options are exercised at the middle of the exercise period.
*3 It is based on the dividends for the fiscal year ended March 31, 2015.
*4 It is the average yield on government bonds for the period that corresponds to the remaining life of the stock option.

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, the number of stock options that were forfeited is shown as the number of vested options.

23. SEGMENT INFORMATION

(1) Overview of reportable segments

The Group defines its reportable segments as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the Board of Directors to make decisions about how resources are to be allocated among the Group and assess their performance.

The Group consists of the following three reportable segments identified by products and services: "Retailing and Store Operation," "Credit Card Services," and "Retailing-Related Services."

The Retailing and Store Operation segment engages in retailing operations of clothes and accessories and management of commercial property rental. The Credit Card Services segment engages in the credit card services, the consumer loans, and the rent payment guarantee businesses. The Retailing-Related Services segment engages in businesses such as store design, advertising, apparel distribution, IT systems, maintenance and management of buildings and other facilities, and real estate rental.

(2) Basis of measurement for the amounts of segment revenue, segment income or loss, segment assets, and other items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES."

Segment income is measured on the basis of operating income. Intersegment sales and transfers are accounted for based on the prevailing market price.

Millions of yen

	2015					
	Reportable segment					
	Retailing and Store Operation	Credit Card Services	Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	¥147,593	¥ 68,436	¥33,816	¥249,847	¥ —	¥249,847
Intersegment	4,918	2,186	22,332	29,437	(29,437)	—
Total	¥152,511	¥ 70,623	¥56,149	¥279,284	¥(29,437)	¥249,847
Segment income	¥ 8,074	¥ 20,126	¥ 3,333	¥ 31,535	¥ (3,492)	¥ 28,042
Segment assets	¥239,592	¥385,466	¥64,944	¥690,003	¥(14,376)	¥675,627
Other items:						
Depreciation and amortization	¥ 6,976	¥ 1,223	¥ 1,869	¥ 10,070	¥ 226	¥ 10,296
Increase in property and equipment and intangible assets	6,280	1,710	2,208	10,198	(412)	9,786

*1 Adjustment to segment income consists of intersegment elimination of ¥1,602 million and corporate expenses of ¥(5,095) million that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(224,929) million and corporate assets of ¥213,560 million, which mainly present the Company's loans in connection with the Group's cash management system.
*2 Segment income is reconciled to operating income on the consolidated statements of income.

Millions of yen

	2016					
	Reportable segment					
	Retailing and Store Operation	Credit Card Services	Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	¥134,263	¥ 74,323	¥37,279	¥245,867	¥ —	¥245,867
Intersegment	4,543	2,123	21,362	28,029	(28,029)	—
Total	¥138,807	¥ 76,446	¥58,642	¥273,896	¥(28,029)	¥245,867
Segment income	¥ 7,856	¥ 22,186	¥ 3,674	¥ 33,717	¥ (4,101)	¥ 29,615
Segment assets	¥246,622	¥441,748	¥66,261	¥754,633	¥(24,507)	¥730,126
Other items:						
Depreciation and amortization	¥ 6,500	¥ 1,301	¥ 1,881	¥ 9,683	¥ (12)	¥ 9,670
Increase in property and equipment and intangible assets	9,700	1,374	2,048	13,124	(684)	12,439

Thousands of U.S. dollars (Note 1)

	2016					
	Reportable segment					
	Retailing and Store Operation	Credit Card Services	Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	$1,198,776	$ 663,598	$332,848	$2,195,241	$ —	$2,195,241
Intersegment	40,562	18,955	190,732	250,258	(250,258)	—
Total	$1,239,348	$ 682,553	$523,589	$2,445,500	$(250,258)	$2,195,241
Segment income	$ 70,142	$ 198,089	$ 32,803	$ 301,044	$ (36,616)	$ 264,419
Segment assets	$2,201,982	$3,944,178	$591,616	$6,737,794	$(218,812)	$6,518,982
Other items:						
Depreciation and amortization	$ 58,035	$ 11,616	$ 16,794	$ 86,455	$ (107)	$ 86,339
Increase in property and equipment and intangible assets	86,607	12,267	18,285	117,178	(6,107)	111,062

*1 Adjustment to segment income consists of intersegment elimination of ¥1,571 million ($14,026 thousand) and corporate expenses of ¥(5,673) million ($(50,651) thousand) that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(290,641) million ($(2,595,008) thousand) and corporate assets of ¥269,384 million ($2,405,214 thousand), which mainly present the Company's loans in connection with the Group's cash management system.

*2 Segment income is reconciled to operating income on the consolidated statements of income.

Change in reportable segments

As stated in Note 3, "CHANGES IN ACCOUNTING POLICIES," effective from the fiscal year ended March 31, 2016, the Group retroactively adopted to change the revenue recognition of sales under a sale or return arrangement. The account name was changed from "Total operating revenues" to "Revenue" on the consolidated statements of income. From this change, revenue from outside customers in Retailing and Store Operation decreased by ¥155,100 million ($1,384,821 thousand), compared with those recognized under the previous application. There was no impact on segment income.

Disclosures on related information with regard to the concentration of products and services, location, and major customers have been omitted since there was no relevant information to be disclosed.

For the fiscal years ended March 31, 2015 and 2016, an impairment loss of ¥1,859 million and ¥107 million ($955 thousand), respectively, was reported by the Retailing and Store Operation segment.

24. RELATED PARTY INFORMATION

Related party information where directors and their close relatives substantially own a majority of the voting rights is as follows:

2015									
Name of the company	Location	Capital (Millions of yen)	Business	Voting rights	Relationship	Transaction	Amount (Millions of yen)	Account name	Balance (Millions of yen)
Nakano Co., Ltd.	Shinjuku, Tokyo	¥10	Real estate rental	Direct 0.9%	Property rental Concurrent position as director	Property rental	¥42	Leasehold and other deposits	¥ 41
								Other current liabilities	1
Seiwa Kogyo Co., Ltd.	Shinjuku, Tokyo	10	Real estate rental	Direct 0.5%	Property rental Concurrent position as director	Property rental-stores	44	Leasehold and other deposits	191

The monetary amounts above do not include consumption taxes. Terms and conditions for rental agreements are determined similarly to those of third-party transactions.

2016									
Name of the company	Location	Capital (Millions of yen)	Business	Voting rights	Relationship	Transaction	Amount (Millions of yen)	Account name	Balance (Millions of yen)
Nakano Co., Ltd.	Shinjuku, Tokyo	¥10 ($89 thousand) (Note 1)	Real estate rental	Direct 0.9%	Property rental Concurrent position as director	Property rental	¥42 ($375 thousand) (Note 1)	Leasehold and other deposits	¥41 ($366 thousand) (Note 1)
								Other current liabilities	1 ($8 thousand) (Note 1)
Seiwa Kogyo Co., Ltd.	Shinjuku, Tokyo	10 ($89 thousand) (Note 1)	Real estate rental	Direct 0.7%	Property rental Concurrent position as director	Property rental-stores	42 ($375 thousand) (Note 1)	Leasehold and other deposits	191 ($1,705 thousand) (Note 1)

The monetary amounts above do not include consumption taxes. Terms and conditions for rental agreements are determined similarly to those of third-party transactions.

25. PER SHARE INFORMATION

Net income per share, both basic and diluted, for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Yen		U.S. dollars (Note 1)
	2015	2016	2016
Net income per share	¥58.87	¥70.68	$0.63
Diluted net income per share	58.86	70.67	0.63

	Thousands of shares	
	2015	2016
Weighted-average number of outstanding shares	272,430	251,434
Diluted shares:		
Assumed exercise of stock options	48	27

Net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of outstanding shares.

26. SUBSEQUENT EVENT

At the Board of Directors' meeting held on May 12, 2016, the Company resolved to acquire treasury stock in accordance with Article 156 of the Companies Act as applied with relevant changes in interpretation pursuant to the provisions of Article 165, paragraph (3).

Reason for acquisition
Based on the medium-term business plan to be achieved by the fiscal year ending March 2021, the Group aims to achieve profitable growth by innovating group business and integrating operations in light of potential changes in the business environment. As its financial strategy, the Group will effectively utilize basic operating cash flows that will be generated in the next five years in order to optimize capital structure for the business; thus, the Group will enhance investment growth and shareholder return. The Group will improve its corporate value by achieving the following targets: an ROE of 10%, an ROIC of 4%, and an EPS of ¥130 as early as possible.

Based on these Group strategies, following the acquisition of treasury stock in the total amount of ¥15,000 million ($133,928 thousand) in the fiscal year ended March 31, 2015 and ¥35,000 million ($312,500 thousand) in the fiscal year ended March 31, 2016, the Company resolved to acquire treasury stock as follows:

(i) Class of shares	Common stock
(ii) Maximum number of shares to acquire	10 million shares (4.13% of total outstanding shares)
(iii) Maximum amount for acquisition	¥15,000 million ($133,928 thousand)
(iv) Acquisition period	From May 13, 2016 to September 30, 2016

KPMG

Independent Auditor's Report

To the Board of Directors of MARUI GROUP CO., LTD.:

We have audited the accompanying consolidated financial statements of MARUI GROUP CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MARUI GROUP CO., LTD. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describes MARUI GROUP CO., LTD. and its consolidated subsidiaries previously recognized revenue from a sale or return arrangement with tenants by recording both operating revenues and cost of sales, and changed its accounting treatment to recognize a profit, net of cost of sales, as revenue effective from the fiscal year ended March 31, 2016.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 26, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Overview of MARUI GROUP

As of March 31, 2016

Company Overview

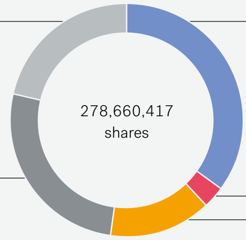
Name	MARUI GROUP CO., LTD.
Head office	3-2, Nakano 4-chome, Nakano-ku, Tokyo 164-8701, Japan
Date of foundation	February 17, 1931
Date of establishment	March 30, 1937
Capital	¥35,920 million
Business activities	Corporate planning and management for Group companies conducting Retailing and Store Operation, 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 m²
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



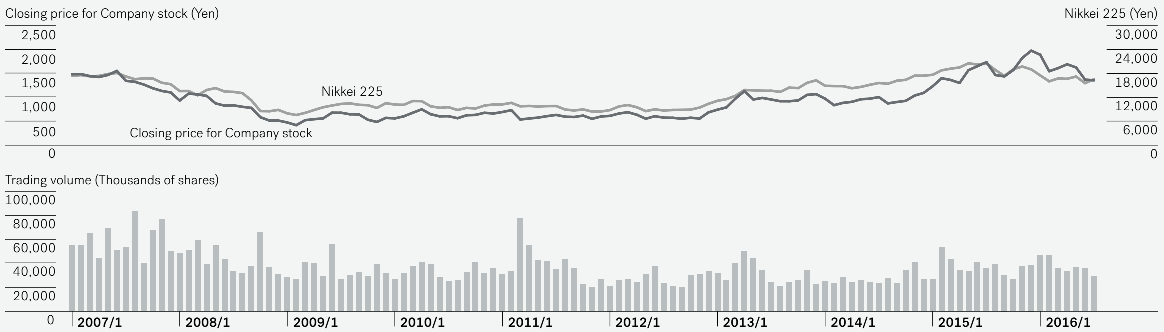
*2 Individuals and others includes 36,270,334 shares of treasury stock.

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



INFORMATION

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

Keiki wo Shikaketa Otoko, a Novel about MARUI Founder Chuji Aoi

Yuzuru Demachi, who, like Chuji Aoi, hails from Toyama Prefecture, wrote a novel entitled *Keiki wo Shikaketa Otoko* ("The Man Who Built the Economy") about MARUI's founder. The novel was published by Gentosha in August 2015, 70 years after the end of World War II and 40 years since the passing of founder Aoi. It chronicles the countless ordeals Aoi overcame on his odyssey, beginning with his ambitious move from Toyama to Tokyo and the strict training he underwent at Maruni Shokai. Later, the book details the founding of MARUI, the struggles to rebuild the Company after the war, and the turmoil experienced within the Company. This novel also provides a memorable account of Aoi's wife Tazuko and how she supported her husband throughout his life, which was devoted to his business.

MARUI founder Chuji Aoi

Written by Yuzuru Demachi, published by Gentosha Inc.

MARUI GROUP Websites

MARUI GROUP CO., LTD.

Corporate and IR information
www.0101maruigroup.co.jp/english.html

Retailing Business

Marui store and product information
www.0101.co.jp.e.ex.hp.transer.com

MARUI Internet shopping web channel (Japanese only)
voi.0101.co.jp

FinTech Business

Epos Card Co., Ltd. (Japanese only)
www.eposcard.co.jp

From the Chief Editor

MARUI GROUP began publishing co-creation management reports in 2015 to function as tools for facilitating communication with stakeholders and for deepening understanding of the Group's management and business.

In compiling this second report, *Co-Creation Management Report 2016*, we once again engaged in an ongoing process of discussion among members of a project team consisting of President Hiroshi Aoi and key members from the Corporate Planning Division, the IR Department, the Financial Department, the General Affairs Department, and the CSR Promotion Department. In addition, we incorporated the various opinions and requests received based on the previous report over the past year in order to make this year's report even more valuable to readers.

One major theme of this year's report was co-creation with stakeholders. Based on this theme, we took a different approach from the previous year, choosing to include discussions with stakeholders in various sections throughout the report. In addition, we focused on our initiatives in Kyushu, which proved to be representative examples of MARUI GROUP's co-creation management. Accordingly, we had many of the customers who participated in the development of Hakata Marui and who went shopping at the store after its opening appear in the report. I thank each and every one of these individuals for their willingness to be photographed for this report.

Our co-creation management reports are meant to provide a platform for expanding the scope of co-creation activities through communication with all of the Group's stakeholders. We recognize that there is still much room for improvement with regard to these reports. We therefore hope to gather input on how to make these reports better through our future interactions with stakeholders so that MARUI GROUP's co-creation management reports can continue to evolve.

I look forward to your ongoing support of MARUI GROUP.

Shin Sakamoto

Chief Editor of Co-Creation Management Reports
General Manager, Public Relations Office, General Affairs Department,
MARUI GROUP CO., LTD.

Contact

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Please contact the Public Relations Office in the General Affairs Department for inquiries about corporate information, the IR Section in the IR Department for inquiries about IR and financial information, and the General Affairs Section in the General Affairs Department for inquiries about stock-related information