

Corporate Governance: Emphasizing Corporate Value

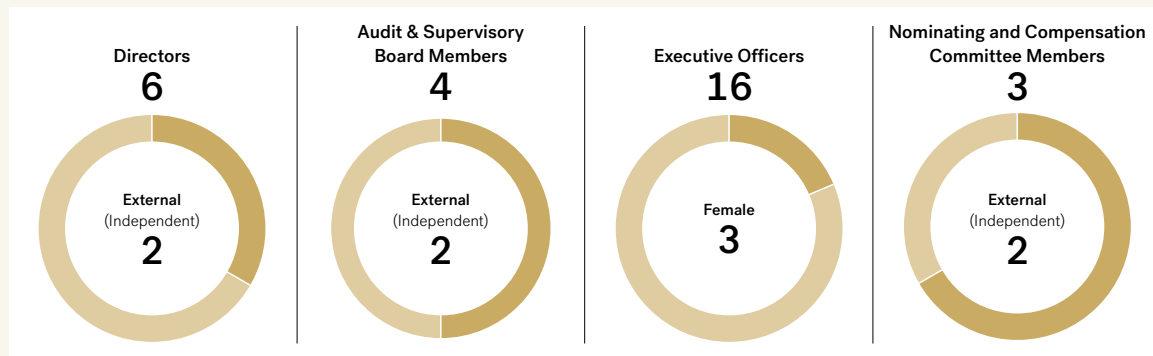
MARUI GROUP's corporate philosophy calls for us to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." Accordingly, we support the passion of all employees to aid our customers to create a virtuous cycle in which the growth of 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, <i>Co-Creation Management Report 2015</i>; 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 <i>Institutional Investor</i>	
	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 <i>Co-Creation CSR Report 2015</i>, focusing on our connections with local communities and the greater society; English-language digest published in February 2016	
	Dec.	Held explanatory forum on <i>Co-Creation Management Report 2015</i> MARUI GROUP held its first integrated report explanatory forum on <i>Co-Creation Management Report 2015</i> for institutional investors, analysts, and members of the press to facilitate 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 <ul style="list-style-type: none">· 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 <ul style="list-style-type: none">· Lack of successor development programs ^①· Failure to link director compensation to medium-to-long-term performance ^②
	May	① 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.	② 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**

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.



Hirotsugu Kato

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