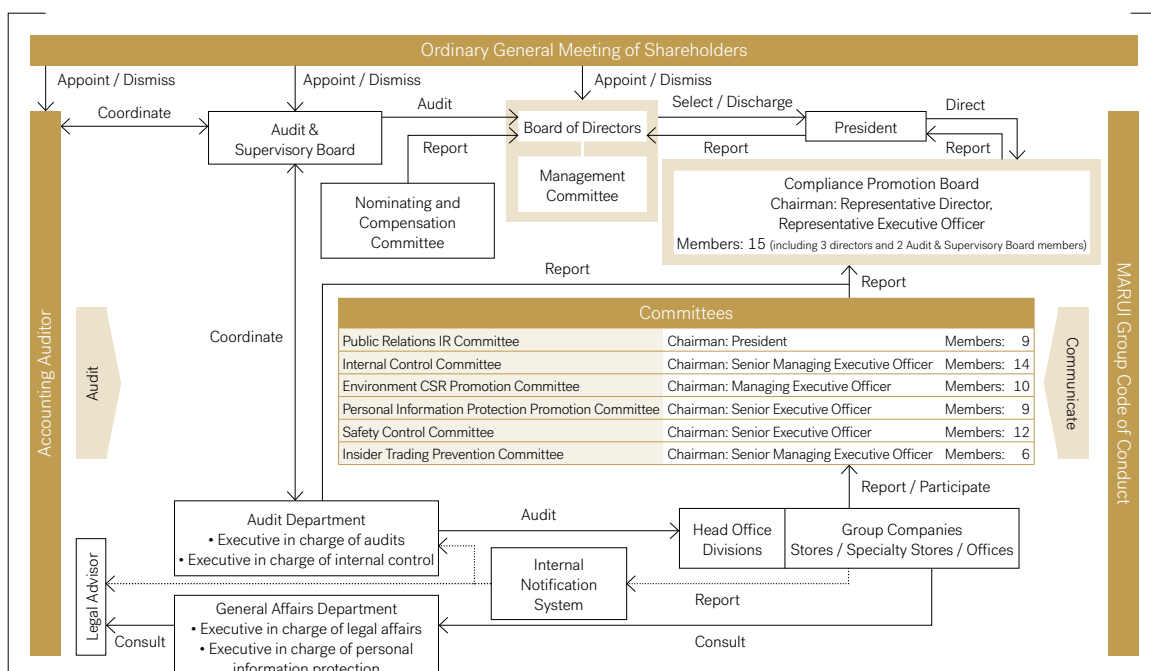
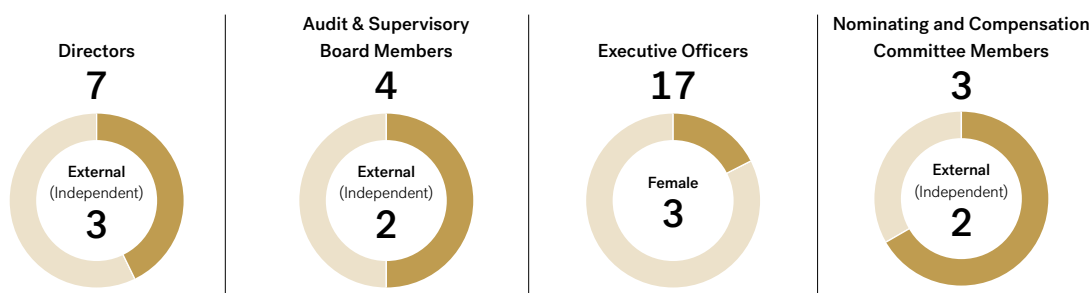


## Corporate Governance: Emphasizing Corporate Value

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 employees to aid customers to create a virtuous cycle in which the growth of employees and the Company are reciprocally linked in order to improve corporate value. Reinforcing corporate governance is thus a top priority. We endeavor to practice sound, transparent, and efficient management to heighten earnings capacity.

In addition to its Board of Directors and Audit & Supervisory Board, MARUI GROUP has established the Management Committee, the highest decision-making body; the Nominating and Compensation Committee; six committees that manage business risks, promote speedy process improvements, and prevent accidents; and the Compliance Promotion Board, which oversees these committees.



Evaluations of the Board of Directors’ Effectiveness

The Company has been performing annual evaluations of the Board of Directors’ effectiveness since the fiscal year ended March 31, 2016, with the aim of improving the effectiveness of the Board of Directors. In these evaluations, all directors and Audit & Supervisory Board members complete a self-evaluation survey of the effectiveness of the Board of Directors with regard to such aspects as the scale and composition of the Board of Directors, operating procedures, decision-making processes, and roles and responsibilities. Based on the results of this survey, information on the current evaluation of the Board of Directors and the issues it faces are shared and constructive discussions are held in order to formulate measures for the future. In the fiscal year ended March 31, 2017, the evaluation found the Board of Directors to be functioning effectively, as was also the case in the fiscal year ended March 31, 2016.

Results of Effectiveness Evaluation from the Fiscal Year Ended March 31, 2016

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

- 1 Failure to link director compensation to medium-to-long-term performance
- 2 Lack of successor development programs

Response to Issue 1

**In June 2016**, director compensation systems were revised to increase the portion of variable compensation through the introduction of performance-linked stock-based compensation to serve as medium-to-long-term incentives and performance-linked bonuses to serve as short-term incentives.

Response to Issue 2

**In May 2016**, the Nominating and Compensation Committee was established with external directors serving as its primary members. This committee discusses director nomination and management compensation to ensure objectivity and transparency in this regard.  
**In April 2017**, a future leader development program was instituted, based in part on input received from external directors, and the Co-Creation Management Academy program was launched.

Results of Effectiveness Evaluation from the Fiscal Year Ended March 31, 2017

Issues and Future Measures

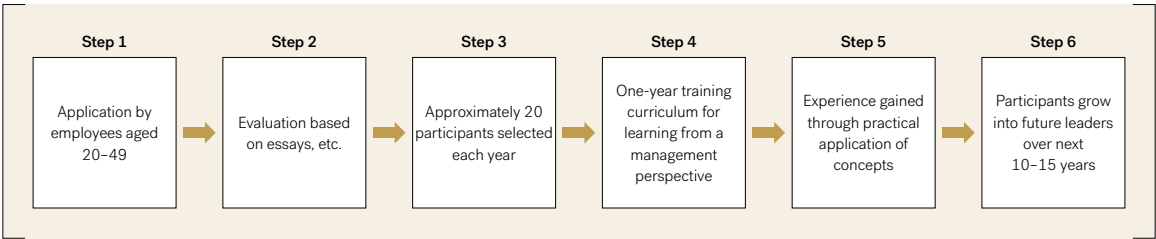
- After the June 2016 revision of compensation systems, a third-party evaluation was conducted, which found that the portion of variable compensation was low in comparison to other companies. The Company is engaged in ongoing examinations of compensation ratios based on social trends with the aim of effectively linking director compensation to medium-to-long-term improvements in corporate value.
- The future leader development program was only just introduced in April 2017 and is therefore not yet complete in terms of development provisions or implementation procedures. The Company will continue to adjust this program while seeking out the ideal form for development provisions, including future positioning and promotions, as well as for implementation procedures from a medium-to-long-term perspective.

Future Leader Development Program

MARUI GROUP unveiled its Co-Creation Management Academy future leader development program in April 2017 with the aim of cultivating human resources capable of promoting management reforms for driving ongoing improvements in corporate value. This program is based on open application, and each year 20 candidates are selected from among volunteers. Those selected are submitted to a one-year training curriculum developed under the guidance of third-party institutions and external directors to instill in them a management perspective. Participants continue to be nurtured into future leaders through their actual work even after the program is completed.



Name	Co-Creation Management Academy
Aims	<ul style="list-style-type: none"><li>• Cultivate future leaders capable of supporting MARUI GROUP’s management into the future</li><li>• Foster fundamental leadership skills including basic thinking, strategy forming, and project management</li><li>• Help participants form their own visions so that they can exercise leadership in guiding the organization</li><li>• Promote cross-organizational networking and endow perspectives emphasizing overall optimization</li><li>• Create community of program participants through follow-up monitoring of participants beginning from the following fiscal year after they complete the program</li><li>• Encourage participants to seek internal and external learning opportunities in fields other than those in which they generally work to broaden their perspectives and foster resourcefulness</li></ul>
Applicable ages	20–49
Guidance	Mikiharu Noma, Associate Professor Graduate School of International Corporate Strategy, Hitotsubashi University External directors of MARUI GROUP



**Mikiharu Noma**  
Associate Professor,  
Graduate School of  
International Corporate Strategy,  
Hitotsubashi University

Medium-to-Long-Term Development of Human Resources—A Wellspring of Corporate Value





The goal of the Co-Creation Management Academy is to cultivate future leaders for MARUI GROUP. The first group of participants in this program consisted of 21 members, eight of whom were women, and these members were of all ages and of diverse perspectives. Also, a number of these individuals excelled at adopting a perspective focused on overall optimization, as opposed to individual optimization, which was most likely a product of MARUI GROUP’s program for relocation at Group companies. Moreover, the participants had a strong sense of responsibility fueling a passion to contribute to the future of management. When formulating the curriculum for the Co-Creation Management Academy, I focused on two main points. The first point was to broaden participants’ knowledge while elevating their viewpoint to the level required of management. The second point was to hold in-depth discussions on how to respond to new industrial revolutions, FinTech, and other disruptive innovations. Over the period of one year, participants were submitted to an ongoing process of input, which included reviews of case studies, discussions with leaders, and identification of issues faced by MARUI GROUP, and reflection. The medium-to-long-term development of human resources forms a wellspring of corporate value. I look forward to seeing the fledglings from the Co-Creation Management Academy come to soar as future leaders, and I am confident in their ability to do so.

Discontinuation of Takeover Defense Measures

At the Ordinary General Meeting of Shareholders held in June 2008, the Company received approval to implement takeover defense measures. These measures were later discontinued at the Ordinary General Meeting of Shareholders held in June 2017. This decision was made based on trends regarding recent takeover defense measures as well as the results of discussions with institutional investors and other domestic and overseas shareholders. In light of these exchanges, it was judged that the discontinuation of these measures would facilitate efforts to contribute to the common interests of the shareholders of the Company by strengthening corporate governance, advancing the medium-term management plan, and further improving corporate value.

Establishment of an Advisory Board

In July 2016, the Advisory Board was established to formulate strategies for accomplishing the goals of the medium-term management plan and for realizing medium-to-long-term improvements to corporate value. We welcomed one new member to this committee in July 2017, raising the total number of members to four. The purpose of the Advisory Board is to enable MARUI GROUP to receive multifaceted advice and proposals from external experts with insight into business strategies and various business areas. We anticipate that such advice will be a powerful asset in the Groupwide pursuit of improved corporate value as we seek to address the rapidly changing operating environment and the diversifying society. Regular monthly meetings of the Advisory Board are held, at which representatives from relevant areas attend, and advice is also sought on specific themes.

Advisory Board Members	Area of Specialty and Past Activities
<div></div> <div>Tadasu Ohe President, PLANTEC ASSOCIATES INC.</div>	Mr. Tadasu Ohe graduated from the Graduate School of Engineering at the University of Tokyo and also completed a Master's course at this university. After working at the architecture firm of Kiyonori Kikutake, he established PLANTEC ARCHITECTS INC. in 1985. Mr. Ohe provides MARUI GROUP with store renovation and distribution center environment improvement proposals to help the Company better utilize its real estate from the user's perspective.
<div></div> <div>Masakazu Masujima Partner, Mori Hamada &amp; Matsumoto</div>	Mr. Masakazu Masujima graduated from the Faculty of Law at the University of Tokyo and from Columbia Law School. He has held positions at the Palo Alto office of Wilson Sonsini Goodrich & Rosati P.C., in the Supervisory Bureau of the Financial Services Agency, in Blockchain Study Group of the Ministry of Economy, Trade and Industry, and in the Review Committee for the Sharing Economy of the National Strategy Office of Information and Communications Technology. Mr. Masujima provides MARUI GROUP with advice in relation to the development of the FinTech business. →P.48 Dialogue 02
<div></div> <div>Yuji Yamamoto Physician Representative Director, MinaCare Co., Ltd.</div>	Dr. Yuji Yamamoto graduated from the Faculty of Medicine at the University of Tokyo in 1999, after which he worked in cardiovascular medicine and other departments. He is certified by The Japanese Society of Internal Medicine and the Japan Medical Association. Today, Dr. Yamamoto fulfills his current role while also acting as a researcher at Sony Computer Science Laboratories, Inc. He helps MARUI GROUP analyze the relationship between health and productivity as part of its healthcare management efforts while also offering guidance on how to be included in healthcare management-related indexes. →P.64 Dialogue 03
<div></div> <div>Meyumi Yamada (New) Executive Director, Chief Quality Officer, istyle Inc.</div>	Ms. Meyumi Yamada graduated from the Department of Biological Science and Technology at Tokyo University of Science. She first gained experience at a cosmetics manufacturer. Building upon the cosmetics e-mail magazine that she had been distributing personally, Ms. Yamada drafted plans for @cosme, Japan's largest cosmetics and beauty information website, in 1999, and took part in starting up its website. She has also been a member of consumption- and Internet-related committees under the Ministry of Economy, Trade and Industry. Ms. Yamada provides MARUI GROUP with advice on omni-channel retailing strategies from a woman's perspective.

Engagement with Stakeholders

MARUI GROUP views corporate value as the intersection between the interests and happiness of all stakeholders. The Company's policy of co-creation management is also extended to corporate governance as we practice constructive engagement with all stakeholders.

Co-Creation with Customers	Co-Creation with Shareholders and Other Investors	
<p>The planning meetings we hold with customers are not just a venue for soliciting customer feedback; they are a co-creation activity that invites customers to take part in the value creation process for developing stores and products that all customers choose.</p> <div></div> <div>Planning Meetings Held with Customers</div> <div>More Than <b>600</b></div> <div>For planning Hakata Marui</div>	<p>Through coordination between the IR Department and the ESG Promotion Department, MARUI GROUP has been enhancing communication with investors and stepping up information disclosure. These initiatives have earned the Company praise, with it receiving various awards and being included in numerous indexes.</p> <div></div> <div>Institutional Investors Met with</div> <div>Approx. <b>300</b></div> <div>Fiscal year ended March 31, 2017</div>	
Co-Creation with Business Partners	Co-Creation with Employees	Co-Creation with Communities and Society
<p>The Marui Group Procurement Policy was formulated in 2016, and we conduct surveys and on-site investigations together with business partners to ensure a stable supply of products and confirm partners' human rights and work environment initiatives.</p> <div></div> <div>Business Partners Participating in Explanatory Forums</div> <div>Approx. <b>100</b></div> <div>Fiscal year ended March 31, 2016</div>	<p>Our intra-Group project teams, including the Diversity Project Team, Marui Future Project Team, Healthcare Promotion Project, Medium-Term Management Visionary Committee, and other such forums, provide opportunities for employees to discuss and share thoughts with individuals from other companies.</p> <div></div> <div>Employees Participating in Intra-Group Project Teams</div> <div>Approx. <b>320</b></div> <div>Fiscal year ended March 31, 2017</div>	<p>MARUI GROUP is engaged in co-creation activities with society. It participated in the TOKYO RAINBOW PRIDE 2017 LGBT pride event and held an event that utilized the anime series <i>Osomatsu-san</i>. We aim to increase the number of EPOS card collaboration partners.</p> <div></div> <div>Number of Visitors Attending TOKYO RAINBOW PRIDE 2017</div> <div><b>100,000</b></div> <div>May 7-8, 2017</div>

Sustainability Management

As it seeks to provide enriching lifestyles to all customers, MARUI GROUP is turning its attention to inclusion. One of the core concepts of the United Nations Sustainable Development Goals, which have been adopted by Japan and 192 other countries around the world, is the idea that no one will be left behind, an inherently inclusion-based sentiment. This concept is the same as directives of MARUI GROUP’s management. We seek to promote inclusion through our business activities by conducting co-creation together with all of our stakeholders. This is the way we will go about creating an inclusive society that offers happiness to all.

To reinforce the management systems for supporting these efforts, we established the ESG Promotion Department in October 2016 and changed the name of the CSR Promotion Department, which was initially created in 2005, to the Sustainability Department in April 2017.

Core Theme 1

Customer Diversity and Inclusion

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



Core Theme 2

Workplace Inclusion

Based on MARUI GROUP’s corporate philosophy of striving to “continue evolving to better aid our customers” and “equate the development of our people with the development of our company,” we will provide all employees with venues through which they can excel.



Core Theme 3

Ecological Inclusion

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



Core Theme 4

Co-Creation Corporate Governance

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



Process for Establishing Core Themes

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

More details on initiatives based on core themes can be found on the Company’s sustainability website, which was renovated on July 1, 2017.  
www.0101maruigroup.co.jp/en/sustainability/

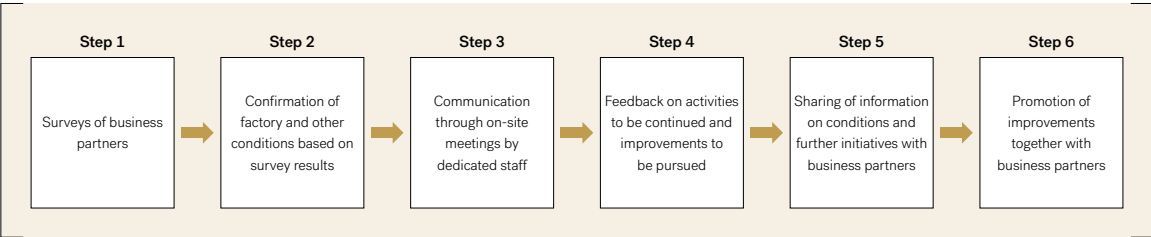
Responsible Procurement Practiced Together with Business Partners

The MARUI GROUP Procurement Policy was formulated in 2016. A step ahead of the announcement of this policy, the Company held an explanatory forum for roughly 100 business partners related to its private brands. At this explanatory forum, we discussed the importance of addressing human rights, labor, and other issues across the supply chain, explaining MARUI GROUP’s policies in this regard while using actual cases. Business partners participating in the forum expressed their understanding of our stance.

In 2017, we began conducting surveys and on-site audits of business partners with regard to initiatives regarding the supply and procurement of safe and trustworthy products as well as human rights, labor, and other



issues. On-site audits involve meetings with dedicated staff from the Sustainability Department as well as inspections at the domestic and overseas factories of manufacturing subcontractors. Through these inspections, we confirm the environmental measures and working conditions at these factories.

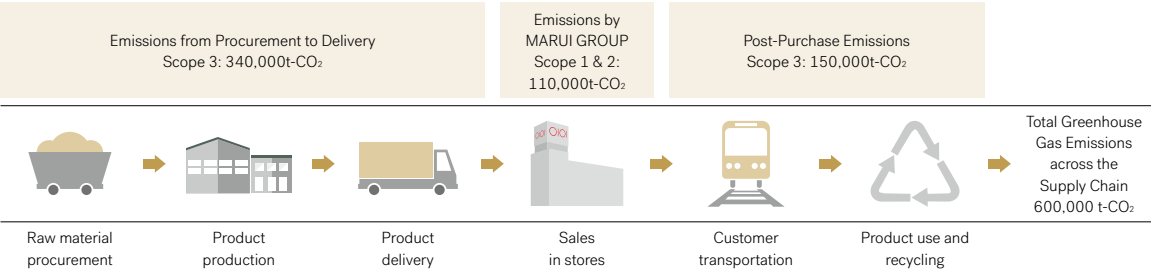


Tracking of Environmental Footprint across the Value Chain

The Company has traditionally calculated emissions of CO<sub>2</sub> and other greenhouse gases based on Scope 1 and Scope 2 of the Greenhouse Gas Protocol, and it began calculating emissions under Scope 3 during the fiscal year ended March 31, 2014. We are thereby able to track environmental impacts across the entire value chain, including direct and indirect emissions from MARUI GROUP (Scope 1 and

Scope 2) as well as emissions from raw material procurement, transportation, and products purchased by customers. Through this type of traceability that exceeds the boundaries of the Group, we are advancing initiatives for reducing environmental impacts together with customers, business partners, communities, and society as a whole.

Scope 3 Emissions Data (Fiscal Year Ended March 31, 2017)



The Company calculates emissions volumes based on the *Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain*, released by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. The results of Scope 3 emissions calculations have been confirmed by Mizuho Information & Research Institute, Inc.

Scope 3 Emissions Data  
www.0101maruigroup.co.jp/en/sustainability/theme03/environment\_01.html