



SUSTAINABILITY MANAGEMENT

SECTION 03

Co-Creation Sustainability Management

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Basic Policy of the Medium-Term Management Plan

It is stated in MARUI GROUP's corporate philosophy that we should "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." Based on this philosophy, our mission is to co-create the happiness of all of our stakeholders, including our customers, employees,

business partners, local communities, shareholders, and other investors, together with these stakeholders. Seeking to heighten the corporate value that will arise from this process, we are moving ahead with a five-year medium-term management plan with the fiscal year ending March 31, 2021, as its final year.

MARUI GROUP's Three Focus KPIs for the Fiscal Year Ending March 31, 2021

Achieve EPS of more than ¥130, ROE of more than 10%, and ROIC of more than 4%

Plan Framework

Improvement of corporate value through integrated Group operations

Creation of new businesses through transformation of Group businesses

Development of optimal capital structure and further improvement of productivity

Specific Initiatives

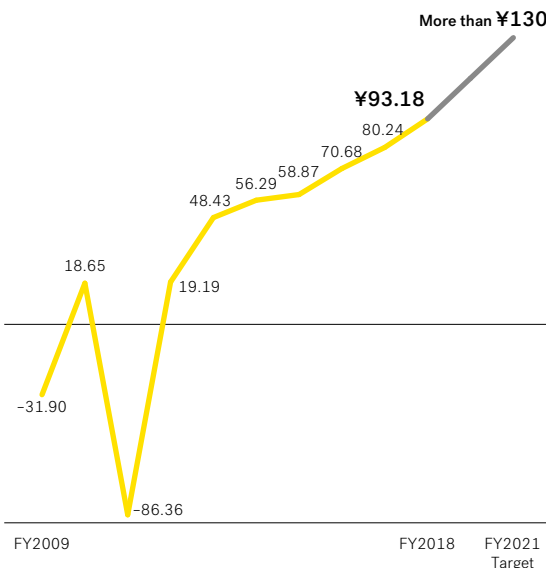
Retailing	Stores	Improve capital productivity by completing transition to a business structure focused on shopping centers and fixed-term rental contracts and deploying next-generation lifestyle-oriented shopping centers
	Omni-channel retailing	Develop business focused on Internet sales while expanding scope of try-on stores that combine Group expertise and other unique business models
	Facility management and distribution	Utilize store renovation, distribution, building management, and other retailing expertise in an integrated manner and advance business-to-business operations
FinTech	Credit cards	Increase number of EPOS card fans across Japan and reinforce collaboration with commercial facilities and companies while maintaining high profit margins and simultaneously expanding business scale
	Financial services	Expand revenues from rent guarantee, insurance, and other services utilizing credit know-how to improve ROIC through business requiring minimal invested capital
	IT	Support expansion of Group business scope by utilizing new technologies to improve customer convenience
Optimal capital structure		Create structure in which ROIC consistently exceeds capital costs by improving ROIC through income growth and establishing optimal capital structure suited to Group business structure
Growth investments		Develop commercial facilities utilizing shopping center and fixed-term rental know-how, invest in venture companies to acquire new technologies, and execute other growth investments for improving corporate value
Productivity improvement		Utilize human resources as necessitated by business portfolio as a united MARUI GROUP to further improve Group productivity

MARUI GROUP's Three Focus KPIs

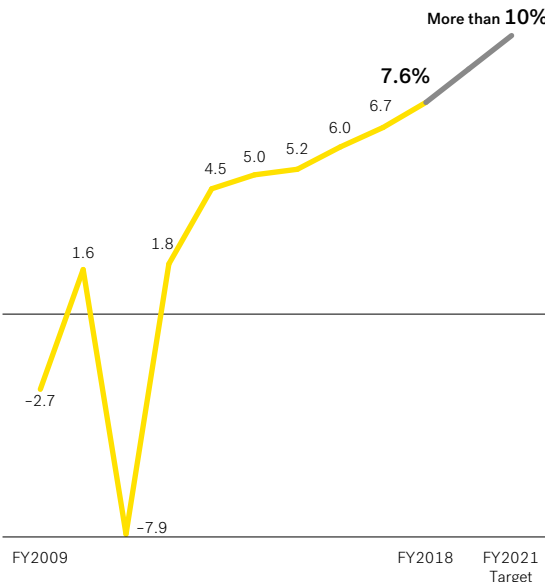
In line with the belief that all of its business assets are borrowed from society, MARUI GROUP identified three key performance indicators (KPIs) for gauging Groupwide performance beginning with the fiscal year ended March 31, 2017. These KPIs include earnings per share (EPS) and return on equity (ROE), which are both indicators that have been selected based on the Company's emphasis on improvements to medium-to-long-term corporate value, as well as return on invested capital (ROIC), which is an indicator of profitability in the Company's main business.

In the fiscal year ended March 31, 2018, EPS rose by a substantial 16.1% year on year, to ¥93.18, due to income growth and the benefits of capital measures. In addition, ROE increased 0.9 percentage point, to 7.6%, and ROIC was up 0.1 percentage point, to 3.2%. In this manner, we achieved our targets for all three indicators. For the fiscal year ending March 31, 2019, we are forecasting record-breaking EPS of ¥109.9, which will represent an increase of 17.9% year on year.

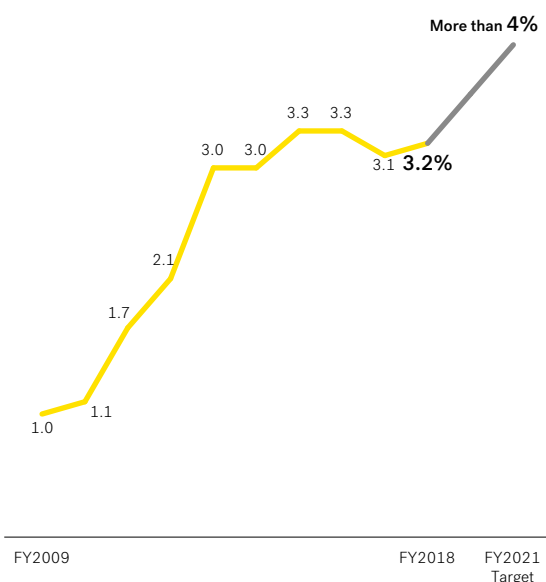
Earnings per Share (EPS)



Return on Equity (ROE)



Return on Invested Capital (ROIC)



Opportunities and Threats to be Faced over the Next Decade

In May 2017, MARUI GROUP defined the following eight long-term trends that will warrant attention: (1) the transition to e-commerce, (2) the shift from goods to experiences, (3) the emergence of a sharing economy, (4) the declining birthrate and aging population, (5) the increase in demand from inbound travelers, (6) the rise of cashless payment methods, (7) the change of focus from saving to investment, and (8) the end of an era of low interest rates.

Opportunities Found in the Transition to E-Commerce

Threats to retailing businesses include the transition to e-commerce, the emergence of a sharing economy, and the declining birthrate and aging population.

MARUI GROUP's answer to these threats is the transition to shopping centers and fixed-term rental contracts and omni-channel retailing. Through the transition to

shopping centers and fixed-term rental contracts, we will expand the portion of our stores devoted to restaurants and other tenants that are resilient to the impacts of e-commerce while also increasing the number of tenants that offer services or experiences that cannot be replaced by e-commerce. At the same time, we will introduce tenants that utilize omni-channel retailing approaches as

Opportunities and Threats to be Faced by the Retailing Segment over the Next Decade



a part of a strategy of growing in conjunction with e-commerce. We are also developing new businesses matched to the impending era of sharing economies. Initiatives to address population decline include the provision of products and services that can be enjoyed by customers of all ages, physical characteristics, and genders. We thereby aim to expand our customer base and increase customer numbers.

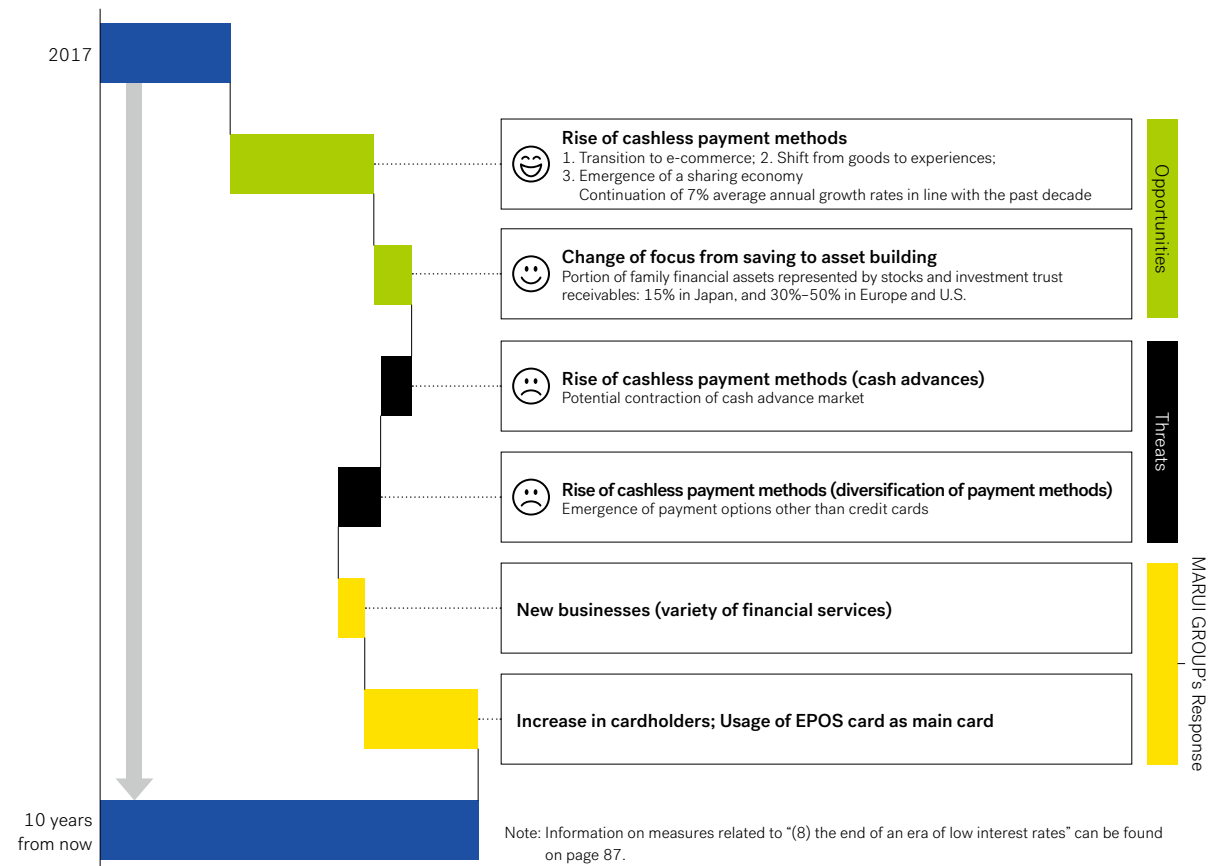
Response to the Rise of Cashless Payment Methods

The greatest opportunity for the FinTech segment is the rise of cashless payment methods. Going forward, the credit card market is expected to continue posting annual growth of around 7% on average as a result of e-commerce and consumption trends. In regard to the change of focus from saving to asset building, we poised ourselves to take advantage of this opportunity by

redefining our credit card services business as a FinTech business. Nevertheless, we cannot deny that the rise of cashless payment methods threatens to lead to the contraction of the cash advance market and to erode the share of payments conducted using credit cards through the diversification of payment methods and consequent emergence of payment options other than credit cards.

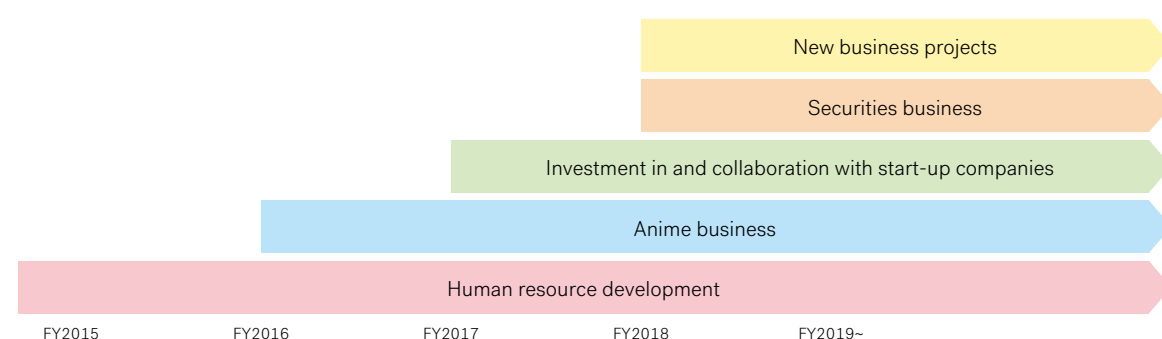
However, the transition to a multipurpose credit card—the EPOS card—which took place in 2006, has given us a business model that can take advantage of the rise of cashless payment methods. We also have an answer for the diversification of payment methods: linking other payment methods to credit cards, as seen in our new QR code payment service. Furthermore, MARUI GROUP has entered into the securities business with the aim of harnessing the change of focus from saving to asset building in order to promote financial inclusion.

Opportunities and Threats to be Faced by the FinTech Segment over the Next Decade



Progress in Growth Investments

Growth investments have been positioned as a priority measure in the five-year medium-term management plan set to conclude with the fiscal year ending March 31, 2021. MARUI GROUP has therefore earmarked ¥30.0 billion for growth investments over the period of the plan in order to fund future improvements in corporate value. These investments will be directed at developing new businesses that utilize our shopping center and fixed-term rental know-how and investing in start-up companies to acquire new technologies. Over the period from April 2016 to August 2018, we conducted ¥7.0 billion worth of these investments when scheduled future investments are included.

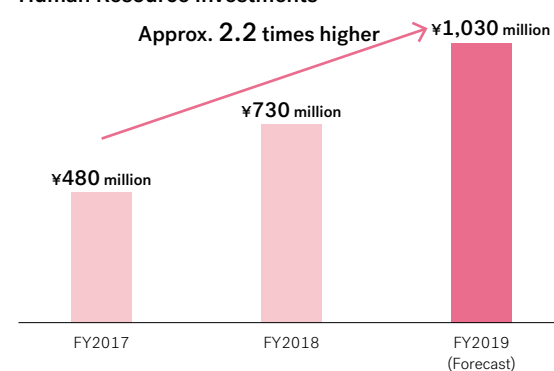


Investments in Human Resource Development

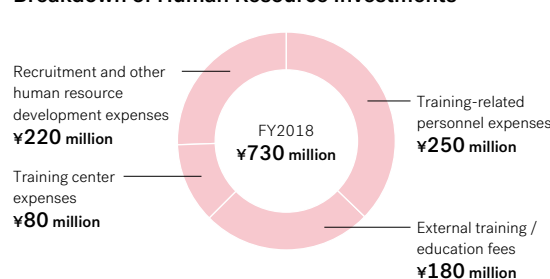
MARUI GROUP recognizes the growth of employees that are committed to helping others as the source of all the value it creates. Accordingly, we strive to foster a corporate culture that is respectful of diverse values and in which all employees can feel energized and continue growing. In the fiscal year ending March 31, 2019, we plan to invest ¥1,030 million in developing human resources that will support MARUI GROUP in the future. This amount represents a 41% year-on-year increase.

Since April 2017, we have been actively developing frameworks to support employee growth that are open to voluntary participation in order to cultivate employees that can think and act autonomously. Examples of such frameworks include the future leader development program, the seconding of employees to start-up companies, dispatches to business schools, project team activities, workshops, and training sessions.

Human Resource Investments



Breakdown of Human Resource Investments



Investments in New Businesses

When looking for the businesses that will drive the future growth of MARUI GROUP and contribute to increases in its corporate value, we will not limit ourselves to our existing operations in the Retailing and FinTech segments. We thus plan to develop businesses that integrate stores, credit cards, and the Internet—a scheme that represents a strength of MARUI GROUP—to address social issues.

Accordingly, future investments in new businesses will be focused on commercializing initiatives for addressing social issues through MARUI GROUP's

unique business model. At the same time, we will proactively direct investments toward start-up companies that will join us in creating such businesses. Our past investments in the anime business, among others, have begun generating a certain degree of results. In addition, we started up our securities business in August 2018 and have also commenced six new business projects, which are based on the themes of sharing, share houses, financial inclusion, the development of new food-related business models, personalization (sizes), and lifestyle applications and wallets. Through these projects, we aim to develop new businesses with a sense of speed.

New Business Project Initiatives



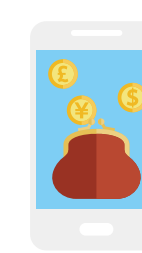
Sharing

We aim to foster a culture of sharing goods and skills that will take us into the future in response to the social change represented by a shift from ownership to usage. One form of these initiatives is stores that do not sell but rather utilize the strengths of physical venues to provide various customers with experiences such as sharing clothing and watches.



Share Houses

Housing is essential to our lives, but it is also subject to social issues arising from the concentration of populations in urban centers and soaring land prices. We are therefore examining possible means of building communities and aiding community members through share houses, which offer convenient and affordable housing options.



Lifestyle Applications and Wallets

MARUI GROUP is researching and introducing the lifestyle applications that have become an indispensable part of customers' daily lives, such as those allowing for QR code payments to be made via smartphone. In addition, we are collaborating with members of the communities surrounding Marui stores to invigorate these areas through such applications and our unique services.



Message from a New Business Representative



Masahisa Aoki

Executive Officer
General Manager,
New Business Development Department,
In charge of Anime Business,
MARUI GROUP CO., LTD.

Evolution in Step with the Times

Japan is notable among developed countries for the challenges it faces, including its aging population and declining birthrate. MARUI GROUP seeks to help build a flourishing and inclusive society that offers happiness to all in this country. This quest will require that we move beyond existing businesses to leverage the management resources and expertise of MARUI GROUP in areas such as stores, credit cards, and the Internet to contribute to the resolution of social issues. The goal of our new business projects is to commercialize initiatives for addressing social issues through our unique business model and improve corporate value. In these projects, we plan to abandon preconceptions to develop unique business models in areas characterized by significant customer needs and concerns. The scale of these business models will be adjusted as necessary to live up to expectations from across society for MARUI to resolve the issues that only it can.

Looking ahead, MARUI GROUP will continue to evolve its business structure in step with the times and changes in customer needs to accelerate its growth.

Future of MARUI GROUP Forged through Co-Creation with Start-up Companies

MARUI GROUP began co-creation with start-up companies with the aim of stimulating new innovation within the Company. The following pages chronicle a discussion between four MARUI GROUP employees that are learning new senses of value on secondment to start-up companies operating in areas such as e-commerce payment proxy services, investment-style medicine, online store establishment support services, and comprehensive lifestyle support services for non-Japanese individuals. In this discussion, these employees talk about the issues faced by MARUI GROUP and its future potential.

Yusuke Nakashima

Seconded to investment-style medicine company, MinaCare Co., Ltd.

Kyohei Taguchi

Seconded to provider of comprehensive lifestyle support services for non-Japanese individuals, Global Trust Networks Co., Ltd.

Mai Mitsumori

Seconded to e-commerce payment proxy service provider, GMO Payment Gateway, Inc.

Takayuki Shibao

Seconded to online store establishment support service provider, BASE, Inc.



Secondment to Start-up Companies as Extension of Profession Change System

Nakashima: The proposal of being seconded to MinaCare came suddenly for me. It occurred when I was in my fourth year at distribution company MOVING after being transferred from retailing company MARUI CO., LTD. I had felt that the relocation to MOVING had been a significant contributor to my growth. For this reason, this proposal filled me with excitement for the chance to once again test my skills in a new industry and the growth to be achieved therein. At MinaCare, I am responsible for planning new businesses. This position has me wear several hats, performing tasks related to sales to corporate clients, human resources, public relations, and even accounting.

Shibao: My department at BASE is responsible for planning new services, designing business models, and constructing and performing daily operation of systems. I personally enjoy trying out new things and tackling new challenges, and I get great joy out of the constant sense of growth I feel in this position. Uncovering new social needs through the development of new services is particularly exciting. This job also lets me meet people that I would have never encountered at MARUI GROUP, for example, women in their 20s that cannot use computers but make tens of millions of yen a year through their smartphones or the fans that gather at pop-up stores.

Taguchi: I am being seconded to Global Trust Networks (GTN), a company that provides rent guarantee and other services based on its desire to improve the lives of non-Japanese individuals that live in Japan. Around 70% of GTN's employees are non-Japanese, and we can perform debt recovery procedures in 15 languages. GTN's credit examinations standards are completely different from those of Epos Card Co., Ltd., which is another point of interest.

Mitsumori: At GMO Payment Gateway, I conduct sales activities that include preparing proposals for customers that are considering introducing payment systems on their online sales sites. I had spent the entirety of my time at MARUI GROUP on the sales floor or in product

development, and I had therefore felt aversion to FinTech and sales. As such, I was filled with uncertainty when news of my secondment suddenly arose. Contrary to my expectations, the job is actually a lot of fun, and I feel like I grow every day.

Nakashima: I definitely feel that I have grown through my secondment. At MARUI GROUP, I didn't really have the opportunity to develop projects by myself, and it just felt natural to split a task with my coworkers. Developing projects requires a wide range of business skills. I have a severe lack of these skills, and I am constantly finding new gaps in my abilities. However, I feel that the greatest benefit of my secondment has been this, the ability to discover such issues by working at a start-up company and to learn and grow as a result.

Taguchi: The ability to grow by engaging in various types of work that I experienced through MARUI GROUP's profession change system is even more pronounced in the experience of secondment. Start-up companies require each of their employees to perform various tasks. Working in such a company made me realize that the concept of diversity was less about specializing in a specific type of work and more about developing one's own style and calling and excelling in this area. I also learned that MARUI GROUP employees can be more successful in start-up companies than I had expected.

Shibao: It is important for people to possess both specialized skills and experience. After coming to BASE, I lost confidence in my ability to compete with people in their 20s in technological fields in terms of either skills or ideas. However, these younger employees lacked experience in engaging face-to-face communication or in developing business, creating room for me to contribute with the insight I have accumulated. My time at BASE has reminded me of the ability to identify skills you lack and grow by interacting with people who are different than you. MARUI GROUP already has a framework for human resource fluidity with its profession change system. If we can incorporate personnel from other organizations and industries that differ from ours, we should be able to create an even better cycle.

MARUI GROUP as Viewed from the Outside

Taguchi: Start-up companies have no leeway when it comes to resources. Accordingly, they have no choice but to employ people that have gained experience elsewhere. Recognizing this made me aware of the extreme care MARUI GROUP pays in developing its human resources.

Mitsumori: The employees at start-up companies tend to be incredibly skilled and capable of generating profits. However, they lack opportunities to thinking about the future of their company. Conversely, MARUI GROUP provides numerous opportunities to think about the future of the Company and its organization from a medium-to-long-term perspective. My experience at a start-up company made me realize how powerful these opportunities are. At the same time, I can't help but wonder if this power is being effectively exercised by individuals.

Shibao: A major strength of start-up companies is their incredible speed. Their corporate cultures often encourage employees to act first and make improvements later, using outside services and other tools as necessary. This way of thinking is very different from that of MARUI GROUP.

Nakashima: I am involved in planning a new business for promoting the importance of preventive medicine. When we had our kickoff meeting in April, I was shocked to hear that we were looking to commence service in the summer.

Taguchi: The difference at start-up companies is clear right from the scheduling phase, with tasks sometimes allocated for only three days with the next step due within a week. I want to transmit this type of speed to MARUI GROUP.

Shibao: The speed and frequency of output at start-up companies is amazing. However, their services can sometimes be a bit unrefined and they are unable to immediately launch large-scale projects.

Nakashima: I don't necessarily think that large-scale companies need to move at the same speed as start-up companies. Both types of companies have their own benefits and roles. Ideally, the relationship between these types of companies should entail mutually sharing strengths and compensating for each other's insufficiencies.

Shibao: One thing that changed my views after my secondment was realizing that, rather than growing sales in

the here and now, start-up companies have a responsibility toward the future. Specifically, they need to consider how they want to shape the future through their services. Of course, profits are something considered in the end, but this pursuit of profits is not about the present, but is instead framed in the future they wish to realize.

Taguchi: The timeframe used at start-up companies may be longer than we might expect. Rather than pursuing short-term goals, these companies look at the businesses they will need to develop to accomplish larger goals in the future. If one only focuses on short-term profits, they will not be able to make bigger achievements.

Shibao: For start-up companies, their underlying goal, their main businesses, is to accomplish some sort of mission. They therefore place more focus on resolving some issue than on growing profits. Short-term profits are, of course, important. However, if a company focuses too much on the short term, it will fail to serve its customers in the future and will thus be unable to accomplish its mission.

Taguchi: If a company prioritizes its mission, concepts like industry and business model will fade away. For example, GTN says that its business is not that of a mobile phone service provider or a rent guarantor but rather that of a port for connecting two countries. As there are a lot of people that come to Japan, GTN provides support in Japan. However, its real targets are the 1.2 billion people that live in other countries around the world. As immigrants tend to be neglected in any country, GTN's expertise can be used to develop businesses anywhere in the world with ease. From this standpoint, I recently often find myself thinking about what exactly is MARUI GROUP's main business. I don't think it is retailing or finance. No, I think MARUI GROUP has evolved further than that.

Responsibility-Driven Action by All Employees

Nakashima: At MinaCare, there is a very frank atmosphere in which people refer to everyone, even their supervisors, by their first name, with no mention of rank. This atmosphere makes it easy to voice opinions. This lack of distance with supervisors is something that is very important.

Shibao: BASE deemphasizes hierarchy in a similar manner, and supervisors tend not to micromanage work processes. Moreover, input from supervisors on

business plans is taken as an opinion, not as an order. Fundamentally, everyone is expected to make their own decisions and take responsibility for their outcomes.

Mitsumori: Doing everything related to sales, from proposals to estimates and follow-up, at one's own discretion is a hefty task. I recognize that even a small explanation deficiency or other mistake can cause massive losses for customers, and I try to act swiftly.

Taguchi: Start-up companies expect employees to exercise responsibility. After coming to such a company, I have started to think I may have lacked a sense of responsibility when I was at MARUI GROUP. Perhaps I was complacent with being in a big company.

Mitsumori: My more experienced colleagues at GMO Payment Gateway make presentations based on the standard of whether or not they can wager their year's salary on the proposal. I found myself wondering if I had ever bet so much on a single proposal and if there were a way to inspire this level of commitment to one's work among all employees at MARUI GROUP.

Nakashima: In the past, I had never really had an idea of


what I wanted to accomplish, leading me to simply follow the instructions of those more experienced than me. If I were able to create a service that I truly wanted to show the world, wanted to have people buy, I think it would be really exciting. This type of work would be more enjoyable, and I want to make teams with this type of mentality.

Shibao: I want to transmit the culture of taking action by one's own volition to MARUI GROUP and help it swiftly spread and become entrenched in our corporate culture. The ability to experience such a culture has perhaps been the greatest prize of my secondment.

Taguchi: There is nothing that a start-up company can do that MARUI GROUP cannot. This is something I feel very strong about. If everyone at MARUI GROUP thinks more about what they can accomplish, exercising both their talents and a sense of responsibility, we will become stronger as people and as a company.

Nakashima: Fostering that sentiment is the responsibility of those of us who were seconded. I look forward to using what I learned from this experience to guide MARUI GROUP in a better direction.

Career History of Four Seconded Employees

			
Yusuke Nakashima	Mai Mitsumori	Kyohei Taguchi	Takayuki Shibao
Joined MARUI GROUP in 2011 Marui Family Mizonokuchi, MARUI CO., LTD. Store Support Department, MARUI CO., LTD. Group Logistics Department, MOVING CO., LTD.	Joined MARUI GROUP in 2014 Ikebukuro Marui, MARUI CO., LTD. Omni-Channel Retailing Department, MARUI CO., LTD.	Joined MARUI GROUP in 2006 Kawasaki Marui, MARUI CO., LTD. Planning Department, AIM CREATE CO., LTD. System Planning Department, M & C SYSTEMS CO., LTD. Credit Management Department, Epos Card Co., Ltd.	Joined MARUI GROUP in 2005 Advertisement Planning Department, AIM CREATE CO., LTD. Demand Survey Department, MARUI CO., LTD. Omni-Channel Retailing Department, MARUI CO., LTD.

Message from the President of MARUI CO., LTD.

We are committed to discovering unique offerings to be provided because of not selling to create services that are of value to customers.

Hajime Sasaki

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



The transition to shopping centers and fixed-term rental contracts has supported improvements to income thus far, and this transition is scheduled for completion in the fiscal year ending March 31, 2019. As for the e-commerce businesses that will be key to future growth, our three consecutive years of higher revenues seem unsatisfactory given the growth potential of the market.

It can be expected that the trend toward e-commerce, the shift from consumption of goods to consumption of experiences, the emergence of sharing economies, and other changes will accelerate going forward. With this in mind, we are testing various ideas for creating the stores of the future, which will comprise food vendors and service providers that cannot be replaced by e-commerce as well as experience providers, omni-channel retailers, and sharing facilitators that are synergistic with e-commerce.

In addition, we are moving forward with omni-channel retailing and personalization initiatives, which will be core elements of our future e-commerce strategies. We also recognize the need to revise our concept of stores. What can be done through the Internet can be left to this venue. In our stores, we will focus on what cannot be done through the Internet and what provides value to customers. For example, we have started education programs that allow employees to gain the necessary knowledge and skills for taking a counseling approach toward customer service with regard to women's shoes in light of a significant amount of concern customers have

regarding their feet. We are also developing try-on stores, which do not have inventories and conduct sales via e-commerce frameworks. These stores reduce the need for back-office procedures, thereby enabling staff to focus more on customer service and facilitating this counseling approach. Looking ahead, we plan to leave sales to the Internet so that we can use stores to provide such counseling services as well as experiences and otherwise to customer-oriented customer service that is not preoccupied with sales. Another area where customers have concern is product sizes. We therefore want to make it possible for customers to order shoes of the perfect size over the Internet based on the shoes they own or measurements of their feet.

Our new approach toward retailing will be closer to service provision. Accordingly, we will be using lifetime value (LTV) to gauge our operations going forward, and our initiatives will be mindful of this. This evaluation method, we anticipate, will enable us to focus on what is actually beneficial to the customer, as opposed to short-term sales figures, which in turn will also allow us to provide more helpful services.

Furthermore, I think that catering to customers' needs with personalized products offered through stores and the Internet is part of our role in realizing an inclusive society. By divorcing the concept of retailing from the idea of selling, we are committed to discovering unique offerings to be provided because of not selling to create services that are of value to customers.

Progress in the Retailing Segment and Future Strategies

Progress Rate of 87% in Transition to Shopping Centers and Fixed-Term Rental Contracts

In the fiscal year ended March 31, 2018, the Retailing segment achieved its target for operating income with a figure of ¥8.8 billion, up ¥1.1 billion year on year. This increase was attributable to the transition to shopping centers and fixed-term rental contracts, higher earnings from e-commerce, and a decline in inactive floor space. ROIC, a KPI, rose 0.3 percentage point, to 2.8%.

In the fiscal year ended March 31, 2018, the progress rate of the transition to shopping centers and fixed-term rental contracts was 87% and income improvements from the transition amounted to ¥3.2 billion (Figure 1). By dividing up large, loss-generating consignment sales floors while replacing tenants on these floors, we were able to achieve income improvements that exceeded our target.

In conjunction with this transition, the ratio of our sales floors accounted for by high-demand food and services has doubled to 29% over the past four years while the ratio of apparel has shrunk from 53% to 31%. In addition, MARUI GROUP has been positioning food vendors on entry floors resulting in higher purchase numbers and transaction volumes.

The transition to shopping centers and fixed-term rental contracts is expected to be completed in the fiscal year ending March 31, 2019. However, we intend to

convert an additional 9,917m² worth of floor space to fixed-term rental contracts beginning in the fiscal year ending March 31, 2020, in response to the conversion of storage space to sales floors and the optimization of specialty store floor space.

Total e-commerce sales amounted to ¥23.0 billion in the fiscal year ended March 31, 2018, an increase of 8% year on year (Figure 2). Factors behind this increase included our ability to expand our lineup of products not in Company warehouses by sharing inventory information with our business partners and the collaboration with KDDI CORPORATION in relation to its Wowma! Internet sales site that commenced in February 2017.

Tenants That Are Synergistic with E-Commerce

Going forward, MARUI GROUP intends to introduce tenants that cannot be replaced by e-commerce, such as food vendors and service providers, as well as tenants that are synergistic with e-commerce, such as experience providers, sharing facilitators, and omni-channel retailers (Figure 3).

An example of experience providers would be Apple Store Shinjuku. Experience providers seek to deliver value suited to the consumption of experiences, the desire to see, hear, and do. Another experience provider is lululemon, which holds yoga events in Shinjuku Marui

Figure 1: Progress and Targets for Transition to Shopping Centers and Fixed-Term Rental Contracts

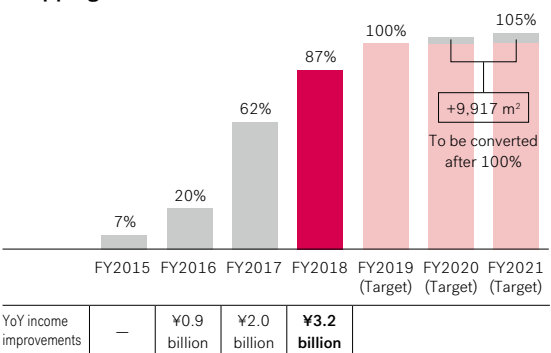


Figure 2: E-Commerce Sales

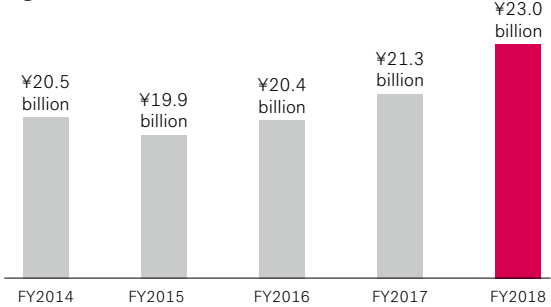
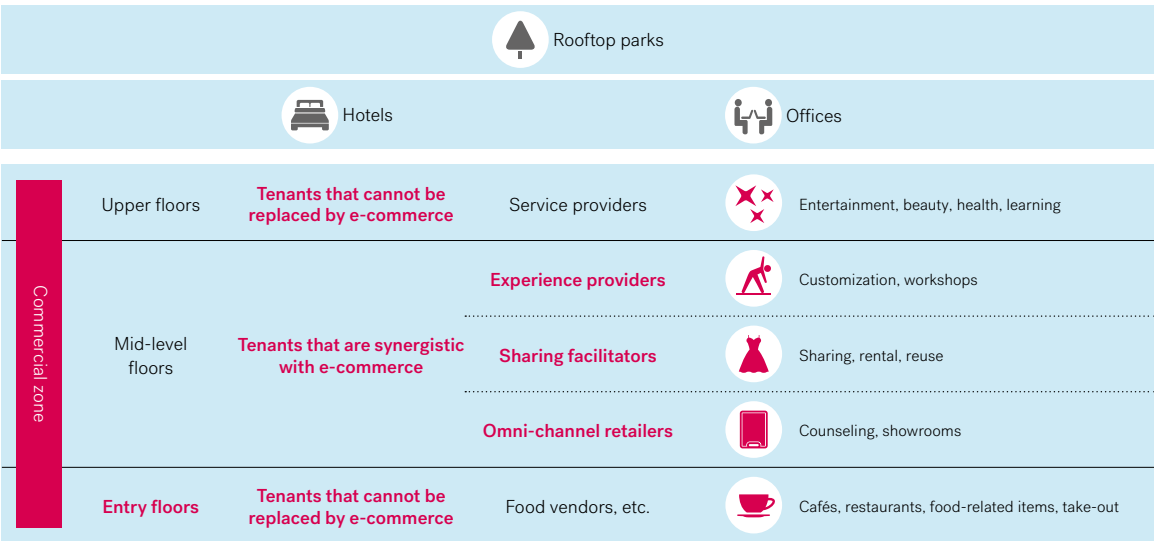


Figure 3: Stores of the Future (Stores Offering Distinctive Services That Cannot Be Replaced by E-Commerce)



Main Building. Sharing facilitators, meanwhile, are tenants that provide schemes facilitating sharing, exchanges, and redistribution of goods and places among various people. Sharing facilitators include KARITOKU, which operates luxury brand-name watch rental stores jointly with MARUI GROUP in Yurakucho Marui and Namba Marui, and enicia, which offers co-working spaces in Shizuoka Marui. Omni-channel retailers are tenants that use e-commerce as their primary sales channel while also utilizing physical stores to provide functions not available through e-commerce. For example, FABRIC TOKYO, located in Shinjuku Marui Main Building, measures customers buying order-made suits in stores and allows them to use these measurements to purchase additional suits online.

Initiatives for Facilitating the Growth of E-Commerce Operations

The total number of items shipped from our warehouses has increased by 40% over the past three years, making reforms to our logistics systems a pressing task. In the fiscal year ended March 31, 2018, we introduced the AutoStore robotic warehouse system, which has tripled the number of items we can store in our warehouses while cutting the workload related to shipping by 40%. In the future, we will examine the possibility of expanding the floor space of our distribution centers and introducing

automated picking and packing equipment that can function 24 hours a day. We also made our in-store pickup services for items bought online available at all stores in February 2018, helping us limit the impacts of the increases in delivery costs instituted by couriers.

Furthermore, a dedicated user interface and user experience division was established during 2017. MARUI GROUP is planning the full-fledged launch of an application optimized for smartphones in the fiscal year ending March 31, 2019, and intends to implement improvements to this application through co-creation with customers going forward.

MARUI GROUP has also been collaborating with Virtusize to address difficulties in choosing the appropriate size when purchasing items online. Through this collaboration, we aim to develop a scheme that compares the sizes of clothing the customers have purchased in the past and of the clothes they are considering



System enabling storage and management of large quantities of products



Robots that automatically pick necessary products

purchasing online to choose a size that matches their subjective sense of comfort. This approach differs from standard approaches of choosing customer sizes based on objective body measurements. This scheme will be deployed at MARUI GROUP stores going forward.

Issues for Specialty Stores and Response Measures
In conjunction with the transition to shopping centers and fixed-term rental contracts, MARUI GROUP has been reducing the floor space of its shopping centers to bring this floor space to an optimal level. Future decisions on whether to continue, discontinue, or reform specialty stores will be made based on earnings by product category and contributions to new cardholder recruitment in order to reconstruct our sales floors. Discontinued stores will be converted to fixed-term rental sales floors to improve earnings. Reformed stores will undergo a change in business model, such as to a rental or a try-on store.

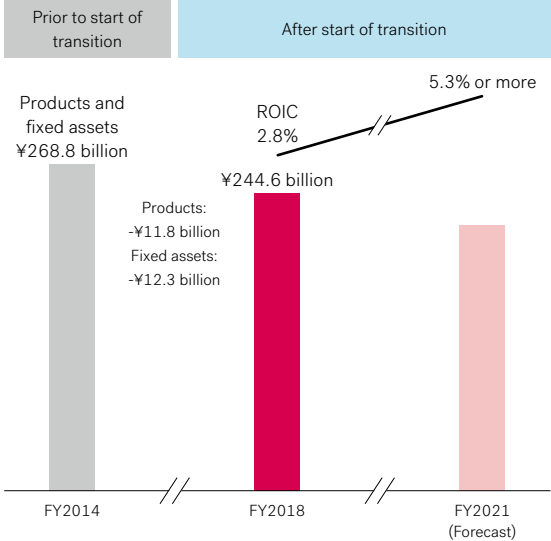
One type of business model change to be undertaken will be the development of rental operations, which are garnering a great deal of attention amid the trend toward usage over ownership. In the fiscal year ending March 31, 2019, MARUI GROUP will take its first rental operation foray in the area of women's dresses, which customer surveys indicated as an area where customer interest is high. Our goal is to grow these operations to generate sales of around ¥5.0 billion with an operating income margin of between 30% and 40% in five years. Also, we will target ROIC of approximately 70% on average over the five-year period.

In the past, MARUI GROUP has expanded the range of sizes of its private brand women's shoes to 16, covering nearly 100% of the foot sizes of adult Japanese women. These efforts are being extended to another area of apparel: personalized suits. By quintupling our lineup of sizes and allowing for custom-made orders, we have evolved our personalization options to provide all customers, including members of the LGBT community, with the perfect match. Moreover, we register data on the measurements of customers at stores to facilitate subsequent purchases through the Internet. We anticipate that these efforts will help us forge long-term relationships with all customers and thereby increase LTV.

ROIC Forecast

MARUI GROUP will target ROIC of 5.3% or more in the fiscal year ending March 31, 2021, as initially expected,

Figure 4: ROIC Forecast



through improvements in both income and invested capital efficiency (Figure 4). In the past, income improvements have been driven by the transition to shopping centers and fixed-term rental contracts. Going forward, income improvements will be pursued by growing e-commerce operations, reducing costs through more efficient personnel utilization, and raising the value of the transition to shopping centers and fixed-term rental contracts. E-commerce sales in the fiscal year ending March 31, 2021, are forecast to reach ¥33.0 billion, an increase of more than 40% over the fiscal year ended March 31, 2018. Over the period leading up to this year, we plan to achieve reductions in expenses through improved efficiency realized by effectively allocating human resources to the FinTech business and other growth fields.

A benefit of the model produced through this transition is the ability to generate income with fewer on-balance sheet assets. For example, these operations do not require procurement of products through consignment agreements and entail fewer fixed assets due to reduced store renovation expenses. These benefits have equated to a decrease in invested capital of around ¥24.1 billion over the past four years. The Company will target improvements in ROIC going forward by advancing this transition.

Message from the President of Epos Card Co., Ltd.

We are committed to growing further through expansions to our base of premium cardholders and new collaboration businesses.

Yoshinori Saito

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



In the fiscal year ended March 31, 2018, the FinTech segment achieved impressive performance on the back of growth in card shopping transactions through EPOS cards, leading the segment to post higher operating income for the sixth consecutive year and to achieve its target for ROIC. A particularly notable accomplishment was the continued strong growth of transactions by holders of premium cards, namely our Platinum and Gold cards. These transactions exceeded ¥1 trillion for the first time in the year under review, once again driving overall growth.

Previously, the number of new cards issued at Marui and Modi stores had been chronically low as a result of the transition to shopping centers and fixed-term rental contracts. By stepping up coordination between stores and cards in our recruitment measures, we have realized steady recovery in the number of card applications. At the same time, the number of external facilities with which we collaborate reached 22 on August 31, 2018. Our aggressive development of collaboration cards with anime and other content creators has translated to smooth progress toward achieving our goal of issuing 800,000 new cards a year. Going forward, we will accelerate recruitment measures associated with the Internet and services to increase application numbers. In the fiscal year ending March 31, 2019, we commenced collaboration with GMO Payment Gateway, Japan's largest e-commerce payment proxy company, and ABLE, INC.,

a major rental housing brokerage and management company. Meanwhile, we are working to address card cancellations, a major factor behind the sluggish growth of cardholders, by encouraging cardholders to upgrade to Gold cards to increase renewal rates. We thus aim to quickly achieve new application numbers of more than 1 million.

MARUI GROUP is making steady progress toward realizing its vision for financial inclusion. In August 2018, we launched our securities business to expand our lineup of financial services to address the previously neglected needs of EPOS cardholders pertaining to asset building. We are also preparing for the rapid changes projected in the payment service market, which will include the advent of QR code payments, a payment method expected to spread as cashless payments become more prominent.

Furthermore, we are investing in our system infrastructure to automate credit card application and debt collection procedures, which are expected to increase together with transaction volumes, in order to improve productivity. Profit growth in our credit card services operations has led to higher operating receivables. We are working to combat this trend by boosting service revenues that do not require additional assets, such as revenues from rent guarantees, to heighten profitability and capital efficiency.

Progress in the FinTech Segment and Future Strategies

Higher Card Shopping Transactions and Service Revenues

In the fiscal year ended March 31, 2018, operating income in the FinTech segment increased for the sixth consecutive year, rising ¥3.2 billion year on year, to ¥30.3 billion. As for ROIC, we achieved our target with a figure of 3.8%. Revenue also grew for the sixth consecutive year, exceeding ¥100.0 billion.

Card shopping transactions were up 15% year on year, to ¥1,600.9 billion. This growth rate was higher than the industry average growth rate (Figure 1). Overall growth in card shopping transactions was driven by transactions made using premium cards, such as our Platinum and Gold cards, which exceeded ¥1,000.0 billion for the first time in the fiscal year ended March 31, 2018. Transactions by premium cardholders have grown by an average rate of 27% over the past five years, and the number of these cardholders has climbed to 1,840,000.

Revolving and installment payment transactions only grew by 9% year on year in the fiscal year ended March 31, 2018, a low rate in comparison to the growth of card shopping transactions. This lackluster growth was a result of the dissipation of the benefits of measures instituted in the fiscal year ended March 31, 2017. We will not feel this rebound in the fiscal year ending March 31,

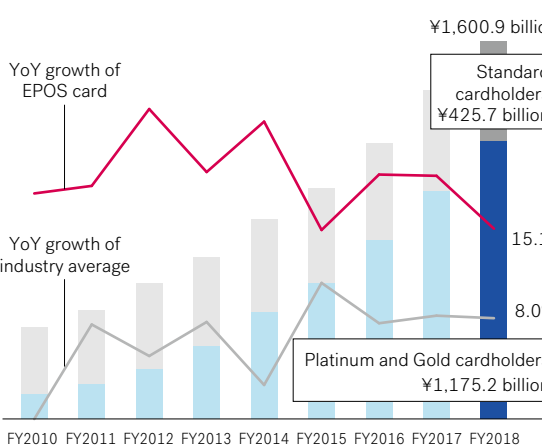
2019, and we therefore project a 17% increase in revolving and installment payment transactions. MARUI GROUP aims to achieve rapid growth in installment payments, which are the target of strong demand from customers, by accelerating our initiatives for promoting this type of payment, increasing the number of affiliates at which this method can be used, and introducing a system that enables cardholders to switch to multiple installment payments even if their initial contract only allowed for one-time installment payments.

As a result of collaboration with the Anime Business Department established in April 2016, anime-inspired cards represent 10% of all new card issuances.

Moreover, as of August 31, 2018, we were collaborating with 22 commercial facilities. Our scheme of positioning employees versed in retailing at partner facilities has received much praise, helping spread EPOS cards throughout Japan, as indicated by the 1 million cardholders currently living in areas without a Marui or Modi store.

Service revenues rose by a significant 20% year on year primarily due to rent guarantee services. Rent guarantees represent an area in which we can capitalize on MARUI GROUP's expertise and strengths. We have achieved massive growth of 32% in these revenues on average over the past five years due to trends stimulated by the impending revision of the Civil Code. In the fiscal

Figure 1: Card Shopping Transactions



GODZILLA EPOS CARD
TM&©TOHO CO., LTD.



New Prince of Tennis EPOS CARD
©Takeshi Konomi / SHUEISHA, NAS,
New Prince of Tennis Project



Gintama EPOS CARD
©HIDEAKI SORACHI/SHUEISHA,
TV TOKYO, DENTSU, BNP, ANIPLEX



New Prince of Tennis EPOS CARD
©Takeshi Konomi / SHUEISHA, NAS,
New Prince of Tennis Project

year ending March 31, 2021, we will target service revenue of ¥10.0 billion, twice that of the year under review.

Provision for bad debt increased 28% in the fiscal year ended March 31, 2018, following a rise in operating receivables. Nonetheless, we maintained the low ratio of bad debt write-offs of 1.6%.

Lower Cancellations and Higher LTV through Growth in Gold Cardholders

We have failed to meet our new card application targets for two consecutive years. This failure came in spite of the annual influx of more than 800,000 new applicants we had anticipated. Growth in cardholder numbers has been stagnating due to higher cancellations.

To address this situation, we are encouraging cardholders to upgrade to Gold cards. Holders of Platinum and Gold cards have exceptionally high renewal rates of upwards of 90%. For this reason, we believe that we can limit card cancellations by encouraging cardholders to upgrade to Gold cards. In addition, Gold cards tend to boast high profitability, meaning that a rise in the number of Gold cardholders will contribute to increased LTV for the entire FinTech segment.

As one measure of encouraging these upgrades, we launched the EPOS Family Gold card in June 2018. In addition, we are reinventing our marketing approach by merging data, IT, and artificial intelligence. Through this initiative, we will verify the process that customers follow from new card application to Gold card upgrade to tailor communications to individual cardholders in order to strategically encourage them to upgrade to Gold cards.

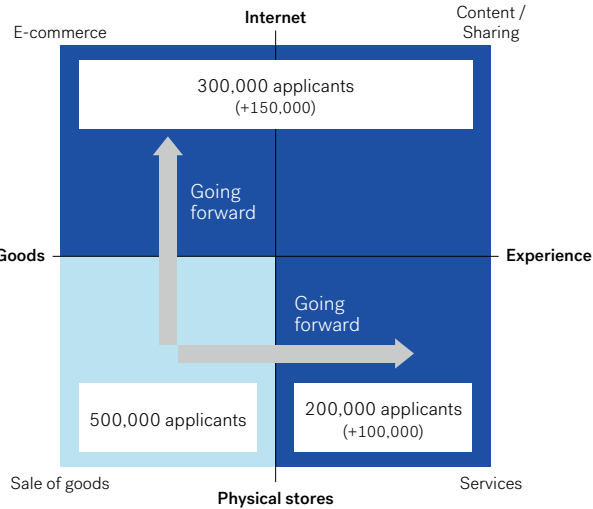
We are targeting the swift achievement of 3 million premium cardholders through these initiatives (Figure 2).

Promotion of New Card Applications through Internet- and Experience-Oriented Fields

New cardholder recruitment has previously been focused on stores. In the future, however, we aim to step up collaboration with companies in Internet- and experience-oriented fields (Figure 3). Examples of these fields include e-commerce, recurring payments, and rent guarantee services, which represent highly profitable fields that encourage ongoing use and promise high rates of Gold card upgrades. While maintaining the net annual influx of 500,000 from goods- and physical store-oriented venues, we are looking to double the number of new cards issued through Internet- and experience-oriented fields.

One initiative for accomplishing this goal is MARUI GROUP's collaboration with GMO Payment Gateway, Japan's largest e-commerce payment proxy company. Through this collaboration, we will develop the industry's first scheme allowing for purchase, credit payment, and use of application benefits to be conducted immediately after card application by offering real-time inspections 24 hours a day. This scheme is expected to greatly increase convenience for customers. We also expect value for online affiliates, such as higher customer numbers, increases in repeat users, and acquisitions of new customers through referrals of EPOS cardholders. The full-fledged operation of this scheme is scheduled to commence during the third quarter of the fiscal year ending March 31, 2019. In the fifth year after the launch

Figure 3: Directives for Future Collaboration



of this scheme, we hope to have extended it to more than 200 application venues and over 100,000 customers.

In experience-oriented fields, together with ABLE, a major rental housing brokerage and management company with 422 directly operated stores and 375 franchise branches located throughout Japan, MARUI GROUP launched a collaborative rent guarantee services plan at certain locations in April 2018. We aim to achieve approximately 80,000 rent guarantee users and around 40,000 new card applicants through this project in the fiscal year ending March 31, 2021. Through these collaborative initiatives, we will look to swiftly increase the number of total cardholders to 8 million.

EPOS Pay QR Code Payment Service

MARUI GROUP has commenced a verification test of EPOS Pay, its QR code payment service in targeting restaurants, venues at which credit cards often cannot be used, in certain areas. Based on the results of this test, we plan to introduce this service at our stores and the facilities of partners, after which we will approach potential affiliates located around Marui stores and in other areas of cardholders' lives. We thereby aim to increase the share of payments using EPOS cards in the payment market by encouraging customers to make small-sum purchases usually made with cash through QR code payments.

Future Outlook

In the fiscal year ending March 31, 2019, we are forecasting ROIC of 3.9% and operating income of ¥33.5 billion, which will represent an increase of ¥3.2 billion, or 11%, year on year (Figure 4). Total transactions are expected to rise 16%, to more than ¥2,280.0 billion, while revenue grows 14%, to ¥124.3 billion.

In the fiscal year ending March 31, 2021, we are forecasting operating income of ¥40.0 billion or more and total transactions of ¥3,000.0 billion or more. In addition, we are working toward our initial target of over 4.1% for ROIC by liquidating the higher operating receivables that resulted from growth in EPOS card transactions (Figure 5).

Figure 2: EPOS Cardholder Forecast

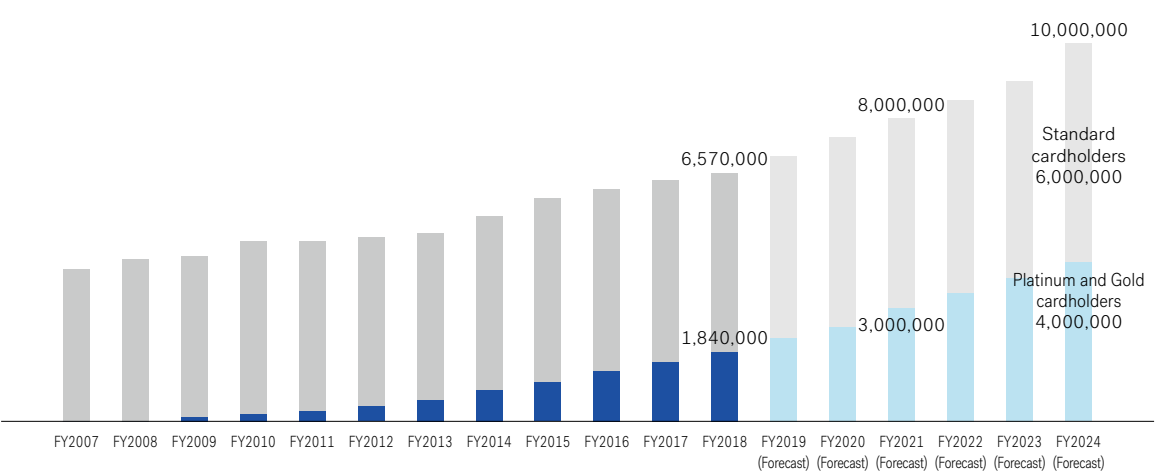


Figure 4: Medium-Term Targets for the FinTech Segment

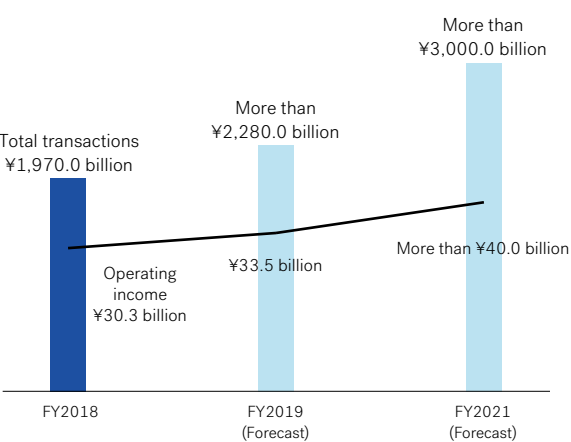
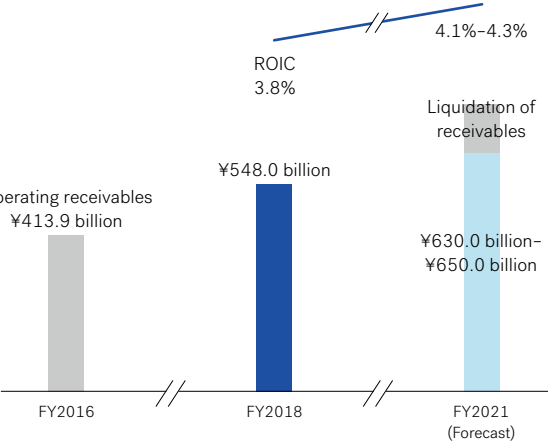


Figure 5: Operating Receivables and ROIC Forecasts for the FinTech Segment



Message from the CFO



By constructing the optimal capital structure for the Group's business, we will consistently generate ROIC that exceeds capital costs.

Motoshiko Sato

Senior Managing Executive Officer and CFO

In the fiscal year ended March 31, 2018, the second year of the medium-term management plan, total Group transactions rose 13.2% year on year, to ¥2,189.4 billion, exceeding ¥2 trillion for the first time thanks to the strong growth of card shopping transactions. At the same time, operating income increased for the ninth consecutive year, to ¥35.2 billion, and net income attributable to owners of parent grew for the seventh consecutive year, to ¥20.9 billion. Coupled with the benefits of share buybacks and dividend increases, this income growth contributed to a 0.9 percentage point increase in ROE, to 7.6%; a 16.1% rise in EPS, to ¥93.2; and a total shareholder return of 45.6%, well above the Tokyo Stock Price Index average of 22.0%. In addition, income improvements in the Retailing segment led ROIC to rise by 0.1 percentage point, to 3.2%. ROIC exceeded weighted average cost of capital (WACC), which was 3.0%, for the second

consecutive year as a result of efforts to reconstruct our business and capital structures to achieve the corporate value improvements targeted by the medium-term management plan.

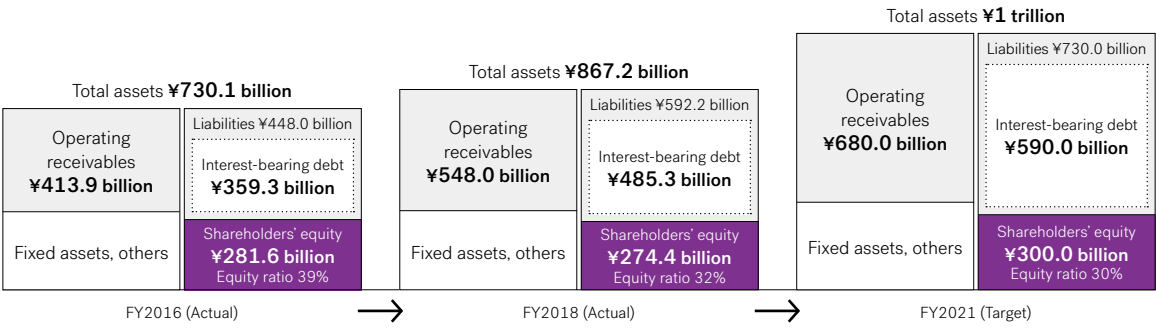
The reconstruction of our capital structure is being advanced based on our target balance sheet, a vision for the balance sheet judged to be ideal from the perspective of long-term corporate value improvement, our participation in the securities business, and new business entries and reforms to be undertaken in the future. Total assets are expected to rise to ¥1 trillion in the fiscal year ending March 31, 2021, as a result of higher operating receivables (installment sales accounts receivable and consumer loans outstanding) in the FinTech segment. Meanwhile, the liability portion of our balance sheet has been more oriented toward retailing with high levels of shareholders' equity. Under the medium-term management plan, we aim to address this structure by transforming our business model to target an equity ratio of approximately 30%. Higher funding demands will be met through the procurement of low-cost capital as we seek to lower overall capital costs by increasing the portion of funds accounted for by interest-bearing debt. At the same time, we will seek to maintain a level of interest-bearing debt that is equivalent to around 90% of operating receivables to ensure financial safety.

We plan to enact a fund procurement policy of liquidating operating receivables and procuring funds through borrowings from financial institutions and bond issuances. Our end goal is to improve asset efficiency by limiting the increase in total assets and liabilities.

Target Balance Sheet

01 POINT Target Balance Sheet

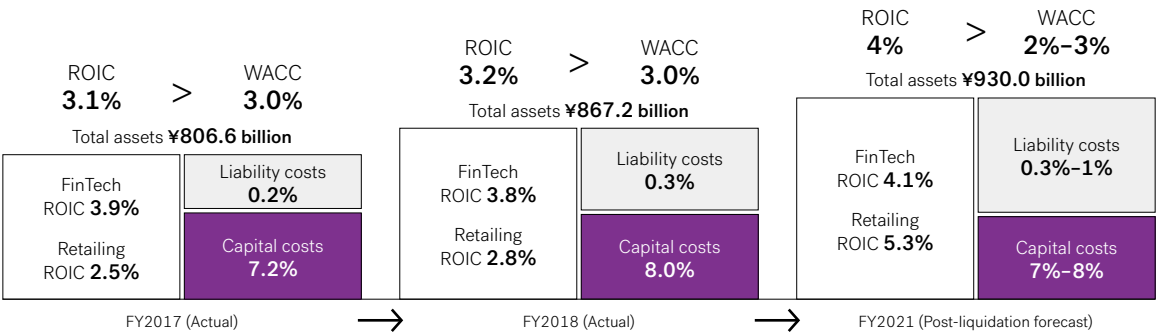
Procurement through interest-bearing debt in response to increases in operating receivables
Optimal capital structure defined as targeting an equity ratio of approximately 30%



The medium-term management plan with the fiscal year ending March 31, 2021 as its final year, defined our target balance sheet with the aim of bringing the liability portion of the balance sheet in line with our earnings structure. Based on this target, we will procure funds in the form of interest-bearing debt to address the projected rise in operating receivables with the aim of maintaining a level of interest-bearing debt that is equivalent to around 90% of operating receivables. As for the equity ratio, we will target a ratio of approximately 30%, the level we have deemed to be optimal.

02 POINT Creation of Corporate Value through ROIC Exceeding WACC

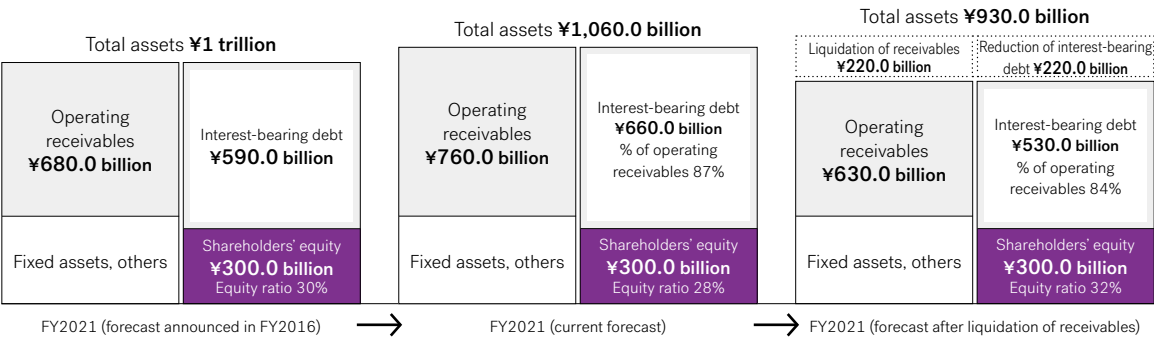
Structure in which ROIC consistently exceeds WACC to be achieved by increasing ROIC and lowering capital costs
Surplus income once again achieved in the fiscal year ended March 31, 2018, through steady advance of financial strategies



In the fiscal year ended March 31, 2018, ROIC exceeded WACC for the second consecutive year following an improvement in the ROIC of the Retailing segment. In the FinTech segment, we are targeting ROIC of 4.1% or more in the fiscal year ending March 31, 2021, by growing service revenues that require less invested capital through initiatives in the securities business and other new fields. Our ROIC target for this year in the Retailing segment is 5.3% or more. We will work toward this target through growth in e-commerce earnings and by pursuing income improvements by raising the value of the transition to shopping centers and fixed-term rental contracts after its completion. We will also develop businesses that do not require increased assets to improve the efficiency of invested capital.

03 POINT Forecasts and Issues Related to Target Balance Sheet

Equity ratio of 32% in the fiscal year ended March 31, 2018, approaching optimal level of 30%
Operating receivables to exceed initial forecast, making for total assets of ¥1 trillion
in the fiscal year ending March 31, 2021

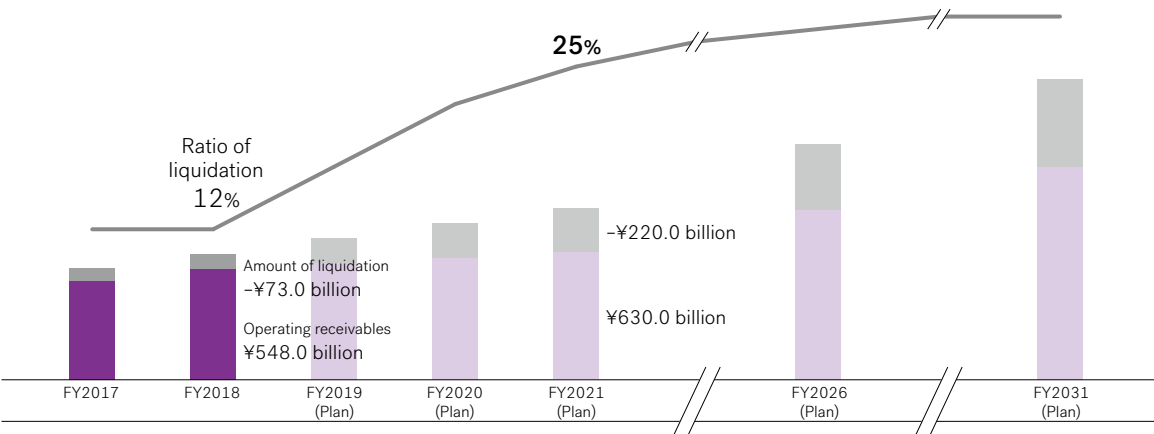


In the fiscal year ended March 31, 2018, the equity ratio reached 32%, a large step toward the optimal level of 30% from the level of 39% in the fiscal year ended March 31, 2016. However, operating receivables are expected to exceed our initial forecast for the fiscal year ending March 31, 2021, due to the growth of the FinTech segment. As we address this rise in receivables through additional interest-bearing debt, this situation is projected to cause the equity ratio to fall below 30% while total assets exceed ¥1 trillion in this year.

We will respond to this issue through a systematic increase in fund procurement through the liquidation of operating receivables beginning in the fiscal year ending March 31, 2019. By raising the ratio of liquidated operating receivables to around 25% from the level of 12% seen on March 31, 2018, we aim to keep total assets below ¥1 trillion in the fiscal year ending March 31, 2021, which enables us to maintain an equity ratio of more than 30%, moving us closer to our optimal capital structure.

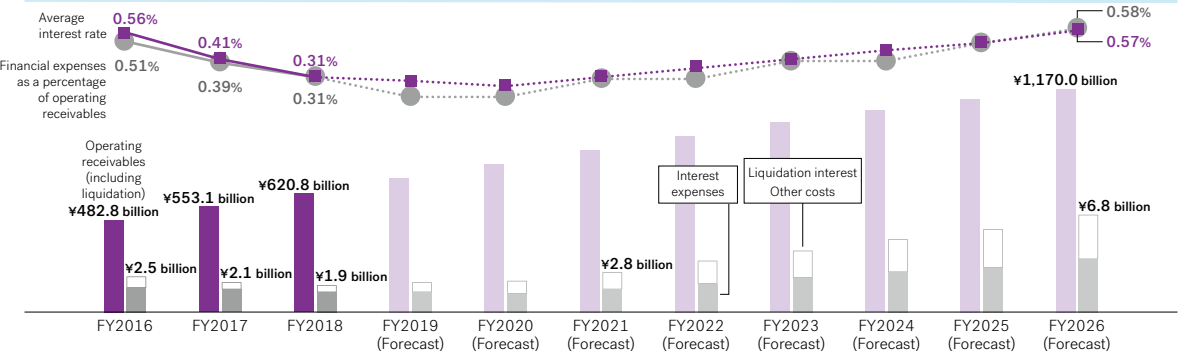
Operating Receivable Liquidation Schedule

Ratio of liquidated operating receivables to be systematically raised from 12% to 25%
Equity ratio of more than 30% to be maintained by keeping total assets below ¥1 trillion
in the fiscal year ending March 31, 2021



04 POINT Interest Rate Hike Risk (Preliminary Calculation of Amount of Impact)

Limited impact on financial expenses anticipated from projected interest rate hike risks
Liability costs to be controlled through optimal fund procurement balance

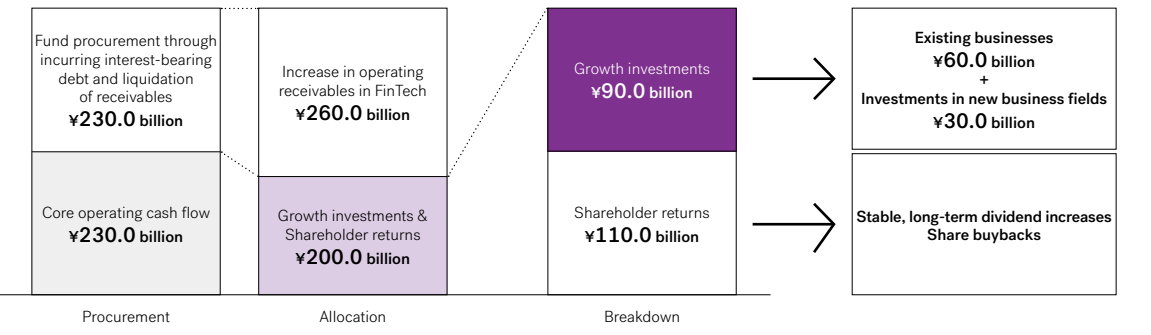


As the FinTech segment continues to grow, it will be impossible to avoid increases in liabilities. A higher level of liabilities means that interest rate hikes will have greater impact on the Company. If long-term interest rates are increased by 0.1% every year, the average interest rate on the Company's debt is estimated to rise from 0.31% in the fiscal year ended March 31, 2018, to 0.57% in the fiscal year ending March 31, 2026. These higher interest rates will cause financial expenses to

climb above ¥6.0 billion in this year. However, this amount will only represent 0.58% of operating receivables (including liquidation), a level that is not significantly larger than now. MARUI GROUP has been successful in absorbing a portion of the potential impact of interest rate hikes by procuring funds with lower interest rates, longer borrowing periods, and even fixed interest rates. Going forward, we will continue to monitor interest rate trends to limit liability costs.

05 POINT Cash Flow Forecasts

Five-year aggregate core operating cash flow of ¥230.0 billion forecast for period of medium-term management plan
Allocation of cash flows to growth investments and shareholder returns to achieve ongoing growth and improve capital efficiency



Over the period of the medium-term management plan, core operating cash flow, which excludes outflows associated with increases in operating receivables, is expected to amount to ¥230.0 billion. We will allocate ¥200.0 billion of this amount to growth investments and

shareholder returns. Growth investments of ¥90.0 billion will be conducted, of which ¥30.0 billion will be used for investments in new business fields and collaborative ventures. The remaining ¥110.0 billion will go to shareholder returns.

Continuous, Long-Term Dividend Increases

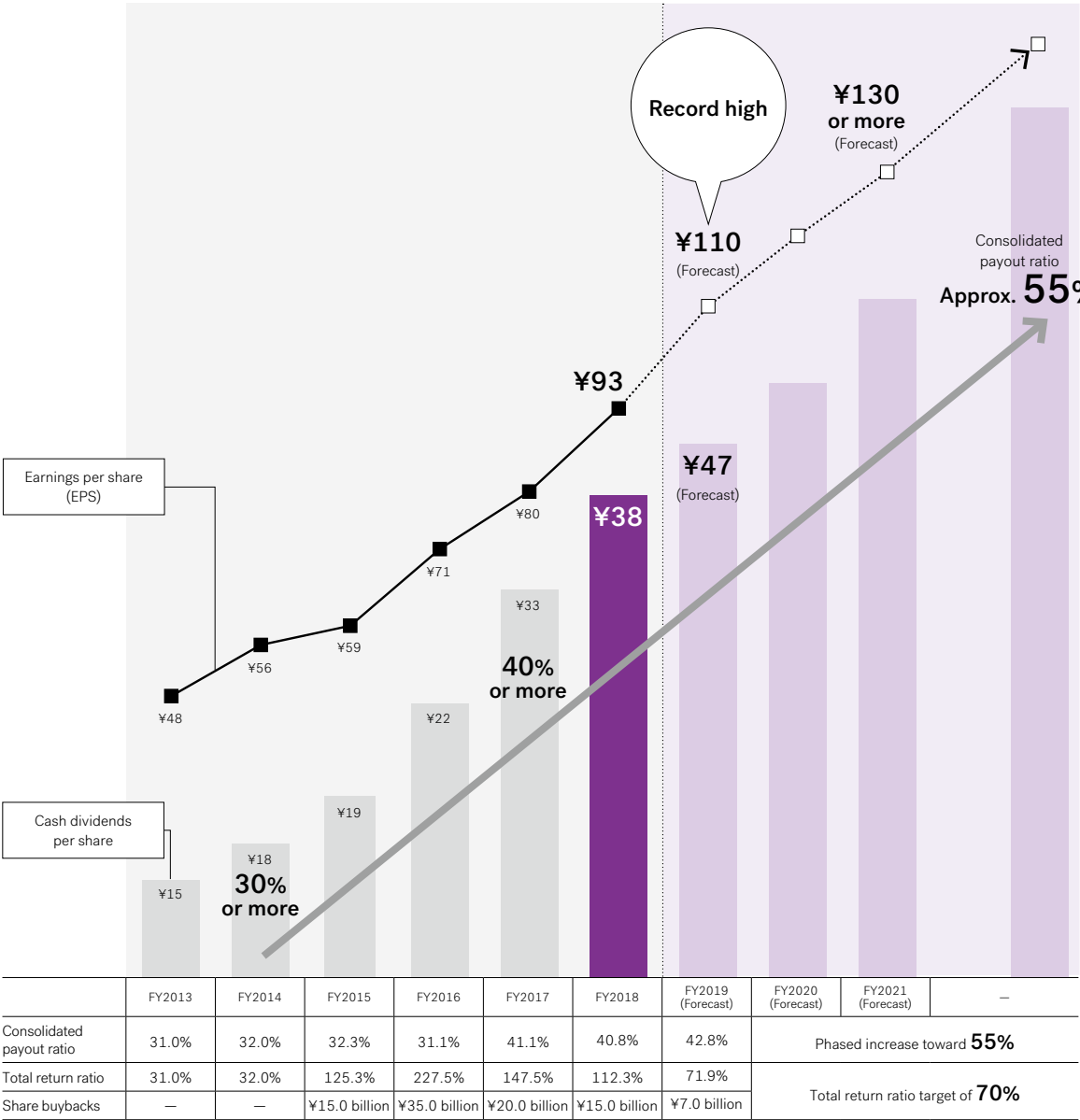
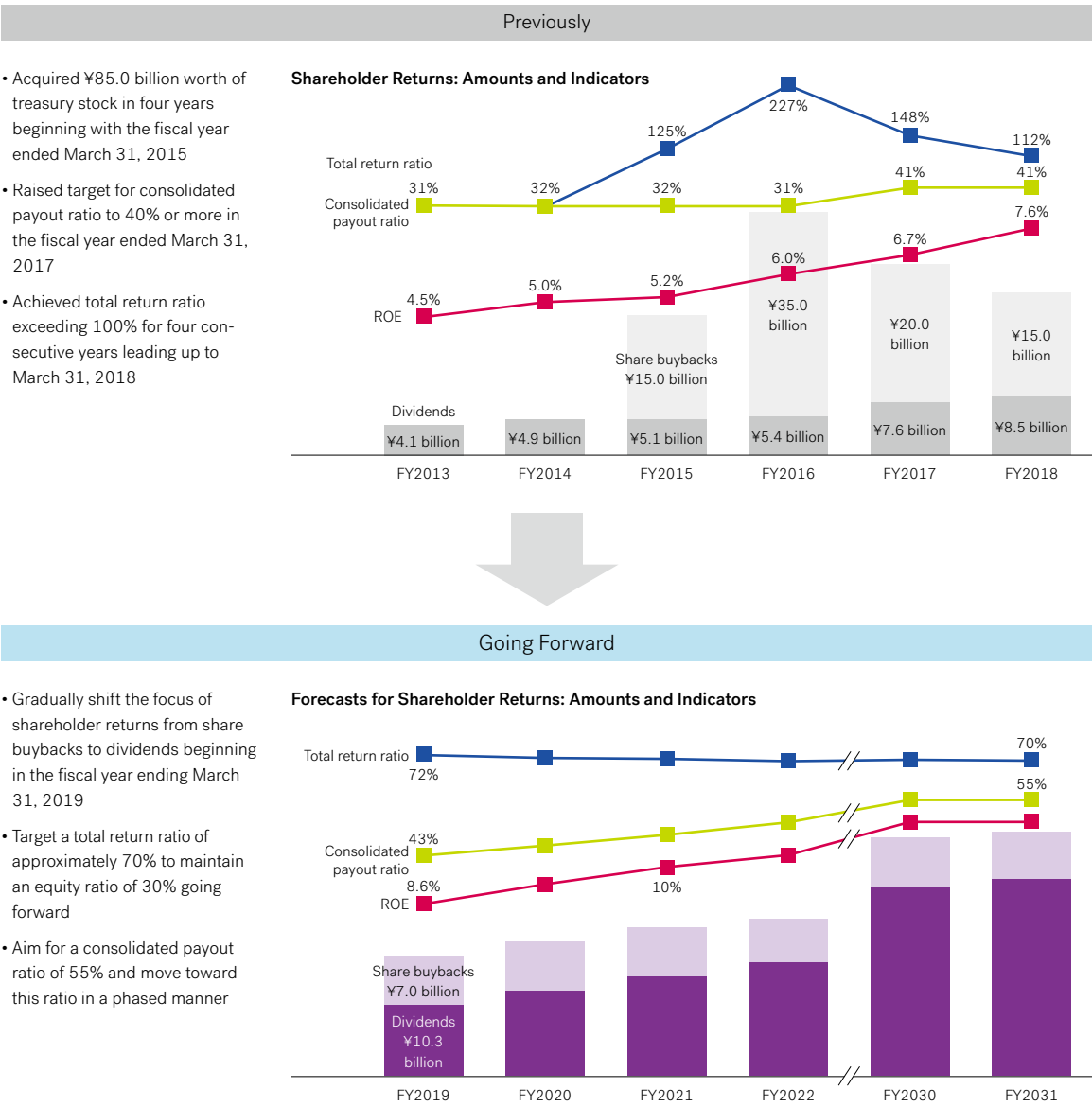
MARUI GROUP has been conducting proactive share buybacks over the past four years. Also, in the fiscal year ended March 31, 2017, we raised our target for consolidated payout ratio from 30% or more to 40% or more. The total return ratio exceeded 100% for four consecutive years leading up to March 31, 2018, representing a high level of shareholder returns. Looking ahead, MARUI GROUP will be gradually shifting the focus of

shareholder returns from share buybacks to dividends, and we will aim for a consolidated payout ratio of 55% and move toward this ratio in a phased manner as we implement ongoing, long-term dividend increases. Our target for the total return ratio will be around 70%, a level that will enable us to maintain an equity ratio of 30% going forward. Acquired treasury stock will, in principle, be canceled.

High Growth Coupled with High Returns

For the fiscal year ended March 31, 2018, we raised dividend payments by ¥5 per share, to the record high of ¥38 per share. In the fiscal year ending March 31, 2019, MARUI GROUP will target record-breaking EPS of ¥109.9 through income growth and capital measures.

In addition, we plan to issue higher dividends for the seventh consecutive year with dividends of ¥47 based on our new shareholder return policies. The Company will also acquire ¥7.0 billion worth of treasury stock in this year. In May 2018, MARUI GROUP canceled 10 million shares of acquired treasury stock.



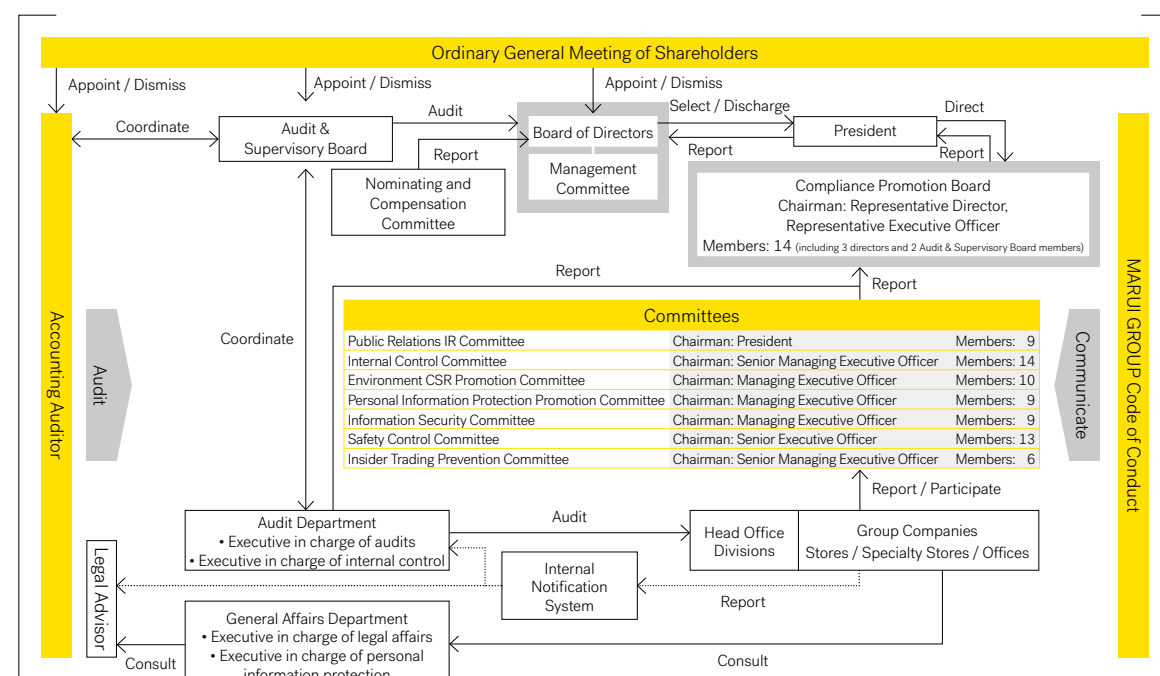
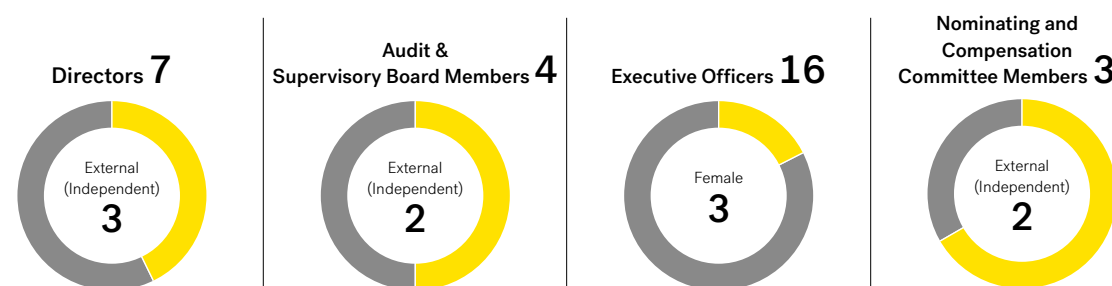


Corporate Governance for Co-Creating Corporate Value

MARUI GROUP conducts co-creation sustainability management to co-create the happiness of all stakeholders with the aim of improving its corporate value over the medium-to-long term. Strengthening corporate governance through co-creation sustainability management is crucial to MARUI GROUP in its quest to achieve harmony between the interests of all stakeholders.

As a Company with Company Auditor(s), as described in the Companies Act of Japan, MARUI GROUP has in place its Board of Directors and Audit & Supervisory Board. In addition, the Company has

established the Management Committee, the highest decision-making body; the Nominating and Compensation Committee; seven committees that manage risks pertaining to environmental, social, and governance (ESG) issues, among others; and the Compliance Promotion Board, which oversees these committees. Following the expiration of the term of former external director Koichiro Horiuchi (appointed in June 2008), the Company appointed one new external director in June 2018.



Agenda Items Discussed by the Board of Directors

The major agenda items discussed by the Board of Directors in the fiscal year ended March 31, 2018, are detailed in the table below. In addition to resolutions and reports, time was allocated for free and open discussion and exchanges of opinion regarding issues pointed out by external directors and ESG and other themes related to long-term improvements in corporate value.

	Resolutions and Reports	Discussion Themes
First Quarter	<ul style="list-style-type: none">Progress of growth investmentsAbolition of takeover defense measuresDistribution of shareholders	<ul style="list-style-type: none">Results of evaluations of the effectiveness of the Board of DirectorsPerformance-linked bonuses for directorsInitiatives with external experts
Second Quarter	<ul style="list-style-type: none">Audit plans for Audit & Supervisory BoardCross-shareholdings and sales policiesFund procurement policies	<ul style="list-style-type: none">Revision of human resource systemsRevision of labor agreements (change in systems related to LGBT community and childcare)
Third Quarter	<ul style="list-style-type: none">Revision of MARUI GROUP Code of ConductEstablishment of Groupwide policiesProgress of official Groupwide project teams	<ul style="list-style-type: none">Reports from Compliance Promotion BoardOverview of co-creation sustainability explanatory forum
Fourth Quarter	<ul style="list-style-type: none">Establishment of securities businessProgress of Co-Creation Management Academy (CMA)Participation in Japan Deep Learning AssociationRevision of human resource systems related to spouses	<ul style="list-style-type: none">Policies for Management Committee and other committeesFund procurement policiesAnime business servicesAcquisition of certification from Science Based Targets for greenhouse gas targets

EXAMPLE Transcript of Board of Directors' Discussion



The following is an abridged transcript of a discussion by the Board of Directors regarding MARUI GROUP's potential entry into the securities business prior to it being put to resolution.

Kato: The main point of this business is the purchase of investment trusts with credit cards. Generally, it is not possible to purchase investment trusts with credit cards. However, I learned that trusts can be purchased using credit cards if it is for cumulative investments through a securities company. I thus sought to commercialize this scheme.

Muroi: Financial inclusion has significant strategic and social meaning. I therefore think we should go through with this business. It is my understanding, though, that Tsumitate NISA offers only very limited investment trust fees. We will need to rigorously control fixed and variable costs after formulating business plans.

Okajima: Promoting EPOS cards is not the purpose of this business. Marketing and public relations activities will therefore need to be geared toward making finance a more familiar concept. Organization structures will also be important, and you will probably have to recruit specialized talent from outside of the Company; these people must share MARUI GROUP's principles. **Aoi:** That is definitely important. The candidates we are considering now do not just boast specialized knowledge; they also share our vision of creating an asset building culture that facilitates financial inclusion of younger generations and everyone else.

Okajima: Long-term investment is a business that requires long-term commitment and bears the risk of damaging a company's reputation. Exit conditions should probably be defined ahead of time.

Kato: We will consider such conditions as we formulate business plans.

Muroi: Investors consider the social meaning of businesses as well as whether investments will harm corporate value. Most of the industry thinks that Tsumitate NISA is not profitable. We will therefore need to be able to explain our business based on an overarching scenario that includes its synergies with other businesses.

Aoi: That is the reason we are so committed to investment using credit cards. This scheme allows us to explain how we expect earnings from the securities business itself as well as from improved LTV for the Group.



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.

Initiatives in the Fiscal Year Ended March 31, 2018

Compensation systems: In light of the upcoming conclusion of the first period to which medium-to-long-term incentives are linked in the fiscal year ending March 31, 2019, opportunities were arranged for the Board of Directors to discuss officer compensation, which is an important element of corporate governance. Once again finding that the portion of total officer compensation accounted for by variable medium-to-long-term incentives was low in comparison to other Japanese companies, the Board of Directors examined instances of companies utilizing pre-financial information, such as that related to ESG factors, for evaluations for performance-linked compensation. The factors to be examined when developing future officer compensation systems were identified through this process.

Succession plans: The future leader development program (CMA) was launched in April 2017, to bestow upon participants the knowledge and understanding required of managers. Individuals that completed the initial development phase in the first iteration of the program have been undergoing relocations between Group companies in their second year of the program. By assigning these individuals to highly demanding divisions and positions with wide-ranging responsibilities, the Company aims to enable them to continue growing through practical application of their skills.

Results of Effectiveness Evaluation from the Fiscal Year Ended March 31, 2018

Areas Applauded

The overall evaluation of factors including the increase in the number of external directors and the start of the future leader development program (CMA) was high and the Board of Directors was judged to be sufficiently functional.

Issues

1. Low portion of total officer compensation accounted for by variable medium-to-long-term incentives (continuing from the fiscal year ended March 31, 2017)
2. Incomplete state of future leader development program (CMA) aimed at discovering and cultivating manager successors over the medium-to-long term

Response to Issue 1

Compensation systems: Based on investigations of industry trends and the compensation systems of other domestic companies, the Company will develop officer compensation systems that are better linked to improvements in medium-to-long-term corporate value for the next period for performance linkage. Measures to be adopted include the expansion of the portion of total compensation accounted for variable compensation as well as the utilization of ESG-related pre-financial information associated with sustainable management alongside conventional evaluation indicators.

Response to Issue 2

Succession plans: The Board of Directors will discuss matters including the overall plan for the future leader development program (CMA), the positioning and promotion of applicants after completion of the program, and other aspects of systems for promoting ongoing development. The possibility of holding regular forums to allow program applicants to speak with the Board of Directors and creating opportunities and frameworks for ongoing monitoring will be examined.

Messages from External Directors



I focus on whether MARUI GROUP is devoting management resources to the risks that should be taken.

Etsuko Okajima

External Director (appointed in June 2014)
Nominating and Compensation Committee Member

The effectiveness of MARUI GROUP's corporate governance has improved greatly over the four years since I was appointed as an external director. The first step in this improvement was the reduction of internal directors and the increase in external directors, which made these directors a larger part of the Board of Directors. This was followed by improvements in the methods of formulating agendas, which allowed for active discussion on matters of strategic importance. In addition, MARUI GROUP conducts evaluations of the Board. The feedback gathered through surveys in these evaluations is utilized and swift action is taken to make any necessary improvements.

I see my role at MARUI GROUP as being to help cultivate human resources that can create future innovation and develop future managers. This is my area of expertise, and I therefore hope to implement changes to both frameworks and procedures to this end. MARUI GROUP is currently in the process of expanding the scope of its business model integrating stores, credit cards, and the Internet to new fields to contribute to the resolution of social issues while generating profits. In these new fields, the Company will need human resources that are completely different from those that have driven past success. MARUI GROUP has earmarked

¥30.0 billion for growth investments in new businesses under the medium-term management plan. In addition, the Company takes steps to identify younger employees with the potential to drive rapid growth and to second them to partnering start-up companies. These efforts are important for two reasons. The first reason is the ability to gain tools for use in future business scope expansion, as opposed to capital gains from businesses. The second reason is the provision of opportunities for younger employees to gain experience making decisions in different industries. To use an example from soccer, the next FIFA World Cup will be in 2022, with the next after that scheduled for 2026. If you ask someone the type of players that will be needed to win in the 2026 World Cup today, no one will be able answer for sure. However, that does not change the fact that preparations for 2026 need to start today. Companies are the same. It is crucial to cultivate employees that can respond to future changes and to give them lots of opportunities to make decisions. Such employees may come to create new industries in the future. I like to think of myself as a catalyst at the Company, and I focus on whether MARUI GROUP is devoting management resources to the risks that should be taken at meetings of the Board of Directors.

There are two reasons why I chose to become an external director at MARUI GROUP. The first was that the Company's principle of co-creation with customers resonated with me. The second is that I respected the foresight MARUI GROUP is exercising through new initiatives advanced together with outside partners in the midst of the large social changes spurred by AI and sharing economies. I am currently the president of a transportation company. The transportation industry too is expected to realign its viewpoint to better consider the customer by redefining its objective from "transporting customers' belongings" to "being entrusted with the transportation of customers' assets." I therefore feel that I can help MARUI GROUP from the same perspective that it has adopted. Meanwhile, being from a different industry with a different business model, my perspective still differs a bit from that of the Company, enabling me to make new proposals to management.

A manager must be able to assess social trends, determine the direction for their company, and move

forward on that path. When the managers of MARUI GROUP lose their way, I think that my management experience will make it easier for them to consult with me as I will be able to talk to them from the perspective of a manager.

The gauge I use as an external director is based on whether or not MARUI GROUP's strategies will benefit customers. Of course, forward-looking projects entailing large investment risks will require that the Board of Directors discuss matters such as investment recovery period. However, if such a project will create new value for customers, I will encourage the Company to take this path. In these forward-looking projects, it is possible to look too far ahead of the customer's perspective. Whether for the customer or for the business, it is best to be a half-step ahead of customers. I therefore plan to support MARUI GROUP's efforts to create value that is a half-step ahead of its customers.



From my perspective as a manager, I plan to support MARUI GROUP's efforts to create value that is a half-step ahead of its customers.

Yoshitaka Taguchi

External Director (appointed in June 2018)
Nominating and Compensation Committee Member



MARUI GROUP will need to create forward-looking growth strategies for the tumultuous operating environment.

Masahiro Muroi

External Director (appointed in June 2017)

Over the year since I became an external director at MARUI GROUP, I have dedicated myself to the supervision of the Company's management. I have held meetings with managers, visited numerous stores and data centers, and even participated in the Medium-Term Management Visionary Committee, which sees voluntary participation by employees. I have also had the opportunity to speak directly with overseas institutional investors. These experiences have made me aware of three unique characteristics of MARUI GROUP.

The first is that its management is rooted in ESG, and concepts such as inclusion and sustainability have become entrenched throughout the organization. I have seen frontline employees speaking passionately about store and product development activities involving customers, environmental measures spanning the value chain, and work style reforms. In addition, MARUI GROUP continues to receive awards and certifications for its environment management, healthcare management, and investor relations activities, and the Company has been included in various ESG investment indexes.

The second characteristic is that MARUI GROUP is at the forefront of innovation. At meetings of the Medium-Term Management Visionary Committee, where hundreds of employees gather, information on the potential impacts of e-commerce and sharing economies on the retailing business and the threats to the credit card services business posed by cashless payments is provided together with concrete examples from countries where digitization is in advanced stages. As such, MARUI GROUP employees hold the necessary sense of danger while pursuing innovation in their business and creating new businesses.

The third characteristic of MARUI GROUP is its distinctive use of open innovation. There are companies in fields related to retailing and FinTech that are developing new businesses guided by a keen eye for future consumer needs. MARUI GROUP utilizes its high-quality internal ecosystem to form relations with promising start-up companies to take part in various verification tests through collaboration or investment. I look forward to seeing MARUI GROUP cultivate next-generation sharing and FinTech businesses through these efforts.

The role of an external director is first and foremost to protect management through supervision from an independent standpoint. However, MARUI GROUP's focus on an ESG perspective in its corporate activities means that there is little need for this protection. MARUI GROUP will therefore need to create forward-looking growth strategies for the tumultuous operating environment. I will support these strategies by taking an independent standpoint in discussions.

Revision of Japan’s Corporate Governance Code

The MARUI GROUP Corporate Governance Guidelines have been revised as described below with the aim of facilitating sound, highly transparent, profitable, and efficient management in order to improve corporate value over the medium-to-long term.

Tokyo Stock Exchange, Inc., revised Japan’s Corporate Governance Code, which defines principles for effective corporate governance, as well as its listing

requirements in June 2018. MARUI GROUP respects the intent and the essence of these documents.

For more information on our implementation of the principles of Japan’s Corporate Governance Code, please refer to the Japan’s Corporate Governance Code Compliance Table at the end of MARUI GROUP’s Corporate Governance Report.

June 2018 Revision to MARUI GROUP Corporate Governance Guidelines

Revised Item	Details of Revision	Applicable Page of Report
Duties of Directors (Article 4)	<ul style="list-style-type: none">Described status of oversight for succession plans by Board of Directors and details on the future leader development program (CMA)Provided information on minimum attendance rates to meetings of the Board of Directors and Audit & Supervisory Board	P97
Composition of the Board of Directors (Article 5) Composition of the Audit & Supervisory Board (Article 9)	<ul style="list-style-type: none">Clarified commitment to developing a Board of Directors composed of directors from a diverse range of backgrounds with differing specialties and experience and of various genders and nationalitiesStated that Audit & Supervisory Board members are expected to have insight with regard to areas such as finance, accounting, and legal affairs and that one member should possess specialties related to finance and accounting	P102 P103
Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions (Article 15)	<ul style="list-style-type: none">Provided clear information on both selection and dismissal proceduresDescribed how the Nominating and Compensation Committee will be used to ensure objectivity and transparency in newly defined dismissal procedures	P90
Compensation of Directors, Audit & Supervisory Board Members, and Executive Officers (Article 16)	<ul style="list-style-type: none">Detailed compensation policies and performance-linked compensation	P97
Risk Management System (Article 19)	<ul style="list-style-type: none">Included information on the Information Security Committee established in June 2018 and described systems and policies for ensuring security of information assets	P100
Basic Policies for Capital Measures (Article 23)	<ul style="list-style-type: none">Explained capital measures being implemented based on capital costsDescribed policies for capital investments, human resource investments, and other growth investments	P84 P70
Shareholder Returns (Article 24)	<ul style="list-style-type: none">Explained new targets for consolidated payout ratio and total return ratioStated intent to, in principle, cancel all acquired shares of treasury stock	P88
Cross-Shareholdings (Article 25)	<ul style="list-style-type: none">Declared that, in principle, the Company will not engage in cross-shareholdingsStated that the Company only provides overviews of holdings due to confidentialityExplained that voting rights attached to shares held through cross-shareholdings will be exercised based on each proposal	P98

MARUI GROUP Corporate Governance Guidelines
www.0101maruigroup.co.jp/pdf/cgg_20180625_en.pdf
Corporate Governance Report
www.0101maruigroup.co.jp/pdf/cgr_en.pdf



Officer Compensation Systems

The amount of compensation paid to individual directors is to be decided by the Nominating and Compensation Committee and set within the limit approved at the Ordinary General Meeting of Shareholders. These amounts are to be determined based on a comprehensive evaluation of factors including the responsibility of each director for the management of the Group and the progress of the Group’s medium-term management plan. The amount of compensation paid to individual executive officers is to be decided by the Nominating and Compensation Committee.

Compensation for directors includes fixed basic compensation as well as performance-linked bonuses, which are based on the performance of the Company in a given fiscal year to function as a short-term incentive, and performance-linked stock-based compensation, which is based on the medium-to-long-term performance of the Company to function as a medium-to-long-term incentive. The portion of compensation linked to performance is meant to provide incentive for pursuing

sustainable growth for the Company. However, external directors will only receive fixed basic compensation based on their position to ensure that they maintain an independent standpoint.

Performance-linked bonuses will be set as an amount equivalent to 10/90 of the compensation of directors for each fiscal year and will be adjusted upward or downward by as much as 10% based on the degree of accomplishment of the Company’s consolidated operating income target for the respective fiscal year.

As for performance-linked stock-based compensation, directors will be awarded points based on their rank at a set time in each of the fiscal years ended/ending March 31, 2017–2019. These points will then be adjusted via a coefficient within the range of 0% to 100% determined based on progress toward targets for three focus KPIs (ROE, ROIC, and EPS) in the fiscal year ending March 31, 2019. Shares of the Company’s stock will then be allocated to each director in reflection of their aggregate total of points post-adjustment.

Officer Compensation in the Fiscal Year Ended March 31, 2018 (Millions of yen)

	Basic Compensation	Performance-Linked Bonuses (Short-Term Incentive)	Performance-Linked Stock-Based Compensation (Medium-to-Long-Term Incentive)	Total Compensation
President and representative director	84	9	9	102
Directors (excluding external directors)	148	16	16	181
External directors	38	0	0	38
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	34	0	0	34
External Audit & Supervisory Board members	15	0	0	15

By resolution at the Ordinary General Meeting of Shareholders, the upper limit for full-year compensation paid to directors has been set at ¥300 million, the upper limit for performance-linked bonuses paid to directors has been set at ¥100 million, the upper limit for performance-linked stock-based compensation issued to directors has been set at ¥300 million, and the upper limit for monthly compensation of Audit & Supervisory Board members has been set at ¥6 million.

Future Leader Development Program

MARUI GROUP unveiled its Co-Creation Management Academy (CMA) future leader development program in April 2017 with the aim of cultivating human resources capable of promoting management reforms. 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. After training, participants continue to be nurtured into future leaders in a wide range of actual work situations through strategic intra-Group relocations.



Cultivation of Future Leaders
www.0101maruigroup.co.jp/en/sustainability/theme04/leader.html



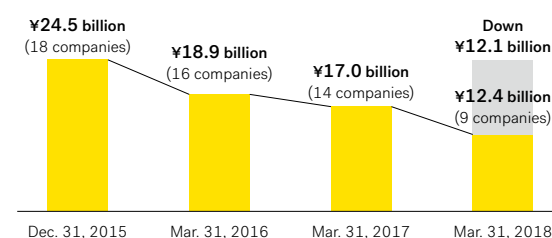
Cross-Shareholdings

In principle, the Company will not engage in cross-shareholdings except for cases in which such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value. At a meeting of the Board of Directors held in February 2016, it was determined that the Company had already established sufficiently strong business relationships with cross-shareholding counterparties, and it was therefore decided to undertake a phased reduction in cross-shareholdings out of consideration for asset efficiency and stock price fluctuation risks.

Since then, the returns from each cross-shareholding have been verified at meetings of the Board of Directors held in either July or August of each year. The extent to which holdings have been reduced was confirmed at these meetings. On March 31, 2018, the Company

held shares of the stock in nine companies as cross-shareholdings (nine companies fewer than on December 31, 2015), and the total value of these shares on the consolidated balance sheets was ¥12.4 billion (down ¥12.1 billion from December 31, 2015).

Total Value of Cross-Shareholdings on the Consolidated Balance Sheets



Advisory Board

The Advisory Board was established in July 2016, and contracts with the current members cover the one-year period from July 1, 2018, to June 30, 2019.

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 establishment of strategies for Groupwide efforts to accomplish the

targets of the medium-term management plan and to improve corporate value over the medium-to-long term as we seek to address the rapidly changing operating environment and the diversifying society. Regular bimonthly meetings of the Advisory Board are held, at which the president, pertinent directors, and representatives from relevant areas attend; advice is also sought on specific themes and operations are inspected.

Advisory Board Members



Tadasu Ohe

President, PLANTEC ASSOCIATES INC.

Area of Specialty and Past Activities
Proposals for better utilizing real estate from the user's perspective

- Discussion and proposals regarding store directives
- Inspection of stores and discussion regarding vision for future stores
- Inspection of distribution centers and proposals for environmental measures
- Lectures at Group companies



Yuji Yamamoto

Physician, Representative Director, MinaCare Co., Ltd.

Area of Specialty and Past Activities
Analysis and advice for promoting healthcare management

- Discussion and proposals regarding tracking the relationship between health and productivity
- Guidance on how to be included in healthcare management-related indexes
- Sharing of external healthcare management case studies and related proposals



Masakazu Masujima

Partner, Mori Hamada & Matsumoto

Area of Specialty and Past Activities
Provision of information for developing new FinTech businesses

- Proposal of specific growth investment targets
- Advice and proposals regarding entry into securities business
- Advice on FinTech-related laws and regulations



Meyumi Yamada

Executive Director, istyle Inc.

Area of Specialty and Past Activities
Provision of information regarding sharing economies and omni-channel retailing

- Discussion on sharing economies, omni-channel retailing, and other social trends

Co-Creation of Corporate Value with Shareholders and Other Investors

MARUI GROUP conducts proactive investor relations activities to engage with shareholders and other investors and to reflect their input in its co-creation sustainability management.

The Company has been issuing co-creation management reports and co-creation sustainability reports as communication tools since 2015. Under the guidance of President Aoi, these business strategy reports are forged over the course of more than 40 planning meetings each year.

In addition, Director and Senior Executive Officer Hirotsugu Kato regularly takes part in exchanges of opinion as a member of the Forum for Integrated Corporate Disclosure and ESG Dialogue established by the Ministry of Economy, Trade and Industry as a forum for dialogue between companies and investors based on the ministry's *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment*.



Dialogue with Shareholders

The Ordinary General Meeting of Shareholders is the highest decision-making authority for corporate management at MARUI GROUP. The Company revises its methods of proceeding and administration of meetings to provide an open atmosphere that is ideal for reflecting the opinions and suggestions of shareholders in management and is expanding the range of opportunities for dialogue with shareholders.

Ordinary General Meeting of Shareholders Held in June 2018 Shareholders in attendance: 182 Questions: 14 Ratio of voting rights exercised: 87.6%

Comments from Attendees

"I want MARUI GROUP to explore and commercialize initiatives for addressing social needs."

"The meeting was great. I appreciate the thorough and easy-to-understand answers to questions."

"I was able to understand how Tsumitate NISA will help alleviate concern regarding investment among younger generations."



Dialogue with Institutional Investors

Through coordination between the IR Department, the Corporate Planning Division, the General Affairs Division, and the ESG Promotion Department, MARUI GROUP holds financial results briefings and twice-annual IR DAY events, accommodates visits from domestic and overseas investors and requests for individual meetings, and provides other opportunities for direct discussion with institutional investors. In addition, the Company participates in the Ministry of the Environment's Environmental Reporting Platform Development Pilot Project, through which it engages in dialogue with ESG-minded investors and conducts surveys of approximately 150 institutional investors and companies, using the input gained in improving management and information disclosure activities.

Fiscal year ended March 31, 2018 Aggregate institutional investors met with: Approx. 250 Financial results briefings: 4 Financial results briefings attendees: 364

Comments from Institutional Investors

"I want to hear about growth strategies for after the transition to shopping centers and fixed-term rental contracts."

"Rather than share buybacks, shareholders would prefer a focus on dividends."

"I was quite impressed with the idea of stores that do not sell."

"How will you address the threat of mobile phone payments?"

"MARUI GROUP should more actively advertise its status as a forerunner in ESG initiatives."



Co-Creation Corporate Governance Risk Countermeasures

As part of its efforts to promote co-creation sustainability management through an integrated Group effort, MARUI GROUP revised the MARUI GROUP Code of Conduct and established the MARUI GROUP Human Rights Policy and the MARUI GROUP Occupational Health and Safety Policy in 2017. The Company later unveiled three policies for reinforcing Groupwide information security in June 2018: the MARUI GROUP Information Security Policy, the MARUI GROUP Privacy Policy, and the MARUI GROUP Social Media Policy. It was also at this time that we formulated the MARUI GROUP Tax Policy for ensuring transparent tax payments and minimizing tax risks.

MARUI GROUP Information Security Policy (Abridged)

1. Purpose

The purpose of this policy is to provide guidelines for establishing and implementing information security management systems to protect the information assets of customers and of MARUI GROUP from all threats, whether internal or external, accidental or intentional, and thereby help ensure the continuity of MARUI GROUP's business activities.

2. Basic Principles

- (1) MARUI GROUP shall practice appropriate management of the information entrusted to it by individuals or organizations during the course of its business activities while respecting the rights and interests of these individuals or organizations.
- (2) MARUI GROUP shall practice appropriate management of trade secrets, technological information, and other valuable information acquired during the course of its business activities and protect the rights and interests of MARUI GROUP.
- (3) MARUI GROUP will engage in research and human resource development in order to work to improve information security as it pertains to customer information and thereby gain greater levels of trust from customers and subsequently society as a whole.

Reinforcement of Groupwide Information Security

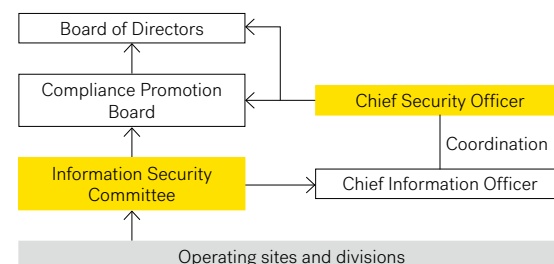
Risk management pertaining to IT systems for the entire Group is overseen by the Compliance Promotion Board, which is chaired by the president and representative director of MARUI GROUP CO., LTD. In addition, the Company established the Information Security Committee in June 2018 and appointed the chief security officer (CSO) to serve as the highest-level authority on security responsible for managing and protecting Groupwide information assets. The CSO coordinates

with the chief information officer (CIO), who is the highest authority responsible for managing Groupwide IT systems. In the event of a major information security incident, the head of the division that detects the incident will report to the chairperson of the Information Security Committee. The chairperson will then report to the CIO, and the CSO will issue a report to the president and representative director of MARUI GROUP CO., LTD., when necessary. The CSO will also be responsible for assembling a specialized team to address the incident.

Third-Party Assessments

MARUI GROUP recruits and develops the human resources necessary for implementing Groupwide information security measures and provides education on information security to officers and employees to promote awareness. In addition, third-party information security assessments are performed by specialized institutions to help us maintain an understanding of information security systems and levels throughout the Group. We will continue to pursue improvements through regular assessments going forward.

MARUI GROUP's Information Security Framework



Environmental Impact Reduction Targets for 2050

MARUI GROUP has defined ecological inclusion as one of its core themes. In 2016, we revised the MARUI GROUP Environmental Policy, based on which we propose ecologically sound lifestyles that are in harmony with nature and the environment to develop businesses with low environmental impact and contribute to the realization of a low-carbon and recycling-oriented society. In addition, we recognize our responsibility as a producer to reduce our environmental footprint across the entire value chain, from the procurement of raw materials and product creation to the sale and disposal of products.

MARUI GROUP's Medium- and Long-Term Environmental Targets

Long-Term Greenhouse Gas Emissions Reduction Target

Achieve 80% reduction in Groupwide total greenhouse gas emissions attributable to Scope 1 and Scope 2 from the fiscal year ended March 31, 2017, by the fiscal year ending March 31, 2051

Medium-term target: Achieve 40% reduction in Groupwide total greenhouse gas emissions attributable to Scope 1 and Scope 2 and a 35% reduction in emissions attributable to Scope 3 from the fiscal year ended March 31, 2017, by the fiscal year ending March 31, 2031

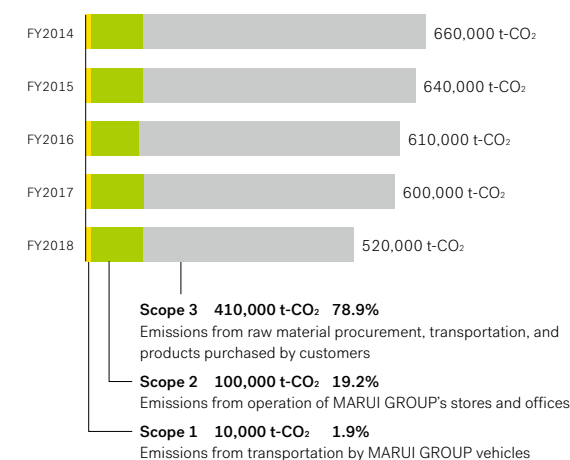
Targets for Sourcing 100% of Electricity from Renewable Power Sources

Source 100% of electricity used in business activities from renewable power sources by 2030

Medium-term target: Source 70% of electricity used in business activities from renewable power sources by 2025

Pursuit of 80% Reduction in Greenhouse Gas Emissions

Through ongoing discussion regarding the establishment of environmental impact reduction targets for 2050 based on projected changes to business activities and future impacts on natural capital, MARUI GROUP formulated targets for reducing its greenhouse gas emissions. These targets, which place particular emphasis on lowering electricity consumption, were the first targets from a Japanese retailer to receive certification from the international initiative known as Science Based Targets.



Sourcing of 100% of Electricity from Renewable Power Sources

MARUI GROUP has become a member of RE100, an international initiative comprising a collective of companies committed to the procurement of 100% of the electricity used in their business activities from renewable power sources.

In its efforts to achieve this goal, MARUI GROUP will take part in a trial of a new service offered by Minna Denryoku Co., Ltd., that will be the first in Japan to use blockchain technology to allow for the identification of the renewable power source from which power has been supplied.



Message from the Head of RE100

Mr. Sam Kimmins

Head of RE100, The Climate Group

By committing to 100% renewable power, MARUI GROUP is growing corporate demand for renewables in Japan and accelerating the country's low-carbon economy. In trialing blockchain technology to trace renewable sources, MARUI GROUP is further showcasing how high levels of ambition can drive smart energy innovation.

Directors, Audit & Supervisory Board Members, and Executive Officers

As of June 25, 2018

Directors, Audit & Supervisory Board Members, and Executive Officers

Directors



Hiroshi Aoi

President and Representative Director
Shares held: 1,538,300
Born: January 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



Etsuko Okajima

External Director
Shares held: 0
Born: May 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 (Incumbent)
Nov. 2015 Outside Director,
Lancers, Inc. (Incumbent)
Dec. 2015 Outside Director,
SEPTENI HOLDINGS CO., LTD.
(Incumbent)
Mar. 2016 Outside Director,
Link and Motivation Inc. (Incumbent)

Participation in committees:

Nominating and Compensation Committee



Yoshitaka Taguchi

External Director
Shares held: 0
Born: April 1961

Mar. 1985 Joined Seino Transportation Co., Ltd.
(currently Seino Holdings Co., Ltd.)
Jul. 1989 Director, Seino Transportation Co., Ltd.
Jul. 1991 Managing Director,
Seino Transportation Co., Ltd.
Jun. 1996 Senior Managing Director,
Seino Transportation Co., Ltd.
Oct. 1998 Representative Director and
Vice President,
Seino Transportation Co., Ltd.
Jun. 2003 President and Chief Operating Officer,
Seino Transportation Co., Ltd.
(Incumbent)
Jun. 2018 External Director (Incumbent)

Participation in committees:

Nominating and Compensation Committee



Hirotsugu Kato

Director
Shares held: 5,200
Born: July 1963

Mar. 1987 Joined the Company
Apr. 2015 Executive Officer and General Manager,
Corporate Planning Division
Jun. 2016 Director and Senior Executive Officer,
General Manager, Corporate Planning
Division and IR Department
Oct. 2017 Director, Senior Executive Officer,
and Chief Digital Officer
General Manager, IR Department
In charge of Corporate Planning and
ESG Promotion (Incumbent)
Feb. 2018 Director, tsumiki Securities Co., Ltd.
(Incumbent)
Apr. 2018 Senior Managing Director,
M & C SYSTEMS CO., LTD. (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: 600
Born: September 1955

Apr. 1980 Joined Mitsubishi Bank Ltd.
(currently MUFG Bank, 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



Nariaki Fuse

Audit & Supervisory Board Member (Full time)
Shares held: 9,800
Born: June 1959

Mar. 1982 Joined the Company
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
Chief Information Officer
In charge of Audit
Jun. 2018 Audit & Supervisory Board Member
(Full time) (Incumbent)

Participation in committees:

Compliance Promotion Board
Internal Control Committee



Masahiro Muroi

External Director
Shares held: 0
Born: July 1955

Apr. 1978 Joined Nomura Computer System
Co., Ltd. (currently Nomura Research
Institute, Ltd.)
Jun. 2000 Member of the Board,
Nomura Research Institute, Ltd.
Apr. 2002 Senior Corporate Managing Director,
Member of the Board,
Nomura Research Institute, Ltd.
Apr. 2009 Representative and Senior Executive
Managing Director, Member of the Board,
Nomura Research Institute, Ltd.
Apr. 2013 Representative and Vice President,
Member of the Board,
Nomura Research Institute, Ltd.
Jun. 2016 External Director, Ryoden Corporation
(Incumbent)
Jun. 2017 External Director (Incumbent)
Jun. 2018 Audit & Supervisory Board Member,
The Norinchukin Bank (Incumbent)



Tomoo Ishii

Director
Shares held: 18,400
Born: July 1960

Apr. 1983 Joined the Company
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
Apr. 2017 President and Representative Director,
MOVING CO., LTD. (Incumbent)
Jun. 2018 Senior Managing Executive Officer,
Chief Security Officer,
and Chief Health Officer
In charge of Audit, General Affairs,
Personnel, and Health Promotion
(Incumbent)

Participation in committees:

Management Committee
Compliance Promotion Board
Public Relations IR Committee
Environment CSR Promotion Committee



Masao Nakamura

Director
Shares held: 21,500
Born: June 1960

Apr. 1983 Joined the Company
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 President and Representative Director,
AIM CREATE CO., LTD. (Incumbent)
Oct. 2017 Director and Managing Executive Officer
Responsible for FinTech Segment
(Incumbent)

Participation in committees:

Management Committee
Compliance Promotion Board
Public Relations IR Committee



Tadashi Ooe

External Audit & Supervisory Board Member
Shares held: 74,700
Born: May 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: 5,200
Born: January 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)

Number of shares held as of March 31, 2018

Executive Officers



Hiroshi Aoi

Representative Executive Officer
Born: January 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



Masao Nakamura

Managing Executive Officer
Born: June 1960

- Apr. 1983 Joined the Company
- 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 President and Representative Director, AIM CREATE CO., LTD. (Incumbent)
- Oct. 2017 Director and Managing Executive Officer Responsible for FinTech Segment (Incumbent)

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



Motohiko Sato

Senior Managing Executive Officer
Born: December 1953

- Mar. 1977 Joined the Company
- 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
- Apr. 2017 Senior Managing Executive Officer and CFO In charge of 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)



Toshikazu Takimoto

Managing Executive Officer
Born: November 1959

- Mar. 1982 Joined the Company
- Mar. 2009 Executive Officer and General Manager, Group Profit Improvement Division
- Jun. 2012 Director and Executive Officer
- Apr. 2015 Managing Executive Officer
- Apr. 2016 Managing Executive Officer Responsible for FinTech Business President and Representative Director, MARUI HOME SERVICE Co., Ltd.
- Oct. 2017 Managing Executive Officer Responsible for Retailing Segment (Incumbent)
- Apr. 2018 Managing Executive Officer and Chief Information Officer (Incumbent) President and Representative Director, M & C SYSTEMS CO., LTD. (Incumbent)

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



Tomoo Ishii

Senior Managing Executive Officer
Born: July 1960

- Apr. 1983 Joined the Company
- 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
- Apr. 2017 President and Representative Director, MOVING CO., LTD. (Incumbent)
- Jun. 2018 Senior Managing Executive Officer, Chief Security Officer, and Chief Health Officer In charge of Audit, General Affairs, Personnel, and Health Promotion (Incumbent)

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



Takashi Wakashima

Managing Executive Officer
Born: November 1956

- Mar. 1981 Joined the Company
- 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
- Jun. 2015 Director and Managing Executive Officer In charge of CSR Promotion and Real Estate Business & Architecture Director, AIM CREATE CO., LTD. (Incumbent)
- Apr. 2017 Director and Managing Executive Officer In charge of Sustainability and Real Estate Business & Architecture (Incumbent)

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



Hajime Sasaki

Senior Executive Officer
Born: November 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)



Hirotsugu Kato

Senior Executive Officer
Born: July 1963

- Mar. 1987 Joined the Company
- Apr. 2015 Executive Officer and General Manager, Corporate Planning Division
- Jun. 2016 Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Department
- Oct. 2017 Director, Senior Executive Officer, and Chief Digital Officer General Manager, IR Department In charge of Corporate Planning and ESG Promotion (Incumbent)
- Feb. 2018 Director, tsumiki Securities Co., Ltd. (Incumbent)
- Apr. 2018 Senior Managing Director, M & C SYSTEMS CO., LTD. (Incumbent)

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



Yoshinori Saito

Senior Executive Officer
Born: July 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)

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



Yoshiaki Kogure

Executive Officer
Born: September 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
Safety Control Committee





Masahiro Aono

Executive Officer
Born: March 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
Safety Control Committee



Junko Tsuda

Executive Officer
Born: May 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.
Apr. 2017 Executive Officer and General Manager, New Business Development Department
Apr. 2018 Director and Store Manager, Marui Family Mizonokuchi, MARUI CO., LTD. (Incumbent)

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



Yuko Ito

Executive Officer
Born: June 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 Division, AIM CREATE CO., LTD.
Apr. 2014 Executive Officer (Incumbent)
Apr. 2016 Director and General Manager, Design Management Department
 Deputy General Manager, Space Production Business Division, AIM CREATE CO., LTD.
Oct. 2016 Director and General Manager, Creative Management Department
 Deputy General Manager, Space Production Business Division, AIM CREATE CO., LTD. (Incumbent)
Apr. 2018 General Manager, Group Design Center (Incumbent)

Participation in committees:
Management Committee
Environment CSR Promotion Committee



Miyuki Kawara

Executive Officer
Born: August 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.
Apr. 2018 Director and Store Manager, Ueno Marui, MARUI CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Personal Information Protection Promotion Committee



Mayuki Igayama

Executive Officer
Born: June 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 Division, MARUI CO., LTD. (Incumbent)

Participation in committees:
Management Committee
Personal Information Protection Promotion Committee
Information Security Committee



Masahisa Aoki

Executive Officer
Born: July 1969

Apr. 1992 Joined MOVING CO., LTD.
Apr. 2015 Store Manager, Shinjuku Marui Annex, MARUI CO., LTD.
Oct. 2015 General Manager, Pre-Opening Development Office, Anime Business Department
Apr. 2016 General Manager, Anime Business Department
Apr. 2017 Executive Officer (Incumbent)
Apr. 2018 General Manager, New Business Development Department, In charge of Anime Business (Incumbent)

Participation in committees:
Management Committee

