

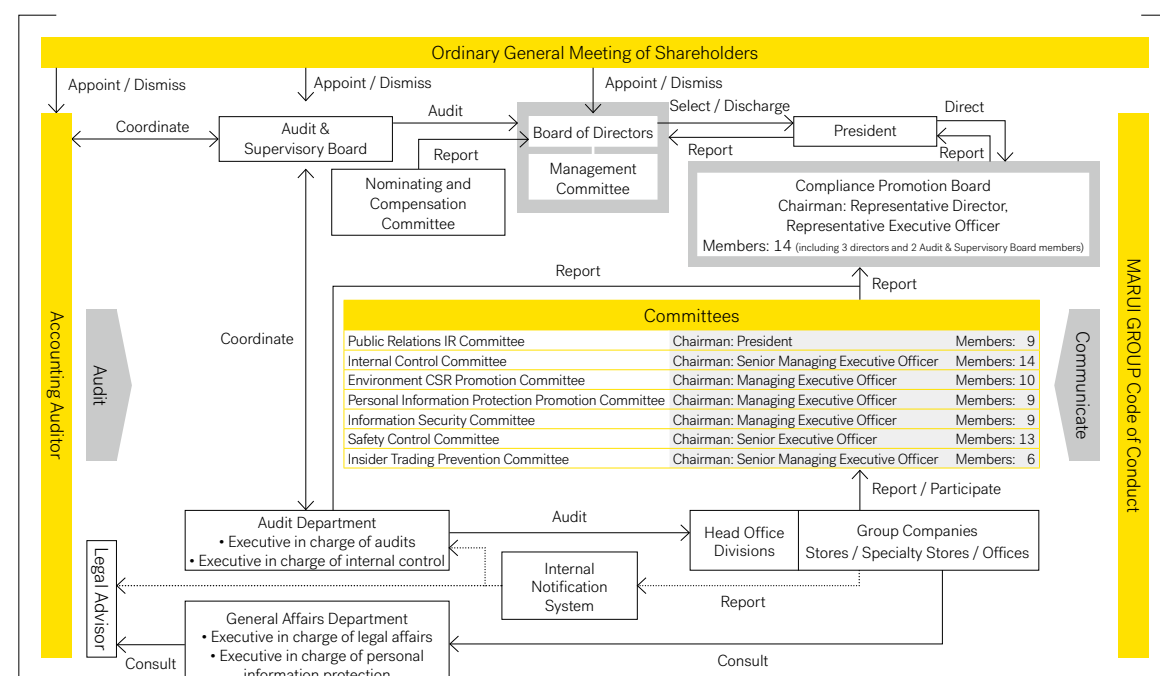
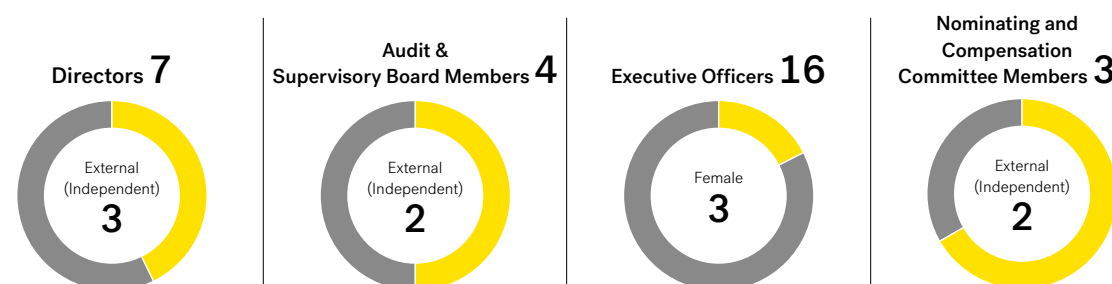


Corporate Governance for Co-Creating Corporate Value

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.