I remember the sense of commitment I felt to ensuring that I did not let the Company go under whenever I visited the grave of the founder.

Sick of overtime and old men.

Hiroshi Aoi
President and Representative Director, Representative Executive Officer

I was inspired by the MBA holders around me to attend Harvard University to acquire my own MBA. This experience changed me, making me realize that I preferred innovative, transformative businesses as opposed to reliable, large-scale ones.

Etsuko Okajima
External Director

The entirety of MARUI GROUP was united toward a single goal. This exhilaration remains with me today, this time stimulated by MARUI GROUP's efforts to co-create value.

Masao Nakamura
Director,
Senior Managing Executive Officer

I became a lawyer in 1969, and celebrated my 50th anniversary in this position in 2019. I still step into the courtroom even today. I would say that I am careful and business-minded. Not a particularly interesting statement, I know.

Tadashi Ooe
External Audit & Supervisory Board Member

I have changed positions more than 10 times in the roughly 20 years since I joined MARUI GROUP. I would say that I am a positive individual.

Junko Tsuda
Executive Officer

I have 40 years of experience in tax bureaus and in the National Tax Agencies. When I was young, I was placed in an audit department. In this position, I exposed many major and malicious tax evaders.

Takehiko Takagi
External Audit & Supervisory Board Member

I am the oldest active employee at MARUI GROUP. I see myself as an optimist, believing that a desirable result can always be achieved no matter what adversity is faced.

Motohiko Sato
Executive Vice President

# *Management*

Section 03

## Co-Creation Sustainability Management

There are several areas with regard to which I cannot help but sense risks in terms of the differences in the cultures of fostering innovation between the United States and Japan. This is one of the reasons why I serve as the head of a government digital transformation human resource research committee even today.

Masahiro Muroi
External Director

My career history makes many think I have committed to defending our current state, but I see things differently. I changed myself, losing 20 kg over a period of three years some eight years ago.

Tomoo Ishii
Senior Managing Executive Officer

My becoming store manager at Machida Marui in 2007, marked my triumphant return to where my career began. I was general manager of the Financial Department at the outbreak of the 2008 financial crisis. My time overseeing the Financial Department was thus the most challenging leg of my career.

Yoshinori Saito
Managing Executive Officer

As I am addicted to addressing customer needs, I greatly enjoy people watching. I am often told that I observe things that I don't need to see. I find joy in doing things different from other people, and I hope to utilize this peculiarity in my work.

Tatsuo Niitsu
Executive Officer



I learned the warmth of a team when managing a shop, and I then gained a sense of motivation and perseverance when faced with the harsh working conditions of the planning product division.

Hajime Sasaki
Senior Executive Officer

At college, this passion became fashion, and I joined MARUI GROUP in 1987 with the goal of working in fashion. As for my personality, while I don't necessarily agree with it, I am often said to be "stubborn."

Hirotsugu Kato
Director, Managing Executive Officer

We are currently faced with a highly volatile era. In my central role in corporate governance as an Audit & Supervisory Board member, I hope to be proactive and optimistic and to enjoy contributing to improved corporate value for MARUI GROUP.

Hideaki Fujizuka
Audit & Supervisory Board Member
(Full time)

I tend to like to do everything myself, and I spent a lot of my 20s and 30s on overtime. If I had to sum up my personality, the word I would use is "serious."

Mayuki Igayama
Executive Officer

Born in Nagano Prefecture, my grandfather founded his business in the waterfilled city of Ogaki City, Gifu Prefecture, often referred to as an important center of transportation on the Nobi Plain in the middle of Japan. I was thus raised in this city among its plentiful water.

Yoshitaka Taguchi
External Director

My love for cars drove me to joining MOVING CO., LTD. in 1992, where I was a truck driver for five years. I was promoted to management in 2009 and then transferred to MARUI CO., LTD. At first, I didn't know any other way into our stores aside from the truck loading gate.

Masahisa Aoki
Director, Senior Executive Officer

My coworkers called me "Dynamite Kawara" because of my head-on approach toward everything. My source of energy is sweets and shopping.

Miyuki Kawara
Executive Officer

The positions I spent years in saw me primarily interacting with men during my work, whether inside or outside of the Company. As I overcame the obstacles placed before me as a woman, I grew while experiencing the sense of accomplishment that came with my achievements as a woman.

Yuko Ito
Director, Executive Officer

I wanted to research how people can be happy in their work, prompting me to enter a graduate program. I look forward to continuing to help invigorate the Company's employees and organizations with my foundation in medicine in the future.

Reiko Kojima
Executive Officer

My education was in liberal arts, far removed from IT. Regardless, I have been involved in the majority of the Company's businesses through the lens of IT utilization, which has been a truly motivating experience. I fulfill my duties with a commitment to seeing matters through to the end.

Nariaki Fuse
Audit & Supervisory Board Member
(Full time)

At the time, we were still collecting payments for monthly installment transactions. Notably, I was responsible for reconstructing our credit card services businesses, introducing the EPOS card to the world, and developing this business thereafter, an accomplishment of which I am most proud.

Toshikazu Takimoto
Managing Executive Officer

The number of business negotiations I have taken part in with external business partners is No. 1 in MARUI GROUP. I hope to develop a business that enables us to repay this debt to our customers and to our business partners.

Masahiro Aono
Senior Executive Officer

I took part in the development of the systems that would be used to launch the EPOS card. Many people say that I am very meticulous, despite the image of people with B-type blood in Japan. I take this as a compliment.

Takeshi Ebihara
Executive Officer

I realized that I suffered from a lack of fashion sense working in men's designer and character brands at the head office. When I returned to stores from the head office after 15 years, my inexperience as a deputy store manager showed as I didn't understand anything. For some reason, I felt joy everyday as the female employees treated me like a newcomer as they taught me.

Yoshiaki Kogure
Executive Officer

The unique self-introductions are featured in the "Directors, Audit & Supervisory Board Members, and Executive Officers" section on pages 132–140.

# First Panel for Face-to-Face Discussion between Long-Term Investors and External Directors

As companies come to be expected to engage in constructive dialogue with investors regarding the improvement of their corporate value, exchanges between external directors and institutional investors are becoming increasingly more important. We therefore invited two long-term investors to sit down with three external directors and discuss MARUI GROUP's business model and the ideal relationship with the employees that support this model.

### Need to Aggressively Communicate New Business Models to Investors

**Okajima:** MARUI GROUP's strength is rooted in its DNA of innovation and in the frameworks that allow employees embodying this DNA to create innovation. The Company has been cultivating employees capable of responding to change through a variety of measures over the past 10 or so years. The central pillar for these initiatives has been the leadership of President Aoi. Another major factor has been the development of frameworks for advancing initiatives through an approach that is simultaneously top down and bottom up.
**Sampei:** You could not be more right. It is clearly apparent, even to me, that MARUI GROUP has been implementing various innovative initiatives and that this spirit of innovation and change is permeating its employees. However, investors do not yet appear to be able to completely understand what type of business model will arise from this innovation in the future. While it may seem that the Company's stock price is doing well, I think that the market has yet to evaluate MARUI GROUP correctly.
**Muroi:** MARUI GROUP's co-creation sustainability management is almost perfect, and it has an incredibly sincere corporate culture. I therefore think that the risks associated with the Company are few. In fact, I first thought that there was not much for me to do at MARUI GROUP, given that the role of external directors is supposed to be monitoring. To address the issue that you, Mr. Sampei, point out, it would probably be a good idea to think of ways to improve the materials provided at meetings with investors and to supply data that backs the Company's assertions.
**Sampei:** Data should not be the top priority. Around 70% to 80% of the work should be done by alleviating investor concerns through explanations of the Company's policies, its frameworks, and the areas with which it is exercising caution. The role of data comes around when investors ask for evidence after hearing such an explanation. If the data can supply the remaining 20%, everything should click with investors. The other day, I spoke with Director and Managing Executive Officer Hirotsugu Kato on the subjects of financial inclusion and credit management. He put forth a clear vision together with a wealth of data. The fund managers and analysts from my firm that were present at the time were quite impressed with this explanation. To investors, it is important to be able to paint a clear picture of the next step in a company's evolution and of its business model. If a company can aggressively broadcast such information to market representatives, the expectations of the market for this company will increase. This is the bridgehead MARUI GROUP needs.
**Taguchi:** MARUI GROUP's spirit of innovation is its unbreakable backbone, and the Company boasts a responsiveness to change that spurs it toward the appropriate action, regardless of the means or methods. I believe that these qualities are contributing to increases in lifetime value from customers. I would like to ask: When a company puts forth a new business model, how do investors judge this model?
What benchmark do you use in these cases?
**Sampei:** We do not have a particular benchmark. New business models are exactly that, something completely new, and we therefore have nothing with which to judge them against. What is important is the elements of the business model that will allow it to continue. I tend to take interest in business models that I judge to have the potential to continue for 10 or 15 years.
**Makino:** At the moment, the main factors behind any variation when I assess MARUI GROUP's corporate value are the growth rates of EPOS Gold cardholders, the per card usage amounts, and how the Company intends to improve these indicators. However, although Gold cardholders may be highly loyal to MARUI GROUP, their income tends to be around the same level as the standard cardholders of rivals. The question then turns to the degree to which revolving and cash advance transactions can grow through these cardholders. MARUI GROUP estimates that one-third of women living in the Tokyo metropolitan area will hold an EPOS card in the future. However, one cannot help but question the validity of this estimate. I cannot say for sure at the moment. However, if MARUI GROUP's stock price is

This face-to-face discussion started with a photograph session. The anxious gazes captured in this photograph are symbolic of the curiosity regarding the course of this discussion between external directors and investors.
From left: External Director Yoshitaka Taguchi, Nao Makino, Hiroki Sampei, External Director Etsuko Okajima, and External Director Masahiro Muroi

**Hiroki Sampei**
Head of Engagement
Fidelity International, Japan

After graduating from Waseda University's School of Science and Engineering in 1987, Mr. Hiroki Sampei joined Nippon Life Insurance Company. He worked as a foreign stock analyst and portfolio manager in New York, Tokyo, and London in the years that followed. Mr. Sampei was also a member of the Ministry of Economy, Trade and Industry's *Ito Report* project team, and he took part in the formulation of 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*.

**Nao Makino**
Investment Officer, Misaki Capital Inc.
Technical Committee: Revenue Recognition
Accounting Standards Board of Japan

Mr. Nao Makino graduated from the University of Tokyo Faculty of Law in 2012 and then joined Morgan Stanley MUFG Securities Co., Ltd., where he was responsible for researching Japanese stocks. He later took up a position at a socially responsible investment research firm, providing consultation services on ESG investment in Japanese companies.

struggling, it is probably because it is reaching the limits of evaluation frameworks developed under its current business model. MARUI GROUP has a lot of potential for the future, including its financial inclusion and other initiatives. However, it is currently hard to judge which of these initiatives will begin generating value and when.

## Positive and Negative Aspects of Not Appearing Business-Like

**Sampei:** MARUI GROUP's co-creation sustainability management has become well-known. However, there is a bit of a communication gap experience when talking on this subject with frontline staff enacting this type of management at operating companies.
**Taguchi:** When you are on the front lines, your perspective tends to be focused on this area. It is only natural for this perspective to change as one's rank rises and they find themselves positioned in different divisions.
**Muroi:** Looking back at my own experience, after transferring from being head of a business segment to working in the investor relations division, it took a year or two before I could truly bridge the communication gap with medium-to-long-term investors. The perspectives of those overseeing operations and those viewing a company from the outside are fundamentally different.
**Okajima:** I understand what you are saying. In my time at MARUI GROUP, I have probably met more than half of the Group's roughly 5,000 employees, including those taking part in the Co-Creation Management Academy (CMA) future leader development program. Overall, MARUI GROUP's employees are good, devoted, and honest people. Most of them seem as though they were born with the purpose of working with or for the sake of customers. This is definitely a strength, but at the same time this situation does not appear business-like. Specifically, there is not much consideration of how to monetize the efforts of employees.
**Makino:** There are both positive and negative aspects of not appearing business-like. MARUI GROUP is advocating the idea of stores that do not sell with the goal of transitioning to a business model that generates earnings by stimulating growth in the lifetime value of customers. Not appearing business-like is perhaps a way of facilitating the development of long-term relationships with customers. Still, it will be impossible to maximize the value of this model without employees that are able to understand and effectively implement it. I have high expectations for MARUI GROUP's idea of lifetime value. However, there may be cases in which increasing lifetime value will require decisions to continue operating a business at a loss in order to achieve future cash flows. Earnest dedication to turning a profit on a single fiscal year basis is not enough in these cases. On the contrary, the Company will need to foster employees with the type of acumen that allows them to develop frameworks and businesses that, for example, force customers to use EPOS cards, despite their not having a desire to do so. A company only needs a handful of such employees, and I truly hope that MARUI GROUP will be able to cultivate them, through the CMA or some other such initiative.
**Okajima:** The clearest example I can think of such unorthodox human resource development is Masahisa Aoki, who was recently promoted to a director of MARUI GROUP. Mr. Aoki joined MOVING CO., LTD., as a truck driver. He later became the general manager of the Anime Business Department at MARUI GROUP and then was appointed to the position of president and representative director of MARUI CO., LTD., at age 49. I suspect that such examples will become more common going forward.
**Makino:** Similarly, Ms. Asumi Kantake, who was in charge of investor relations until just a few years ago, is now representative director and CEO of tsumiki Co., Ltd. MARUI GROUP's co-creation management reports let readers track the growth of various employees, offering another way to enjoy these reports.

## Venues for Deeper Communication with Long-Term Investors

**Sampei:** In regard to stakeholder engagement, I see that dialogue with employees and customers has become common place within MARUI GROUP. How are shareholders and other investors positioned among stakeholders? MARUI GROUP's co-creation management reports feature an image of six overlapping rings of stakeholders, and investors are included among these rings. However, I feel that the number of venues for engagement with shareholders and other investors are few and the information provided is lacking and unsatisfactory. This rings especially true when looking at the level of communication practiced with other stakeholders.
**Okajima:** MARUI GROUP has an incredible power to draw people into its orbit, and it has appointed experts in various areas to serve as advisors. It may need to establish a capital market advisory board next.
**Taguchi:** I definitely think it would be a good idea to establish such a board. Japanese companies are often thought to be good at following rules, but bad at making them. However, I suspect that MARUI GROUP will be able to propose a new, made-in-Japan benchmark for assessing companies: the rule that companies should engage in co-creative, sustainable management.
**Muroi:** External directors could be seen as agents of institutional investors. This is because our job is to raise the questions that you two investors have at meetings of the Board of Directors. For this reason, it is incredibly important that we have opportunities to speak with institutional investors. I therefore think that your comment about the need for venues for deeper communication is right on the mark. MARUI GROUP is quick to address issues, so I hope to see the rapid resolution of such issues in the future.
**Makino:** I feel that there is a close relationship between external directors and the executive team at MARUI GROUP. General shareholders may look at this relationship and wonder how oversight functions can be effectively exercised given this closeness. I hope that you can draft a narrative that will enable you to answer this question by illustrating how there is still a healthy degree of tension in this relationship, allowing for oversight to be exercised, along with a narrative about how this relationship makes it possible for external directors with a greater understanding of internal affairs to support management.
**Sampei:** The gap between the perspectives of shareholders and other investors and companies, while not going as far as to represent a dichotomy, still signifies a lack of shared recognition. There is a need to actively approach the other party and to foster understanding, and this could be said of both companies and investors. I think that one major takeaway from this discussion was that it highlighted the shared recognition of the need for mutually deepening communication going forward.



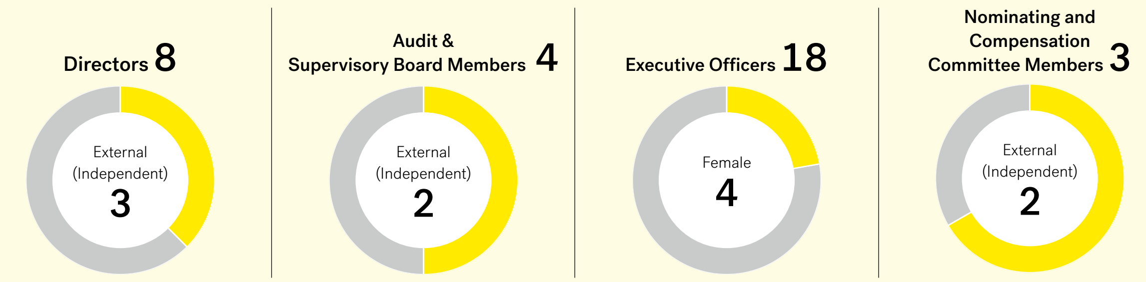
Dialogue 04

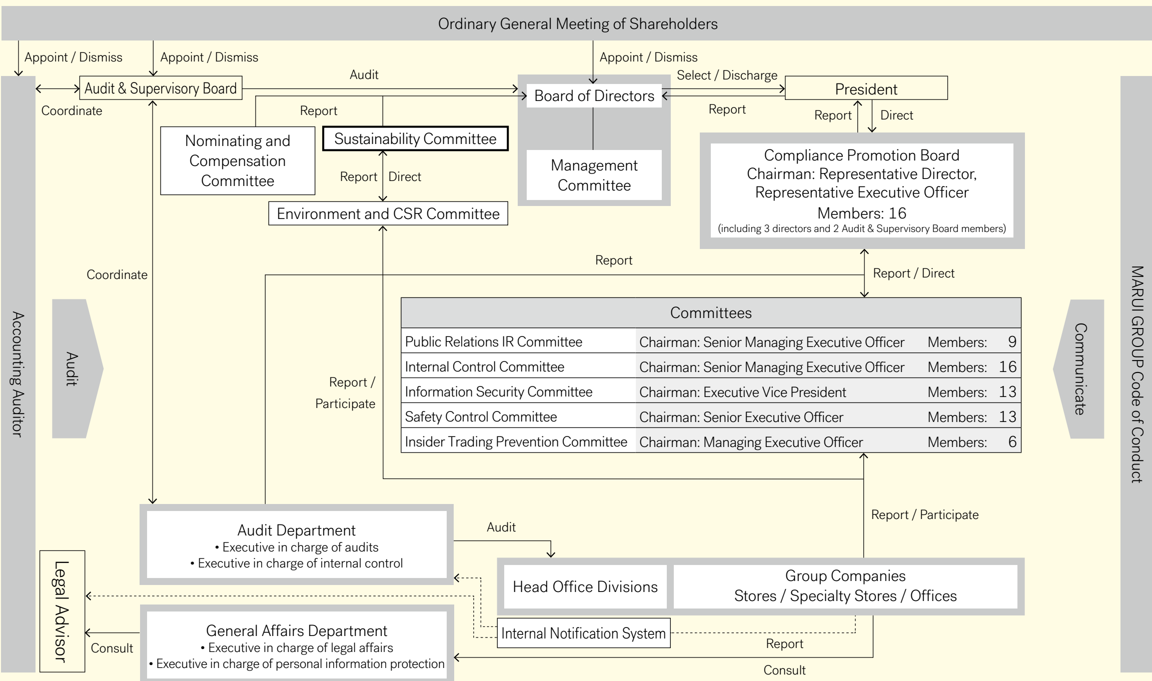
# Corporate Governance for Co-Creating Corporate Value

MARUI GROUP positions the reinforcement of corporate governance among its most important management tasks, and we aspire to practice sound, highly transparent, profitable, and efficient management. 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; five committees that oversee high-risk areas pertaining to management; and the Compliance Promotion Board, which oversees these committees.

In May 2019, we established the Sustainability Committee, which is chaired by the president and representative director, as an advisory body to the Board of Directors to facilitate the accomplishment of MARUI GROUP's 2050 Vision. Under the Sustainability Committee, the Environment and CSR Committee was formed as an organization for managing relevant risks and carrying out the instructions of the Sustainability Committee.

In addition, two new directors, one of whom is a woman, were appointed at the Ordinary General Meeting of Shareholders held in June 2019 to further strengthen the Company's management team.




Committee Membership
www.0101maruigroup.co.jp/pdf/committee_members_en.pdf

## 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, 2019, 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 | • Investment projects<br>• Performance-linked bonuses for directors<br>• Results of evaluations of the effectiveness of the Board of Directors | • Revision of MARUI GROUP Corporate Governance Guidelines<br>• Establishment of new committees and changes to members<br>• Advisors | • Retailing strategies<br>• Evaluation of the Board of Directors<br>• Succession planning<br>• Response to trend toward cashless payments<br>• Officer compensation systems<br>• Future-oriented human resource investment |
| Second Quarter | • Cross-shareholdings<br>• Audit plans for Audit & Supervisory Board<br>• Review of Ordinary General Meeting of Shareholders | • Organization reforms and relocation of officers and managers<br>• New business contest<br>• Progress of transition to shopping centers and fixed-term rental contracts | |
| Third Quarter | • Status of tsumiki Co., Ltd.<br>• Establishment of Digitization Committee<br>• Long-term vision | • Strategic alliance with AIM CREATE CO., LTD.<br>• Sustainability Advisors<br>• Investment projects | |
| Fourth Quarter | • Progress of Co-Creation Management Academy future leader development program<br>• Liquidation of receivables | • Store renovation investment plans<br>• Organization reforms and relocation of officers and managers<br>• Fund procurement policies | |

## Transcript of Board of Directors' Discussion

The following is an abridged transcript of a discussion by the Board of Directors regarding officer compensation systems prior to it being put to resolution.

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**Chairman:** Through this revision to officer compensation systems, we aim to address the need to increase the portion of total compensation represented by performance-linked compensation identified in the evaluation of the Board of Directors' effectiveness. We also look to raise the level of compensation for senior managing executive officers and lower ranked officers, which is low in comparison to companies of a similar scale in terms of market capitalization.

**Taguchi:** I am in favor of raising compensation levels. I wonder, however, if there is a need to increase performance-linked compensation so much. It is not as though MARUI GROUP recruits management from outside of the Company.

**Muroi:** The crafting and disclosure of officer compensation systems is an important theme in discussions pertaining to Japan's Corporate Governance Code. I see a need to increase the portion of medium-to-long-term incentives and to ensure that compensation is effectively linked to performance. When it comes to disclosure, the Company must consider how compensation systems and disclosures will be viewed by investors in Japan and overseas based on trends among other companies. I think the proposed revisions are a good start. If this proposal can be built upon, I believe the Company can create compensation systems that will be well received by society.

**Okajima:** Recently, the number of questions on officer compensation at the Ordinary General Meeting of Shareholders has been increasing. I therefore think this revision is well timed. Given MARUI GROUP's aspirations, including ESG indicators in the evaluation criteria for medium-to-long-term incentives was a good idea. I do, however, see a need to assess whether the indicators proposed are appropriate. I have seen other companies face difficulty in accomplishing targets stemming from economic downturn or suffer from low motivation among management after stock prices fell. The conditions under which future revisions to compensation systems will be considered is a topic itself warranting discussion.

**Chairman:** Around 70% of MARUI GROUP's earnings are generated by the FinTech segment. Meanwhile, the previously volatile profits of the Retailing segment have been stabilized through the transition to shopping centers and fixed-term rental contracts, structurally reducing medium-to-long-term risks. The Company's stock price, meanwhile, is exposed to fluctuation risks given the projections of global recession.

**Muroi:** You are right that MARUI GROUP's stock price may be more prone to fluctuation due to external factors than to performance. However, no matter what the reason, stock price declines hurt shareholders. Some might see a need for management to share in the pain.

**Taguchi:** It is too late to look at revising compensation systems after the Company's stock price has fallen. The Company must therefore be cautious with the revision at hand.

⇨ Please refer to "Revision of Officer Compensation Systems to Facilitate Sustainability Management" on pages 80–81 for more information.

## 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.

The evaluation of the effectiveness of the Board of Directors conducted in the fiscal year ended March 31, 2019, confirmed the progress of the future leader development program that functions as the Company's succession plan while also judging that the composition of the Board of Directors, in terms of the balance of its internal and external directors and their specialties and backgrounds, was appropriate. It was thus determined that the Board of Directors was sufficiently effective overall. Conversely, the following three issues were identified as areas requiring improvement going forward.

**Issue 1**: Lack of discussion on medium-to-long-term business strategies at meetings of the Board of Directors
**Issue 2**: Lack of participation in and oversight of the future leader development program launched in the fiscal year ended March 31, 2018, as a succession plan
**Issue 3**: Low ratio of medium-to-long-term incentives (stock-based compensation) to total officer compensation and failure to orient compensation systems toward medium-to-long-term improvements in corporate value

## 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.

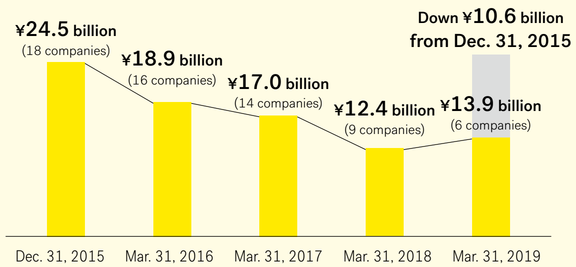
This program is based on open application, and each year 10–20 candidates are selected from among volunteers. Those selected are submitted to a one-year training curriculum developed under the guidance of outside experts and external directors to instill in them a management perspective. This curriculum includes programs to facilitate the acquisition of crucial insight as well as discussions with members of management and guest speakers. After the curriculum has been completed, participants continue to be monitored and nurtured into future leaders through secondment to affiliates or assignment to strategic or corporate planning posts.

## Reduction of 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, 2019, the Company held shares of the stock in six companies as cross-shareholdings (12 companies fewer than on December 31, 2015), and the total value of these shares on the consolidated balance sheets was ¥13.9 billion (down ¥10.6 billion from December 31, 2015).

### Total Value of Cross-Shareholdings on the Consolidated Balance Sheets




Cross-shareholdings in an additional two companies, valued at ¥5.0 million, are held for the purpose of gathering information on industry trends and other topics.

## Revision of Officer Compensation Systems to Facilitate Sustainability Management

Compensation for directors (excluding external directors) comprises 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. From the fiscal year ending March 31, 2020, officer compensation systems were revised to increase the portion of performance-linked compensation and employ new performance indicators in response to issues identified in evaluations of the Board of Directors' effectiveness. The range of adjustment for performance-linked bonuses functioning as a short-term incentive was changed from 90%–110% to 0%–200% and the performance indicator used for calculating bonuses was changed from consolidated operating income to earnings per share (EPS). For performance-linked stock-based compensation functioning as a medium-to-long-term incentive, ESG indicators were introduced alongside the prior performance indicators of return on equity (ROE), return on invested capital (ROIC), and EPS to make for compensation systems that are linked to co-creation sustainability management. This revision proposal was formulated based on discussion by the Board of Directors, the Nominating and Compensation Committee, and Management Committee before deliberation and approval at the Ordinary General Meeting of Shareholders held in June 2019.

### Ratios of Compensation

| | |
|---|---|
| Up to the fiscal year ended March 31, 2019 | Basic compensation: Performance-linked bonuses: Performance-linked stock-based compensation = 8 : 1 : 1 |
| From the fiscal year ending March 31, 2020 | Basic compensation: Performance-linked bonuses: Performance-linked stock-based compensation = 6 : 1 : 3 |

### Change in Target Indicators for Performance-Linked Compensation

| Applicable years | | Target indicator | | Target | Performance | Performance-linked coefficient |
|---|---|---|---|---|---|---|
| Fiscal year ended March 31, 2019 | Performance-linked bonuses | Consolidated operating income | | ¥41.0 billion | ¥41.2 billion<br>¥40.3 billion (excluding extraordinary factors)*1 | 98%*1 |
| | Performance-linked stock-based compensation | Financial indicators | EPS | ¥100 or more | ¥115.99 | 100% if three targets accomplished |
| | | | ROE | 8.0% or more | 9.1% | |
| | | | ROIC | 3.6% or more | 3.7% | |

*1 The performance-linked coefficient for the fiscal year ended March 31, 2019, was calculated excluding gain on the transfer of factoring accounts receivable and other extraordinary factors.

| Applicable years | | Target indicator | | Target | Performance-linked coefficient |
|---|---|---|---|---|---|
| Fiscal year ending March 31, 2020 | Performance-linked bonuses | EPS | | ¥127.20 | 0%–200% |
| Fiscal year ending March 31, 2021 | Performance-linked stock-based compensation | Financial indicators | EPS | ¥130 or more | 100% if three targets accomplished<br>70% if two targets accomplished<br>30% if one target accomplished<br>0% if no targets accomplished |
| | | | ROE | 10.0% or more | |
| | | | ROIC | 4.0% or more | |
| | | Non-financial indicator | ESG indicators | Inclusion in DJSI World*2 | 0% or 10% |

*2 Dow Jones Sustainability World Index: An ESG index comprising companies selected through comprehensive evaluation of economic, environmental, and social factors for the perspective of long-term improvements to shareholder value

### Officer Compensation in the Fiscal Year Ended March 31, 2019 (Millions of yen)

| | Basic compensation | Performance-linked bonuses (Short-term incentive) | Performance-linked stock-based compensation (Medium-to-long-term incentive) | Total compensation |
|---|---|---|---|---|
| Directors (excluding external directors) | 156 | 17 | 17 | 191 |
| President and representative director | 84 | 9 | 9 | 103 |
| External directors | 33 | — | — | 33 |
| Audit & Supervisory Board members (excluding external Audit & Supervisory Board members) | 35 | — | — | 35 |
| External Audit & Supervisory Board members | 15 | — | — | 15 |

Note: 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 ¥100 million, and the upper limit for monthly compensation paid to Audit & Supervisory Board members has been set at ¥6 million.

## Appointment of Sustainability Advisors

MARUI GROUP appoints external experts with insight into business strategies and various business areas as advisors. We anticipate that such advisors 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 an ever-diversifying society. Regular bimonthly meetings of advisors 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.

Furthermore, three ESG specialists were appointed in January 2019 to support MARUI GROUP in conducting co-creation sustainability management while responding to operating environment changes over the long term. One additional advisor was appointed in October 2019.

### Sustainability Advisors

Appointed in January 2019

**Kazuhiko Toyama**
Managing Partner, Industrial Growth Platform, Inc.

Governance Specialist

Reason for appointment: At Industrial Revitalization Corporation of Japan, Mr. Toyama was involved in rehabilitating numerous companies. Today, he is engaged in consulting and corporate rehabilitation in Japan and has an extensive background in corporate governance, having held positions as an external director and a member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. MARUI GROUP anticipates that he will offer valuable suggestions and advice for the enhancement of corporate governance.

Appointed in January 2019

**Peter David Pedersen**
Co-founder, Next Leaders' Initiative for Sustainability

Environmental Specialist

Reason for appointment: As a corporate consultant, Mr. Pedersen has provided environmental and CSR consulting through various projects with leading Japanese companies, universities, economic organizations, and government agencies and has taken part in international symposiums. MARUI GROUP anticipates that he will offer valuable suggestions and advice for addressing future operating environment changes and improving corporate value based on his world-leading experience and insight in the fields of the environment and sustainability.

Appointed in January 2019

**Masayoshi Suzuki**
Executive Vice President, BORDERLESS JAPAN CORPORATION

Social Specialist

Reason for appointment: Mr. Suzuki co-founded BORDERLESS JAPAN, one of the few companies in the world that only engages in social businesses, through which this company has addressed social issues pertaining to poverty, discrimination, prejudice, and the environment. MARUI GROUP anticipates that he will offer valuable suggestions and advice for resolving social issues to help create a flourishing and inclusive society.

### Advisors

Appointed in October 2019

**Yutaka Matsuo**
Professor; Department of Technology Management for Innovation; Artifacts, Center for Engineering; Graduate School of Engineering; Tokyo University

AI Specialist

Reason for appointment: Mr. Matsuo possesses a wealth of insight and experience as a leading authority in AI research. In addition, he has devoted his efforts promoting the use of AI and the cultivation of human resources in this field. One such effort was the establishment of the Japan Deep Learning Association, an organization tasked with improving the competitiveness of industry in Japan with deep learning. MARUI GROUP anticipates that he will offer valuable suggestions and advice for utilizing AI to improve corporate value.

**Masakazu Masujima**
Partner, Mori Hamada & Matsumoto

Appointed in July 2016

As for the development of new FinTech businesses, Mr. Masujima offers proposals of specific growth investment targets, advice and proposals regarding entry into the securities business, and advice on FinTech-related laws and regulations.

**Yuji Yamamoto**
Physician, Representative Director, MinaCare Co., Ltd.

Appointed in July 2016

Dr. Yamamoto provides correlation analysis and advice with regard to tracking the relationship between health and productivity, offers guidance on how to be included in healthcare management-related indexes, and shares external case studies and formulates related proposals to aid MARUI GROUP in promoting wellness management.

**Meyumi Yamada**
Director, istyle Inc.

Appointed in July 2017

Ms. Yamada offers information and takes part in discussions on sharing economies, omni-channel retailing, and other social trends to facilitate the Company's sharing and omni-channel retailing strategies.



## 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 Managing Executive Officer Hirotsugu Kato regularly takes part in exchanges of opinion through 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 operating and administrating 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 2019** Shareholders in attendance: 183 Questions: 13 Ratio of voting rights exercised: 88.3%

**Comments from Attendees**

I was impressed at how attentive MARUI GROUP officers were in addressing individual shareholders. I look forward to supporting the Company into the future.

I hope that MARUI GROUP will strengthen the investment trust operations of tsumiki Co., Ltd., to help encourage younger generations to invest in order to address pension-related and other issues.

I did not know that MARUI GROUP was included in the Health & Productivity Stock Selection. Hearing that makes me proud to be a shareholder.

## Responsible Procurement Together with Business Partners

In 2016, the MARUI GROUP Procurement Policy was established, and we began requesting that business partners producing private brand products as well as the contract manufacturers used by business partners act in accordance with the policy to promote safe and secure procurement and supply of products through co-creation. MARUI GROUP started holding on-site meetings with domestic and overseas factories to which it outsourced manufacturing in 2017 in order to confirm on-site conditions pertaining to human rights, labor, and occupational health and safety, requesting improvement if necessary. Having completed the transition to shopping centers and fixed-term rental contracts in the fiscal year ended March 31, 2019, we will be engaging in co-creation with tenants at stores to contribute to communities and to improvements in human rights protections and labor environments across our supply chain.

**Message from an Employee**

**Futoshi Maeda**
Merchandise Section,
Women's Shoes Department
MARUI CO., LTD.

We have kicked off CSR procurement activities with all business partners in the women's shoes business, and we are presently sharing examples of successful initiatives with business partners, which has contributed to significant changes in perception. Some have even mentioned that the improvements to labor conditions enabled them to secure more talented human resources. Going forward, we will continue to promote responsible procurement with our business partners. I also hope to start practicing eco-friendly manufacturing and developing circular manufacturing systems comprising cycles of production, recovery, and recycling.

Details on Four Core Themes
www.0101maruigroup.co.jp/en/sustainability/themes/

ESG DATA BOOK
www.0101maruigroup.co.jp/en/sustainability/lib/databook.html

# MARUI GROUP's Four Core Themes for Inclusion

In November 2016, MARUI GROUP identified four core themes for inclusion to guide its efforts to help create a flourishing and inclusive society offering happiness to all. The concept of inclusion entails integrating and including individuals that had previously been excluded and is congruent with the principles embodied by the United Nations Sustainable Development Goals.

In addition, MARUI GROUP's 2050 Vision, a long-term vision looking to 2050, was announced in 2019, marking a step forward in the Company's practice of full-fledged co-creation sustainability management. MARUI GROUP is proactively pursuing its targets with regard to these four core themes and this vision through co-creation with all stakeholders.

CORE THEME 1

### Customer Diversity and Inclusion

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

Inclusive Store Development ........ P36
Inclusive Product Development
Financial Inclusion ........ P40

CORE THEME 2

### Workplace Inclusion

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

Development of an Organization That Utilizes Diversity ... P60
Wellness Management ........ P66
Human Resource Investments ........ P88

CORE THEME 3

### Ecological Inclusion

We will develop businesses with low environmental impact, and contribute to the realization of a low-carbon society and a circular economy, and propose ecologically sound lifestyles that are in harmony with nature and the environment.

Environmental Footprint Reduction ........ P49
Responsible Procurement ........ P83
Innovative Services for Reducing Environmental Impacts

CORE THEME 4

### Co-Creation Corporate Governance

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

Co-Creation with Stakeholders ........ P24
Sustainability Management ........ P78
Cultivation of Future Leaders ........ P80
Risk Management

## Process for Establishing Core Themes

**STEP 1 — Stakeholder Engagement**

In identifying the expectations for MARUI GROUP as well as the themes it should prioritize, we held meetings with long-term investors, ESG-minded investors, sustainability experts, nonprofit organizations, and other stakeholders in the greater society as well as with customers, business partners, and Group officers and employees.

**STEP 2 — Identification and Organization of Social Issues**

With a focus on co-creation management; the impact of this co-creation management on the economy, society, and the environment; and its relationship with our medium-term management plans and human resource strategies, we identified and organized the issues facing society while referencing internal and external guidelines, such as those of ESG-rating institutions, the Global Reporting Initiative, ISO 26000, the Sustainability Accounting Standards Board, and the International Integrated Reporting Council, along with the SDGs.

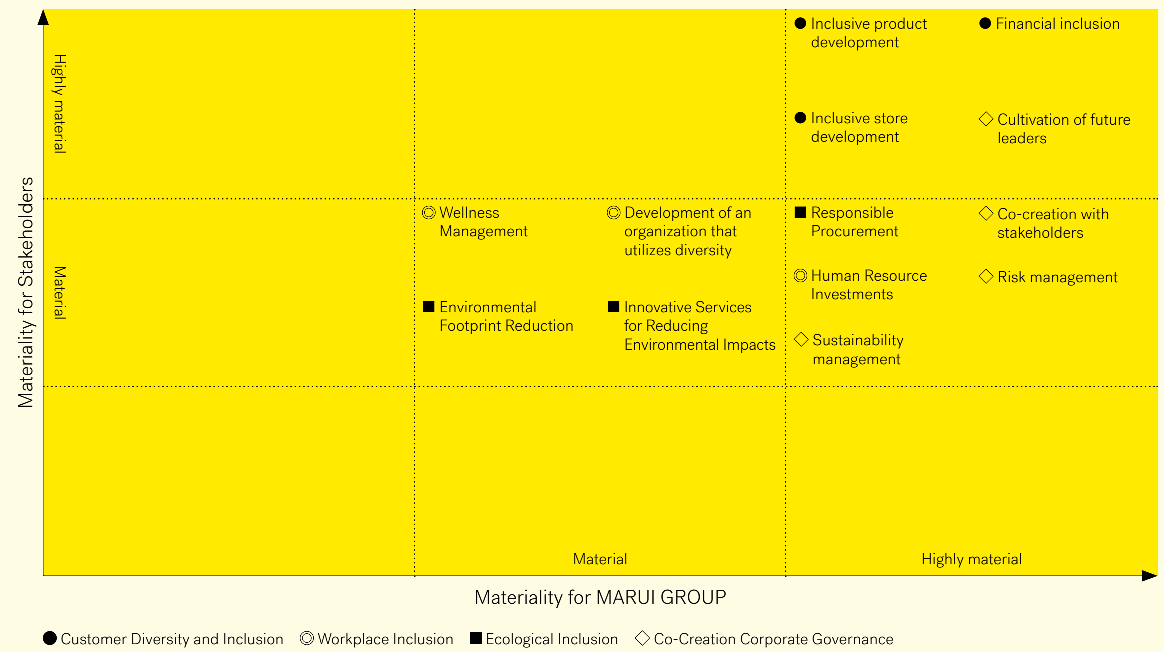
**STEP 3 — Management-Level Discussions and Decisions**

At meetings of a committee headed by the president, a series of discussions were held among the relevant officers and divisions to decide four core themes pertaining to inclusion. Responsibility for these themes was assigned to the Sustainability Department and the ESG Promotion Department, and the themes themselves were disclosed in *Co-Creation Sustainability Report 2016* and in the sustainability section of MARUI GROUP's website.

**STEP 4 — Verification of Activities and Quantification of Results**

Activities are verified at least once a year as we continuously practice engagement with stakeholders. In 2019, we unveiled MARUI GROUP's 2050 Vision and long-term targets and also established the Sustainability Committee, which is chaired by the president and representative director, as an advisory body to the Board of Directors to guide efforts toward the accomplishment of this vision and target. Based on issues that have been identified, we are examining possible financial and pre-financial key performance indicators that can be disclosed with regard to our long-term targets.

## Major Initiative Matrix



## 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 help build a flourishing and inclusive society that offers happiness to all together with all of our stakeholders, including our customers, investors, communities and society, business partners, employees, and future generations. 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 ¥130 or more, ROE of 10% or more, and ROIC of 4% or more**

**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**

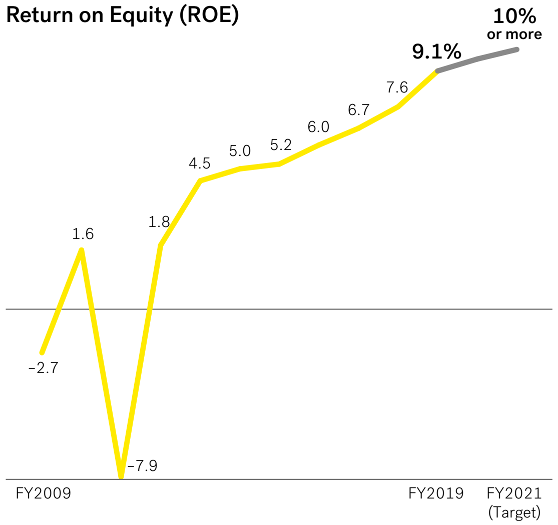
| | | |
|---|---|---|
| Retailing Segment | Stores | Improve capital productivity by completing transition from prior department stores to a business structure focused on shopping centers and fixed-term rental contracts and deploying next-generation lifestyle-oriented shopping centers |
| | Omni-channel retailing | Develop business focused on Internet sales while expanding scope of unique business models that combine Group expertise |
| | 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 Segment | Credit cards | Increase number of EPOS card fans across Japan and reinforce collaboration with commercial facilities and content 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 ⇨ P101 Target Balance Sheet |
| 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 ⇨ P88 Growth Investment for Improving Future Group 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

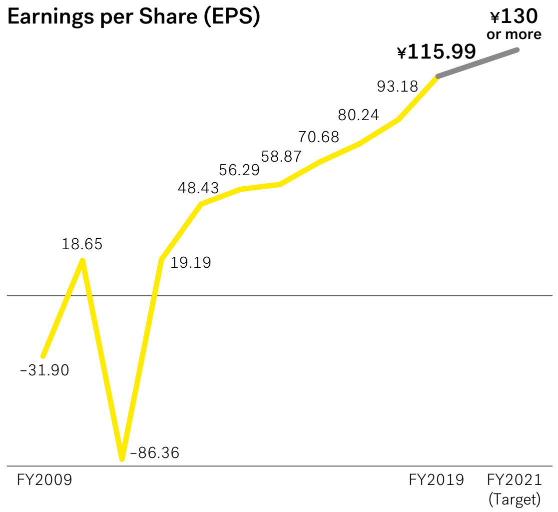
Based on its concept of co-creation management, MARUI GROUP views all of its business assets as being borrowed from society. We believe that this view will help clarify our efforts to achieve harmony between stakeholder interests and improve corporate value.
The Company is committed to effectively utilizing these "borrowings" and then returning them to stakeholders with "interest." In line with this belief, 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, 2019, EPS rose 24.5%, to ¥115.99, setting a new record for the first time in 28 years. ROE rose 1.5 percentage points, reaching 9.1% and exceeding cost of shareholders' equity, while ROIC increased 0.4 percentage point, coming to 3.7% and surpassing weighted average cost of capital for the third consecutive year. By transforming our business and capital structures to create corporate value, we achieved our targets for all three KPIs as well as for operating income in the third year of the five-year medium-term management plan, placing the targets for the fiscal year ending March 31, 2021, well within reach.

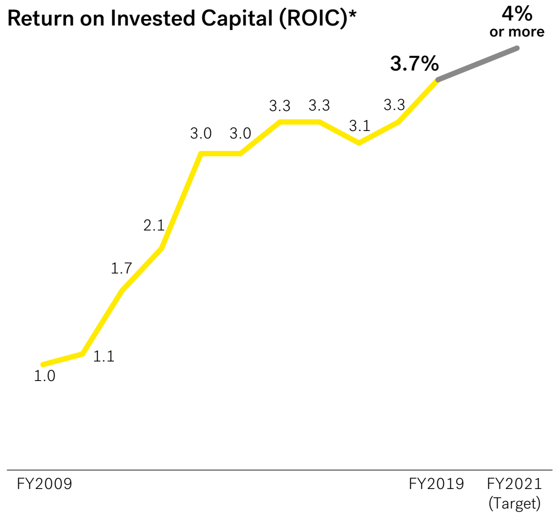
**Return on Equity (ROE)**




**Earnings per Share (EPS)**




**Return on Invested Capital (ROIC)***



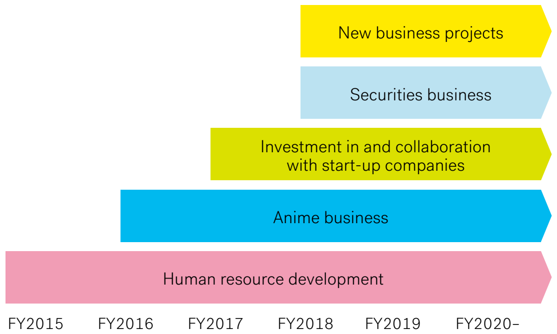

* From the fiscal year ended March 31, 2019, gain on bad debt recovered, which has previously been recorded at net value under non-operating income, will be recorded at total value under revenue, and expenses on bad debt recovered will be recorded at total value under selling, general and administrative expenses. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

## Growth Investment for Improving Future Corporate Value

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 will thus be conducting 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.

MARUI GROUP believes the businesses that will drive its growth and contribute to improved corporate value going forward are those that go beyond the boundaries of retailing and FinTech to utilize the Company's strengths and expertise in order to resolve social issues. The first such business was the securities business launched in August 2018 in order to contribute to financial inclusion. Meanwhile, our new business projects are moving ahead with the development of new businesses that are both sustainable and profitable.

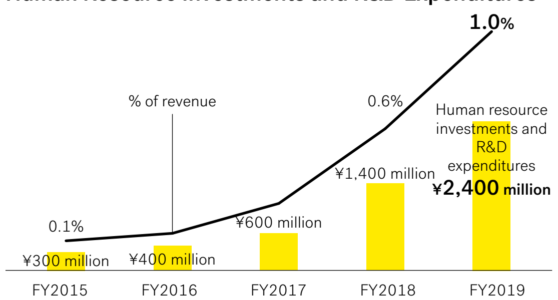
Future investment in new businesses will be focused on the development of businesses that utilize MARUI GROUP's unique business model to resolve social issues. We will also aggressively invest in start-up companies with which we can co-create such businesses.



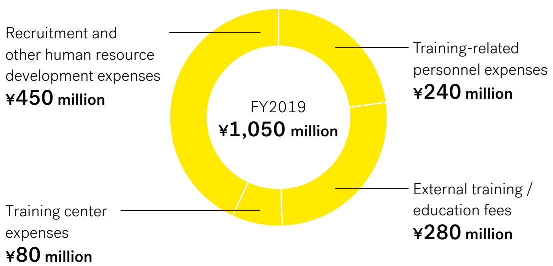

### Expansion of Human Resource and R&D Investments to Create Wellsprings of Future Corporate Value

Human resource investments are recorded as expenses for accounting purposes, causing short-term declines in profit. However, ongoing human resource investments are essential to carrying out our philosophy: "equate the development of our people with the development of our company." More importantly, MARUI GROUP emphasizes the importance of human resource investments to accumulate the intangible assets that are a wellspring of future corporate value. This belief has prompted us to disclose human resource investment and R&D expenditure amounts along with a breakdown of human resource investments. In the fiscal year ended March 31, 2019, the combined total of human resource investments and R&D expenditures was ¥2,400 million, up ¥1,000 million year on year and representing 1% of revenue. Furthermore, we intend to conduct approximately ¥1,000 million worth of human resource investments each year going forward.

### Human Resource Investments and R&D Expenditures




### Breakdown of Human Resource Investments




Message from a Personnel Representative

**Tomoo Ishii**

Senior Managing Executive Officer and CHO
In charge of Audit, General Affairs, Personnel, and Health Promotion
Director of MARUI GROUP's Health Insurance Union

### Power of People Driving MARUI GROUP

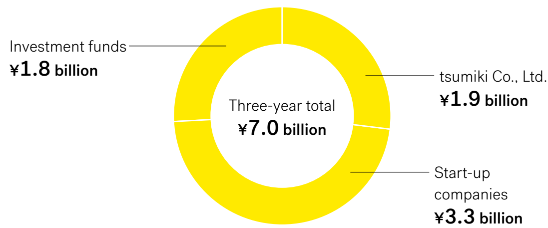
The current era is said to be one of volatility, uncertainty, complexity, and ambiguity. In this era, the ability to identify changes in the tides and predict what will become the mainstream is more important than ever. It is the power of people that makes it possible to identify change and formulate and enact hypotheses in response. This is part of the basis for our corporate philosophy of "equate the development of our people with the development of our company." Accordingly, human resource investments have an important role to play in MARUI GROUP's sustainable growth. We are currently developing human resources from a variety of angles, including conventional training and education as well as secondment to start-up companies. Investments for these purposes are progressing as planned. These initiatives have made me realize that the most effective way for people to grow is for them to act in a forward-looking and autonomous manner, tackling any challenges that appear head on. Human resource investments do not often produce returns in the short term. An extensive bottom-up approach is important, but I have high aspirations to deploy effective initiatives that inspire as many people as possible to tackle new challenges.

### Progress in New Business Investments

Over the three-year period beginning with the fiscal year ended March 31, 2017, MARUI GROUP has invested ¥7.0 billion in growth investments for the creation of new businesses. Of this amount, ¥3.3 billion was used to invest in nine start-up companies, and these companies are currently collaborating with the Retailing and FinTech segments.

A total of ¥30.0 billion was earmarked for growth investments to be conducted by the fiscal year ending March 31, 2021. However, progress toward this goal is currently low. Accordingly, we have decided to extend the period for this target by two years, making for an investment plan leading up to the fiscal year ending March 31, 2023. MARUI GROUP intends to steadily engage in open innovation activities to accomplish this plan.

### Breakdown of New Business Investments (FY2017-FY2019)




### Major Start-Up Company Investees (as of August 2019)

| Company | Business overview |
|---|---|
| お金のデザイン Money Design Co., Ltd. | Asset management services using automated asset management advisors, financial planner and independent financial advisor matching services, etc. |
| Laxus Laxus Technologies Inc. | Provision of consumer-to-consumer platform allowing unlimited use (lending and borrowing) of brand-name handbags |
| giftee giftee, Inc. | Planning, development, and operation of e-gift services for individuals, corporations, and municipal bodies |
| sitateru sitateru Inc. | Provision of platform for compiling databases of apparel factories in Japan and overseas and offering online support for all garment production processes |

| Company | Business overview |
|---|---|
| BASE BASE, Inc. | Production of Internet shopping sites, provision of online payment services |
| GTN Global Trust Networks Co., Ltd. | Rent guarantee, mobile phone, and other services for non-Japanese individuals |
| みんな電力 Minna-denryoku, Inc. | Power sales centered on renewable energy with visibility of producers |
| FABRIC TOKYO FABRIC TOKYO Inc. | Operation of FABRIC TOKYO made-to-order suit brand |

# Retailing

## Progress and Future Strategies in the Retailing Segment

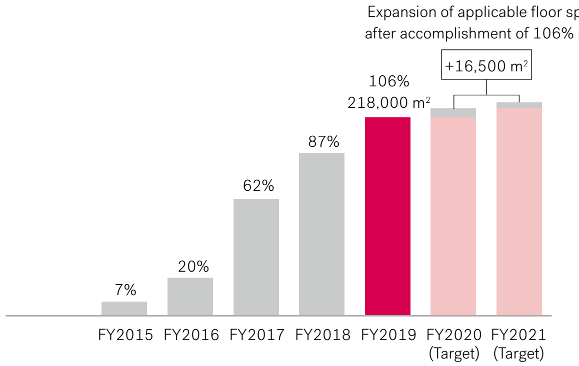
### Completion of Transition to Shopping Centers and Fixed-Term Rental Contracts

In the fiscal year ended March 31, 2019, operating income in the Retailing segment rose ¥2.6 billion, to ¥11.4 billion, and ROIC was up 1.0 percentage point, to 3.8%. It was during this year that we completed the transition to shopping centers and fixed-term rental contracts meant to center our business model on shopping centers that generate rent revenues from fixed-term rental contracts. The ratio of fixed-term rental contracts reached 106% during this year. Going forward, we intend to convert an additional 16,500 m² to fixed-term rental contracts by transforming storage space into sales floors (see Figure 1).

Following the completion of the transition to shopping centers and fixed-term rental contracts, the ratio of total floor space at stores on fixed-term rental contracts reached 76%, compared with 12% in the fiscal year ended March 31, 2014, prior to the transition. At the same time, apparel products came to represent 29% of floor space, a decrease from 44%, while the ratio of floor space occupied by food vendors and service providers rose from 18% to 29%. The gross profit margin increased from 20.6% to 21.2% over the same period. This transition thus improved store value and enabled us to attract a record-breaking 210 million customers to our stores in the fiscal year ended March 31, 2019, 1.3 times higher than a decade ago.

**Figure 1: Plan for and Increases in Ratio of Fixed-Term Rental Contracts and Income Improvements**

(As of end of each fiscal year)




| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 (Target) | FY2021 (Target) |
|---|---|---|---|---|---|---|---|
| YoY income improvements | — | ¥0.9 billion | ¥2.0 billion | ¥3.2 billion | **¥2.3 billion** | ¥1.0 billion (Forecast) | |

Ratio of fixed-term rental contracts = Fixed-term rental contracted floor space ÷ Initial total floor space capable of being contracted as fixed-term rental (205,000 m²)
Sections not applicable for fixed-term rental contracts are based on requests of building owners, directly managed sales floors, event spaces, etc.

Meanwhile, e-commerce sales increased for the fourth consecutive year, rising 5% year on year, to ¥24.2 billion. This increase was a result of our efforts to bolster our product lineup by sharing inventory information with business partners, expand listing of our products on KDDI CORPORATION's au Wowma! and other external Internet shopping websites, and allow customers to pick up items ordered online in Marui and Modi stores.

### Expansion of New Directly Operated Sales Floors

Over the past four years, transactions in the anime business have seen a six-fold increase in transactions, from ¥1.2 billion to ¥7.5 billion. As for in-store events, we have been able to increase per m² efficiency several fold by holding events on small sections of floor space. Through such events, we have been successful in increasing transaction volumes and EPOS card issuance numbers. Going forward, we look to leverage MARUI GROUP's retailing expertise to expand sharing venues, in-store events, and other new directly operated sales floors.

### New Digital Native Store Strategy

Although the completion of the transition to fixed-term rental contracts has contributed to income improvements and stabilization, net operating income (NOI) yield has been falling below the hurdle rate at both urban and suburban stores (see Figure 2). To address this issue going forward, we will look to clear the hurdle rate by pursuing increases in value following contract renewals. At the same time, we plan to increase the hurdle rate itself through the implementation of the differentiation strategy of evolving our stores to digital native stores (see Figure 3).

Today, the Internet has become more convenient than physical stores, and the act of going to stores is now becoming a source of stress as a result. As the younger digital native generation becomes the main proponent of consumption, the number of people who shop at stores will likely decrease. MARUI GROUP seeks to win the support of these new consumers by proactively inviting digital native brands into its stores to evolve these stores into venues for the type of experiences and close communication that cannot be provided via the Internet. We refer to stores based on this vision as "digital native stores."

Digital native brands include those developing direct-to-consumer, sharing, and subscription businesses. An example would be FABRIC TOKYO, which has set up shop at Shinjuku Marui Main Building with a venue for its business prefaced on e-commerce in which only measurements are taken in stores, with orders being placed online. Another digital native brand would be Wacom a leading company in the pen tablet market. Wacom has opened a store in Shinjuku Marui Annex that does not have product inventories, serving purely as a venue for experiencing its products. MARUI GROUP has been contracted to operate this store, and per customer sales through this experience-oriented store have been higher than those through e-commerce venues. Also in Shinjuku Marui Annex, a store has been opened by Suruga-Ya, Japan's leading online seller of secondhand hobby items. The ratio of female customers at this location is higher than on Suruga-Ya Internet shopping site or at its other physical stores, and transaction volumes and customer numbers are top among Suruga-Ya stores. Suruga-Ya's Marui location is thus functioning as an important touchpoint for acquiring new customers.

### Value Provided by MARUI GROUP for Increasing Hurdle Rates

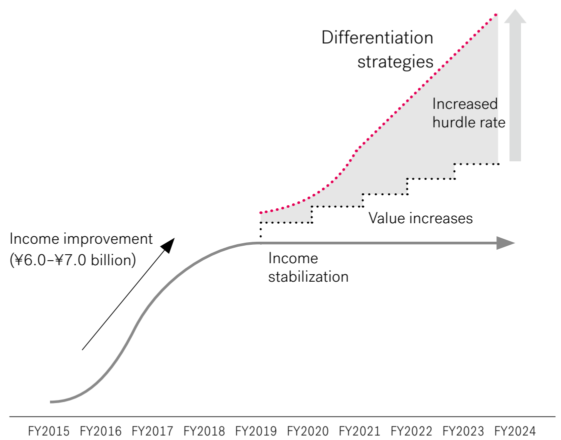
Under MARUI GROUP's prior department store and shopping center business models, stores and e-commerce were completely separated. Accordingly, the only criteria

**Figure 2: NOI Yield** (FY2019)

| | Performance | Hurdle Rate (Anticipated NOI Yield) |
|---|---|---|
| Urban stores | 3.9% | 4.0% |
| Suburban stores | 6.4% | 7.0% |

NOI yield = Net operating income (NOI) ÷ Facility market value

**Figure 3: Improvements in Retailing Segment Income**




**Message from Retailing Segment Representative**

**Toshikazu Takimoto**
Managing Executive Officer and CIO
Responsible for Retailing Business
President and Representative Director, M & C SYSTEMS CO., LTD.

### Invitation to Co-Create New Customer Experiences

It has been nearly two years since I assumed responsibility for the Retailing segment. Over this period, MARUI GROUP's retailing business underwent a massive transformation to a model focused on shopping centers, a transformation, I am proud to say, we were able to complete thanks to the cooperation of our business partners. I was previously responsible for the FinTech segment, and this experience enabled me to better sense the strong connection forged between the two segments through this transformation. Not much progress can be made in recruiting cardholders and encouraging them to upgrade to Gold cards through regular mail and email. Conversely, customers seem happy to sign up when guidance is provided by sales staff while they are shopping. However, I feel that we have not been sufficiently communicating the appeal of our e-commerce venues and of Marui and Modi stores to EPOS cardholders, and use has thus been limited. There is certainly a need for more thorough communication in this regard. Looking ahead, we can expect increases in tenant replacements at our stores as fixed-term rental contracts expire. I would like to invite any potential tenants that are interested in co-creating new customer experiences with us to use our stores as physical venues for providing valuable experiences to customers. Let's shape our stores together.

used by business partners to judge the appropriateness of rents was in-store sales. In our digital native stores, however, the experiences and communities provided will serve as catalysts for increasing e-commerce sales while also heightening engagement and consequently LTV. This situation will encourage business partners to add e-commerce sales and LTV based on a medium-to-long-term timetable to their judgment criteria alongside in-store sales. MARUI GROUP's future approach to store development will thus be to provide to business partners in forms such as higher e-commerce sales and engagement.

Digital native brands collect and utilize data on all of the purchasing behaviors of their customers to acquire new customers, improve engagement, and thereby maximize e-commerce sales and LTV. The structure of earnings for these brands can be broken down into four categories: customer traffic, conversion ratios, customer spending amounts, and retention rates. MARUI GROUP stores see visits by as many as 210 million customers a year. In addition, the Company also boasts 6,880,000 EPOS cardholders. Together with our contract operation services, these factors represent substantial points of differentiation for the Company (see Figure 4). By providing such value unique to MARUI GROUP, we aim to heighten the value of our real estate-model Marui and Modi stores and increase hurdle rates.

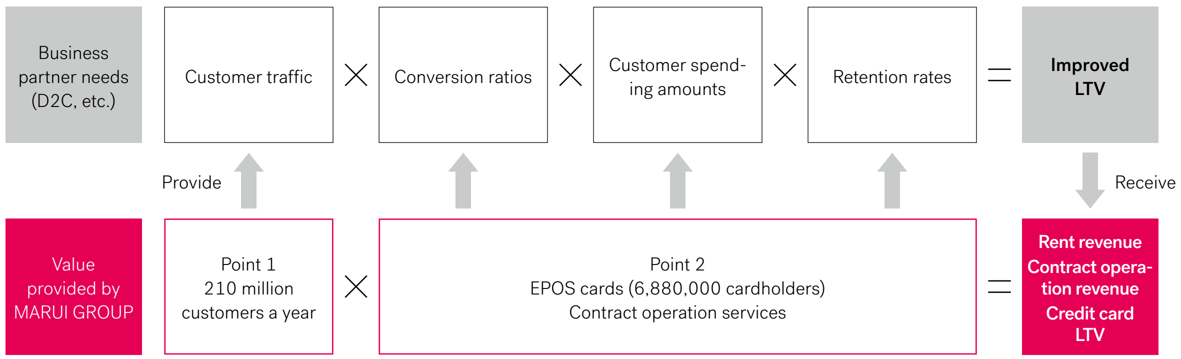
Going forward, MARUI GROUP will look to expand the portion of total tenants represented by those who provide new value. We aim to raise the ratio of digital stores to total stores to 25% over the next five years, and then utilize the resulting customer numbers and ripple effects to push forward with the digitization of all Marui and Modi stores.

### Expansion of E-Commerce Sales by Broadening Range of Categories, Evolving Size Matching Methods, and Transitioning to E-Commerce with Focus on Private Brands

MARUI GROUP's e-commerce operations are currently centered on apparel and fashion accessories. Going forward, however, we plan to develop additional products in categories that feature high customer demand and frequent purchases, such as cosmetics and sporting goods, to increase the number of brands that we handle. At the same time, we are evolving our initiatives pertaining to product size, an area in which there are many complaints when it comes to e-commerce purchases. By displaying recommended sizes based on integrated purchase data from online venues and physical stores, we aim to match customers to sizes that they will subjectively judge to fit. Furthermore, we intend to transition to a focus on e-commerce for private brand products. To this end, we will use social media as a venue for expanding communication while transforming physical stores into venues for customers to try on products and experience purchases via e-commerce websites. With this as our approach, we will proceed to expand lifetime value with a digital focus.

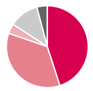
Through these initiatives, the Retailing segment will target a year-on-year increase in operating income of 14% in the fiscal year ending March 31, 2020, to ¥13.0 billion.

**Figure 4: Value Provided to Business Partners**




## Overview of Retailing Segment (Fiscal year ended March 31, 2019)

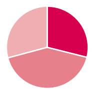
**Distribution of Stores by Region**[*1]



- Tokyo area: 44%
- Kanto region (excluding Tokyo): 36%
- Tokai region: 4%
- Kansai region: 12%
- Kyushu: 4%

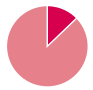
*1 Marui and Modi stores occupying the same area counted as one store

**Distribution of Floor Space by Product Category**



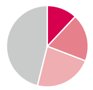
- Apparel: 29%
- Sundries: 42%
- Food, services, etc.: 29%

**Distribution of Purchases by Gender**[*2]



- Male: 13%
- Female: 87%

**Distribution of Purchases by Age Group**[*2]



- 29 and below: 12%
- 30–39: 19%
- 40–49: 23%
- 50 and above: 46%

*2 Distribution of purchases using EPOS cards

**Marui and Modi Stores**

| | Name | Sales floor area (m²) | Transactions (billions of yen) |
|---|---|---|---|
| Tokyo | Kitasenju Marui | 35,300 | 38.8 |
| | Shinjuku Marui | 30,590 | 30.0 |
| | Yurakucho Marui | 18,500 | 21.4 |
| | Machida Location | 21,270 | 15.5 |
| | Kinshicho Marui | 22,990 | 13.1 |
| | Ueno Marui | 16,390 | 13.0 |
| | Shibuya Location | 14,090 | 12.5 |
| | Kokubunji Marui | 14,300 | 11.5 |
| | Nakano Marui | 4,950 | 6.3 |
| | Ikebukuro Marui | 12,170 | 5.9 |
| | Kichijoji Marui | 11,950 | 5.3 |
| Kanagawa | Marui Family Mizonokuchi | 32,260 | 22.2 |
| | Totsuka Modi | 16,580 | 9.2 |
| | Marui Family Ebina | 19,500 | 8.3 |
| | Marui City Yokohama | 16,770 | 8.1 |
| Saitama | Marui Family Shiki | 18,900 | 11.0 |
| | Omiya Marui | 13,970 | 6.8 |
| | Soka Marui | 16,530 | 4.6 |
| | Kawagoe Modi | 7,850 | 1.7 |
| Chiba | Kashiwa Location | 18,810 | 7.2 |
| Shizuoka | Shizuoka Location | 13,460 | 2.8 |
| Osaka | Namba Marui | 17,000 | 11.0 |
| Kyoto | Kyoto Marui | 8,760 | 4.9 |
| Hyogo | Kobe Marui | 6,940 | 4.5 |
| Fukuoka | Hakata Marui | 15,000 | 8.5 |

Note: "Shinjuku Marui" refers to Shinjuku Marui Main Building, Shinjuku Marui Annex, Shinjuku Marui Men. "Shibuya Location," "Machida Location," "Kashiwa Location," and "Shizuoka Location" refer to both the Marui and Modi stores located at these sites.

**Message from Retailing Segment Representative**

**Masahisa Aoki**

Director and Senior Executive Officer
In charge of Anime Business
President and Representative Director, MARUI CO., LTD.

### New Vision for Retailing to Communicate to External Stakeholders

Having completed the transition to shopping centers and fixed-term rental contracts and stabilized our earnings bases, our most pressing task is to evolve our stores to next-generation Marui stores. As the focus of consumption shifts from goods to experience, there is no clear answer, no goal, for the value we need to provide. We therefore must forget the past successes that have led Marui stores to generate massive profits by selling goods in physical stores. Our evolution to digital native stores will require that we move away from our previous focus on products and their sales to a focus on customers and the experience we sell them. Important to this transition will be our ability to locate and give form to customer needs. I am confident that this is the area in which MARUI GROUP employees are the most capable.

MARUI GROUP boasts strength in the form of its store staff, who are adept at customer service and communication, as well as its in-house IT and distribution systems. By building on these strengths and communicating our new vision for retailing to external stakeholders, and inviting them to join hands with us in realizing this vision, I believe we can attract numerous business partners that resonate with our ideals.

# FinTech

## Progress and Future Strategies in the FinTech Segment

### New Card Applications Surpassing 800,000 Target and Transactions Exceeding ¥2.0 Trillion

In the fiscal year ended March 31, 2019, operating income in the FinTech segment increased for the seventh consecutive year, rising ¥3.6 billion year on year, to ¥35.0 billion. ROIC reached 4.2%, achieving the medium-term management plan's target of 4.1% two years ahead of schedule due to operating income growth and improvements in invested capital that resulted from the liquidation of receivables.

Total EPOS card transactions rose 17%, to ¥2.3 trillion, exceeding ¥2.0 trillion for the first time. In addition, we have sustained an average annual growth rate of 19% for EPOS card transactions over the past 10 years, greatly outpacing the industry average of 7% for the same period (see Figure 1). Card shopping transactions rose to ¥1,880.0 billion, with an average annual growth rate of 26% in use by Gold and Platinum cardholders driving overall transaction growth over the past five years.

In regard to revolving and installment payment transactions, we have been expanding the number of affiliates at which installment payments can be used while introducing services allowing customers to change to installment payments after purchases. Owing to these initiatives, installment payment transactions showed a substantial increase, contributing to a 25% year-on-year increase in the volume of revolving and installment payment transactions in the fiscal year ended March 31, 2019. As a result, the balance of revolving and installment payments on March 31, 2019, was 1.6 times higher than on March 31, 2016, before installment payment initiatives were stepped up, of which the balance of installment payments was 5.1 times higher (see Figure 2). Users of these payment methods were up. In addition, the ease of using installment payment transactions in a planned manner stemming from their short repayment periods led to higher usage amounts and thereby growth in transaction volumes. These factors contributed to increases in transaction volumes and subsequently affiliate commissions. The rise in the portion of our total balance of receivables accounted for by installment payments, which feature relatively low rates of default, enabled us to limit bad debt-related expenses while improving ROIC.

Revenue from rent guarantee services, meanwhile, amounted to ¥6.5 billion in the fiscal year ended March 31, 2019, continuing the strong growth that has manifested in an average annual growth rate of more than 30% over the past five years. At the same time, transactions for rent payments using EPOS cards rose to approximately ¥260.0 billion, representing more than 10% of the total transaction volume.

On March 31, 2019, we had a total of 6,880,000 EPOS cardholders, of which the rapidly growing number of Gold and Platinum cardholders was 2,150,000. In addition, new card applications surpassed 800,000. Applications at stores and external commercial facilities have remained consistently above 500,000 while the number of individuals applying via the Internet or through service-related venues has risen. In the fiscal year ended March 31, 2019, MARUI GROUP commenced collaboration with eight new commercial facilities, bringing the total number of partner facilities to 25 and raising our cardholder share both inside and outside of MARUI GROUP's business area. (see Figure 3).

After commencing service in August 2018, tsumiki Co., Ltd., has primarily seen patronage by younger and first-time investors, as we had anticipated. The ratio of active accounts as well as average monthly investments exceeded our targets, whereas the number of applications in the fiscal year ended March 31, 2019, fell below the target at 16,000.

### Maximizing the Share of EPOS Card Payments among Household Finances

The FinTech segment is advancing a unique strategy of maximizing the share of EPOS card payments among household finances with the goal of addressing the trend toward cashless payments and increasing LTV. Currently, the average share of EPOS card payments in the household finances of cardholders stands at 12%. While this share is only 5% for standard EPOS cardholders, it has been growing rapidly to 17% for Gold cardholders and 41% for Platinum cardholders. Gold cardholders account for the largest amount of transactions among the different card types, and the average share among these cardholders is 17%. There is significant room for growth in this area given that those Gold cardholders who have low shares of less than 10% represent approximately 40% of all Gold cardholders.

Households in which EPOS card payments represent a large share of household finances tend to make rent and other recurring payments using their credit card. This

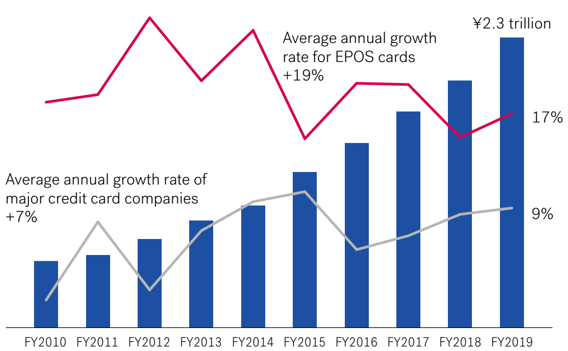
**Message from FinTech Segment Representative**

**Masao Nakamura**
Director and Senior Managing Executive Officer
Responsible for FinTech Business

**Creation of New Financial Services to Realize Long-Term Vision**

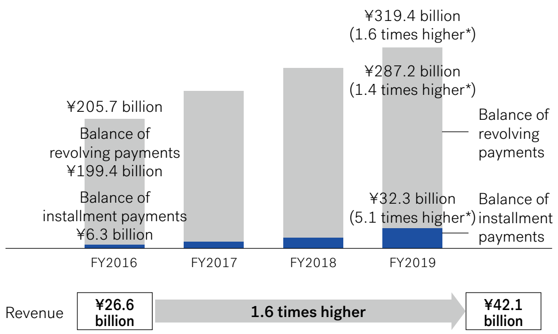
The FinTech segment has continued to see strong growth in EPOS card shopping transactions with an average annual growth rate of 19% over the past 10 years, more than twice the industry average. Whereas credit cards have supported the growth of the Retailing segment in the past, this relationship has since been reversed with stores now underpinning the growth of credit cards. The Retailing and FinTech segments are thus in a completely complementary relationship. One of the roles of the FinTech segment is to facilitate high levels of ongoing engagement with customers. We also have a clear mission: growing cardholder numbers while increasing LTV, creating new financial services to drive future growth, and addressing the accelerating digitization trend to further us on the path toward our long-term vision.

**Figure 1: Total EPOS Card Transactions**




Note: Line graph represents year-on-year changes in card shopping transactions.

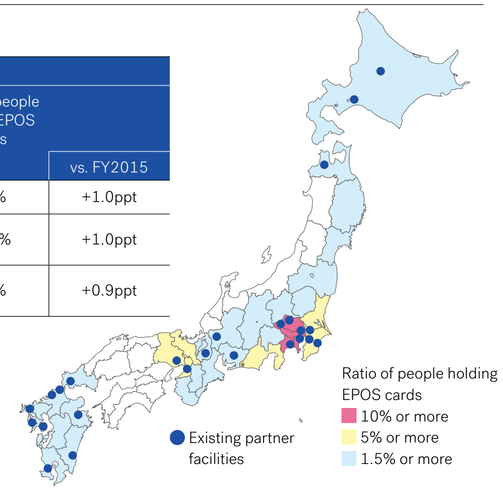
**Figure 2: Balance of Revolving and Installment Payments and Revenue**




* In comparison with the fiscal year ended March 31, 2016

**Figure 3: EPOS Cardholder Statistics**

| | FY2015 Cardholders (Prior to nation-wide expansion) | FY2019 Cardholders | vs. FY2015 | FY2019 Ratio of people holding EPOS cards | vs. FY2015 |
|---|---|---|---|---|---|
| Total | 5,910,000 | 6,880,000 | +16% | 6.6% | +1.0ppt |
| Inside business area | 5,250,000 | 5,750,000 | +10% | 11.5% | +1.0ppt |
| Outside business areas | 670,000 | 1,130,000 | +69% | 2.1% | +0.9ppt |



tendency leads cardholders to also use their card for payments traditionally made with cash, such as those for food or leisure, further increasing the share of EPOS card payments in household finances. As a result, the rate of upgrades to Gold cards as well as LTV is four to five times higher than those of customers that do not use their EPOS card for such recurring payments. Accordingly, increasing the number of cardholders that use their card for rent and other recurring payments will be a cornerstone of MARUI GROUP's strategy of maximizing the share of EPOS card payments among household finances.

### Ever-Growing Rent Guarantee Services

MARUI GROUP's strengths in the rent guarantee services market include services that allow for points to be accrued through rent payments, perhaps one of our business' most noteworthy features, as well as the efficient business operations made possible through joint operation with our credit card services business, the system capabilities that enable us to respond to the needs of our business partners, and the high reliability backed by MARUI GROUP's financial capacities. MARUI GROUP looks to promote the use of its rent guarantee services both through collaboration with Sumitomo Forestry Residential Co., Ltd., and ABLE INC. We will also encourage cardholders living in rental properties to use our rent guarantee services through our proprietary website. In this way, we will target revenue from our ever-growing rent guarantee services of more than ¥10.0 billion in the fiscal year ending March 31, 2021 (see Figure 4).

* Based on estimates by Epos Card Co., Ltd.

### Collaboration for Promoting E-Commerce Use and New Applications

MARUI GROUP is collaborating with GMO Payment Gateway, Inc., to promote e-commerce use among EPOS cardholders and expand its cardholder base. Normally, when someone wants to make payments via e-commerce websites, they are required to register their credit card number with each individual website. However, the collaborative scheme with GMO Payment Gateway will make it possible for a customer to use the same ID and password for all affiliated e-commerce websites. In addition, EPOS cardholders will be recruited through affiliated websites, and we will employ real-time inspections that are available 24 hours a day to enable card application, payment, and use of application benefits to be conducted simultaneously. Through these initiatives, MARUI GROUP is targeting more than 200 affiliates and over 100,000 new card applicants in the fifth year of service.

### Growth of EPOS Family Gold Cardholders

The EPOS Family Gold card (see Figure 5) launched in 2018 is currently held by 110,000 individuals in 50,000 households. As all members of households with an EPOS Family Gold cardholder are encouraged to become holders of this card, the average share of EPOS card payments in household finances has risen from the prior 14% to 23%. We aim to have these cards held by more than 1 million individuals in 500,000 households five years from now.

The FinTech segment looks to achieve growth in total transactions of between ¥800.0 billion and ¥1,000.0 billion by increasing the number of Gold cardholders and raising the share of EPOS card payments in the household finances of Gold cardholders from the current 17% to between 22% and 25% over the next five years. If these goals are achieved, the share of EPOS card payments in the household finances of all EPOS cardholders is projected to rise from 12% to 16%.

**Figure 4: Revenue from Rent Guarantee Services**

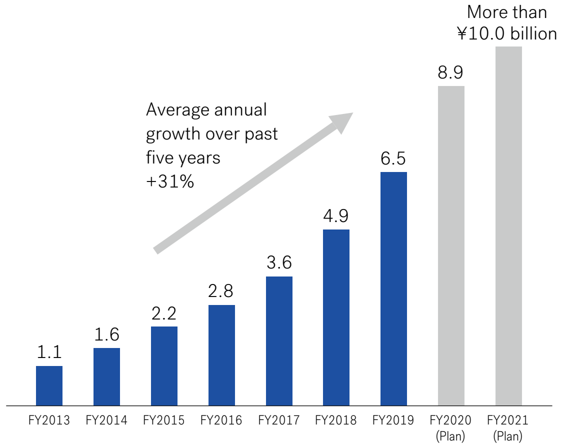
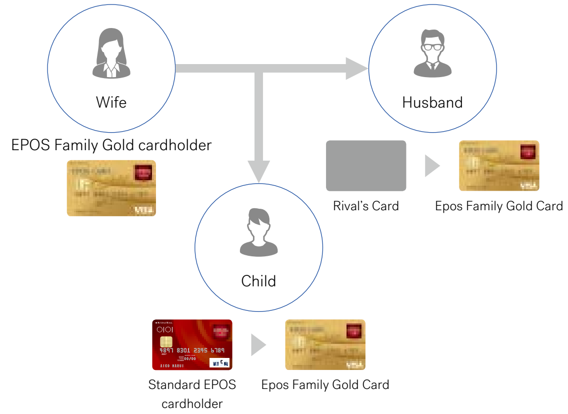



**Figure 5: Conversion of All Family Members into EPOS Family Gold Cardholders**




Through these initiatives, we will raise total transactions in the FinTech segment above ¥5.0 trillion five years from now, a level that is top-class in the industry.

### Future Outlook

In the fiscal year ending March 31, 2020, we anticipate ROIC of 4.4% and operating income of ¥39.0 billion, up ¥4.0 billion. Furthermore, the FinTech segment targets for the fiscal year ending March 31, 2021, call for ROIC of 4.5% and operating income of ¥42.0 billion or more.

**Message from FinTech Segment Representative**

**Yoshinori Saito**
Managing Executive Officer
President and Representative Director, Epos Card Co., Ltd.

#### Maximization of Share of EPOS Card Payments in Household Finances to Boost LTV

In the fiscal year ended March 31, 2019, card applications through commercial facilities, the Internet, and service-related venues proceeded as planned, and the number of new card applications exceeded 800,000 for the first time, bringing the total number of cardholders to nearly 7 million. Another first, total transactions surpassed ¥2.0 trillion.

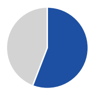
We are targeting the maximization of the share of EPOS card payments in household finances in order to respond to the future advancement of the trend toward cashless payments.

We are maximizing the share of EPOS card payments in household finances by promoting the use of EPOS cards for rent, utilities, and other payments primarily made via bank transfers. We thereby aim to promote ongoing use among existing cardholders while encouraging them to use their EPOS card as their main card. To accomplish these objectives, we will partner and collaborate with companies in the new areas of rent guarantee services, recurring payments, and subscription-type services. Other initiatives will include encouraging all members of cardholders' families to become cardholders with the EPOS Family Gold card.

Going forward, we will seek to maximize the share of EPOS card payments in household finances to increase LTV while growing EPOS cardholders through collaboration and nationwide expansion.

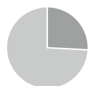
### Overview of FinTech Segment (Fiscal year ended March 31, 2019)

**EPOS Cardholders by Age***1



Age 39 and below ..... 56%
Age 40 and above ..... 44%

Industry Cardholders by Age*2

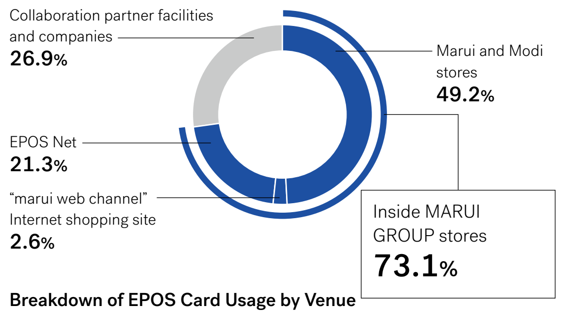


Age 39 and below ..... 26%
Age 40 and above ..... 74%

**EPOS Cardholders by Gender***1

Male ..... 29%
Female ..... 71%

**Distribution of EPOS Card Applications by Venue**




**Breakdown of EPOS Card Usage by Venue**



Marui and Modi stores ..... 5.8%
External affiliates ..... 94.2%

*1 Active cardholder base
*2 Source: *Consumer Credit Statistics from Japan (FY2018)*, Japan Consumer Credit Association

Hirotsugu Kato
Director, Managing Executive Officer, and CFO
In charge of IR, Finance, Investment Research, Sustainability, and ESG Promotion
Director, tsumiki Co., Ltd.

**MARUI GROUP will continue to produce high growth coupled with high returns by increasing recurring revenue.**

## Accomplishment of Initial Targets for All KPIs

In the fiscal year ended March 31, 2019, the third year of the medium-term management plan, we were able to achieve our initial third-year targets for all KPIs (EPS, ROE, and ROIC). Over this year, we moved forward with the principal strategies of the plan, namely improving the earnings capacity of the Retailing segment through business structure reforms and expanding earnings scale in the FinTech segment. At the same time, our financial strategies for achieving our target balance sheet and capital measures produced benefits. As a result, earnings per share (EPS) increased by 1.6 times over the past three years, to ¥116; return on equity (ROE) rose 3.1 percentage points, to 9.1%; and return on invested capital (ROIC) grew 0.4 percentage point, to 3.7%.

Furthermore, an average annual growth rate of 18% was seen over the past three years for EPS, which reached a record high in the fiscal year ended March 31, 2019, I might add, and the average annual rate of increase in dividends was 31%. In this manner, we have continued to achieve high growth coupled with high returns.

From the perspective of corporate value creation, ROIC exceeded weighted average cost of capital (WACC) in the fiscal year ended March 31, 2017, the first year of the medium-term management plan, leading to a positive economic value added spread. However, our equity spread swung into the positive in the fiscal year ended March 31, 2019, as ROE climbed to 9.1% and cost of shareholders' equity was 6.8% following a decline in the beta value. We are committed to continuously creating corporate value in line with the expectations of our shareholders in the future.

## Improvement of Capital Efficiency Not Dependent on the Balance Sheet

To achieve our target balance sheet, we have been working to maintain a sufficient level of financial soundness and efficiency as represented by an equity ratio of approximately 30% and level of interest-bearing debt that is equivalent to around 90% of operating receivables. Meanwhile, operating receivables grew to a degree that exceeded our initial expectations, leading to a similar increase in interest-bearing debt. We sought to curb this increase by liquidating revolving payment receivables from card shopping transactions and cash advance receivables. The amount of liquidated receivables on March 31, 2019, was ¥119.3 billion, representing 17.4% of operating receivables (ratio of liquidation). Operating receivables are expected to continue to increase above the projected levels, and the ratio of liquidation is forecast to reach around 25% by March 31, 2021. Our receivable liquidation scheme has been highly regarded as contributing to debt safety due to it embodying the co-creation of creditability, MARUI GROUP's core value. Accordingly, procurement costs are at low levels on par with those of borrowings from banks or corporate bonds. For this reason, the majority of earnings, such as those from finance charges on revolving transactions, return directly to the Company, enabling us to maintain high profitability without depending on our balance sheet. Our rent guarantee business, which is in the process of expanding the scope of its operations, is also realizing high profitability without depending on its balance sheet through the co-creation of creditability. Looking ahead, MARUI GROUP will pursue further improvements in capital efficiency by proactively expanding businesses with high levels of LTV and low dependence on balance sheets, whether new or existing businesses.

## Dramatic Changes in Earnings Structure

Over the period encompassing the previous medium-term management plan, which began with the fiscal year ended March 31, 2015, and the current medium-term management plan, which was launched in the fiscal year ended March 31, 2017, we have proceeded to pursue increases in LTV. These increases were accomplished through various strategies and measures aimed at transforming all flow-type businesses into stock-type businesses, regardless of segment, and at strengthening stock-based businesses. As a result, MARUI GROUP's earnings structure has been transformed dramatically when compared to the fiscal year ended March 31, 2014, prior to the establishment of the previous medium-term management plan. LTV itself is an estimated figure dependent on future predictions. Recurring revenue, however, is an important component of LTV that can be tracked numerically with a relatively high degree of financial accuracy. Recurring revenue is defined as the revenue that is generated on a recurring basis through contracts with customers or business models and includes finance charges on revolving and installment payments and sales floor rent revenues. Accordingly, recurring revenue could be seen as a quantitative measurement of our core value of the co-creation of creditability.

## High Growth Coupled with High Returns

The most noteworthy change to MARUI GROUP's earnings structure is large increases in recurring revenue and in the portion of total revenue that it represents. For example, recurring gross profit in the fiscal year ended March 31, 2019, represented 63% of total gross profit, double the level from five years ago. By segment, recurring gross profit accounted for 54% of total gross profit in the Retailing segment and 69% in the FinTech segment, a majority in both segments. On April 1, 2019, contracted recurring revenue, which will translate to revenue in the future, amounted to ¥357.2 billion, 2.6 times higher than the amount of recurring revenue in the fiscal year ended March 31, 2019, and 1.4 times higher than total revenue in this year. One way of measuring corporate value is a methodology using future cash flows. Recurring revenue contributes to higher and more reliable future cash flows. For this reason, the growth in recurring revenue to date could be seen to have made significant contributions to improved corporate value.

Due to these factors, MARUI GROUP's ability to achieve stable profit growth has increased. In addition, we have put forth a policy of raising the consolidated payout ratio to 55% by the fiscal year ending March 31, 2024, while targeting a total return ratio of 70%. I therefore think it is entirely possible that we will be seeing high growth coupled with high returns in the future with EPS growth rates of 10% and average annual dividend increases of 15%.

# Tracking of LTV

The completion of the transition to shopping centers and fixed-term rental contracts has granted MARUI GROUP a business structure that enables it to secure consistent earnings. Going forward, the Company will aspire to stabilize LTV while accurately communicating its business value arising from consistent earnings using the concepts of recurring revenue, contracted future recurring revenue, and total addressable market.

⇨ Please refer to "Lifetime Value Management Dramatically Transforming Earnings Structures" on Page 34 and "Co-Creation Credit Expertise" on page 40 for more information.

## Recurring Revenue

An important element of LTV, recurring revenue is revenue that is generated on a recurring basis through contracts with customers and business partners. Examples of recurring revenue include rent revenues in the Retailing segment and finance charges on revolving and installment payments and cash advances, rent guarantee revenues, and annual enrollment fees from EPOS card use in the FinTech segment. In the fiscal year ended March 31, 2019, recurring revenue was 2.1 times higher than in the fiscal year ended March 31, 2014, largely as a result of the completion of the transition to shopping centers and fixed-term rental contracts in the Retailing segment. In addition, recurring revenue has been representing an increasingly large portion of total revenue, with the ratio of recurring to total revenue exceeding 50% in the fiscal year ended March 31, 2019, and projected to surpass 55% in the fiscal year ending March 31, 2020. Meanwhile, recurring gross profit accounted for more than 60% of total gross profit in the fiscal year ended March 31, 2019, and was 2.3 times higher than in the fiscal year ended March 31, 2014. The ratio of recurring to total gross profit is expected to climb past 65% in the fiscal year ending March 31, 2020.

### Recurring Gross Profit

| | FY2014 | FY2018 | FY2019 | % of total | vs. FY2018 | vs. FY2014 |
|---|---|---|---|---|---|---|
| Retailing (total) | ¥5.9 billion | ¥34.0 billion | ¥41.1 billion | 54% | +21% | +595% |
| Rent revenues, etc. | ¥2.0 billion | ¥27.1 billion | ¥33.6 billion | | | |
| Other | ¥3.9 billion | ¥6.8 billion | ¥7.5 billion | | | |
| FinTech (total) | ¥47.0 billion | ¥74.1 billion | ¥81.5 billion | 69% | +10% | +73% |
| Finance charges on revolving and installment payments | ¥20.7 billion | ¥39.0 billion | ¥43.5 billion | | | |
| Affiliate commissions (Of which, recurring) | ¥0.8 billion | ¥1.7 billion | ¥1.9 billion | | | |
| Finance charges on cash advances | ¥21.1 billion | ¥23.9 billion | ¥24.5 billion | | | |
| Service revenues | ¥3.6 billion | ¥8.4 billion | ¥10.3 billion | | | |
| Other | ¥0.9 billion | ¥1.2 billion | ¥1.3 billion | | | |
| Total recurring revenue | ¥52.9 billion | ¥108.0 billion | ¥122.7 billion | 63% | +14% | +132% |

Note: Calculated as the ratios of segment income and of a figure combining gross profit and selling, general and administrative expenses paid by business partners

## Contracted Future Recurring Revenue

Contracted future recurring revenue is an indicator of the earnings promised by contracts with customers and business partners in the given fiscal year and in subsequent fiscal years and is used to measure the stability of earnings. For rent revenues, for example, contracted future recurring revenue is calculated by assessing the future earnings projected based on the remaining number of years in rental contracts. Meanwhile, repayment periods are used for finance charges on revolving and installment payments and cash advances, expiration dates are used for (recurring) affiliate commissions, and the number of remaining years of residency is used for rent guarantees. The completion of the transition to shopping centers and fixed-term rental contracts and the expansion of rent guarantee services in the fiscal year ended March 31, 2019, led to an increase in future anticipated revenue. As a result, the amount of contracted future recurring revenue promised in subsequent fiscal years was ¥357.2 billion, 1.4 times higher than total revenue in the fiscal year ended March 31, 2019.

### Contracted Future Recurring Revenue

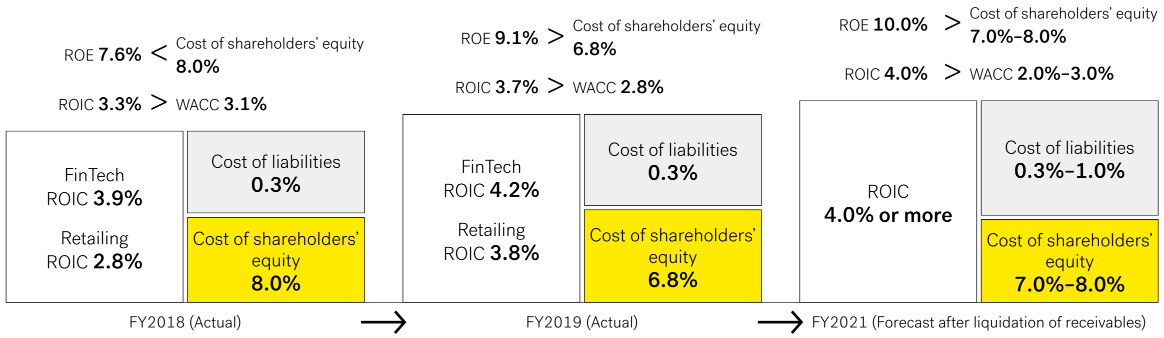
| | FY2019 | Contracted future recurring revenue to be posted in FY2020 and beyond | vs. FY2019 |
|---|---|---|---|
| Recurring revenue | ¥137.0 billion | ¥357.2 billion | +161% |
| Retailing | ¥48.8 billion | ¥90.4 billion | +85% |
| FinTech | ¥88.2 billion | ¥266.8 billion | +203% |
| Non-recurring revenue | ¥118.9 billion | — | — |
| Consolidated revenue + Selling, general and administrative expenses paid by business partners | ¥255.9 billion | ¥357.2 billion | +40% |



# Target Balance Sheet

## 01 POINT Creation of Corporate Value with ROIC Exceeding WACC and ROE Exceeding Cost of Shareholders' Equity

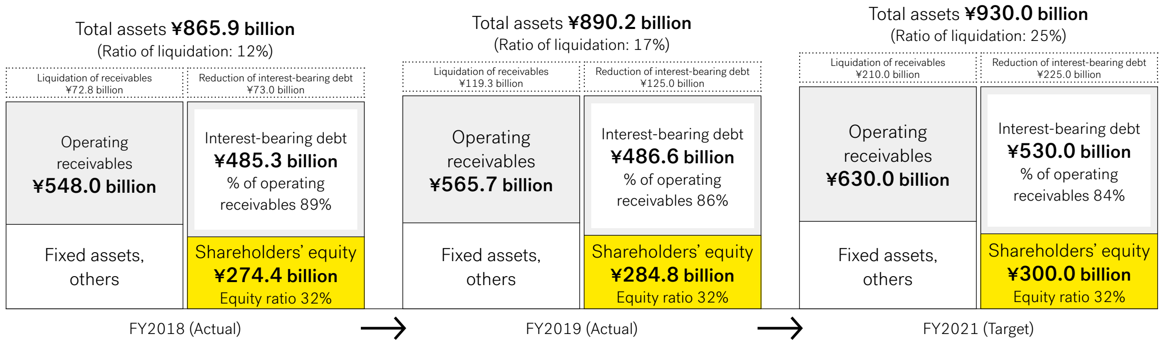
ROE exceeds cost of shareholders' equity for the first time due to improved profit and low cost of capital while ROIC stays consistently above WACC




In the fiscal year ended March 31, 2019, profit growth caused a large increase in ROE, which exceeded cost of shareholders' equity for the first time. Meanwhile, a significant increase in ROIC was achieved in the Retailing segment, resulting in overall ROIC surpassing WACC for the third consecutive year. MARUI GROUP will continue working toward businesses that can achieve high profitability without depending on the balance sheet. To this end, the Company will proactively develop businesses with high LTV to realize further improvements in capital efficiency and achieve the targets of ROE of 10.0% or more and ROIC of 4.0% or more in the fiscal year ending March 31, 2021.

## 02 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%
Increased fund procurement through liquidation of operating receivables to limit total assets to below ¥1.0 trillion in the fiscal year ending March 31, 2021, and maintain an equity ratio of approximately 30%

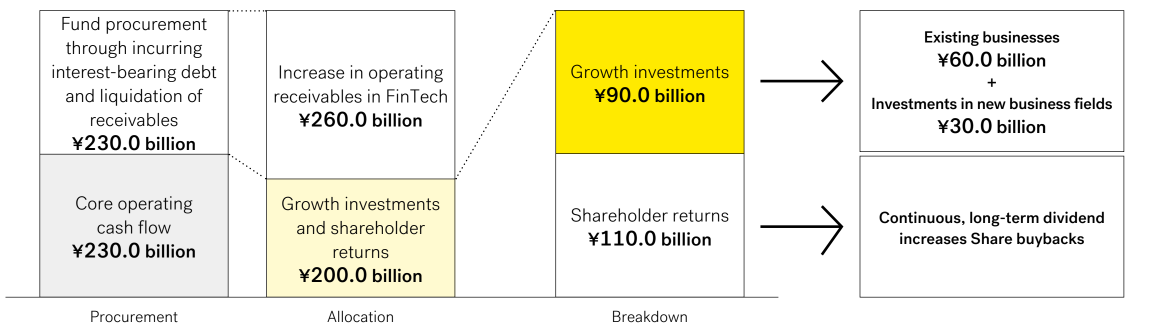



The medium-term management plan slated to conclude with the fiscal year ending March 31, 2021, defines a target balance sheet. Achieving this balance sheet will entail procuring funds through interest-bearing debt in response to increases in operating receivables, seeking a level of interest-bearing debt equivalent to roughly 90% of operating receivables, and maintaining an equity ratio of approximately 30%, deemed ideal.

Growth in the FinTech segment is resulting in levels of operating receivables that exceed initial expectations along with a consequent rise in interest-bearing debt. Faced with the forecast of the equity ratio dipping below 30%, MARUI GROUP responded through systemic fund procurement via the liquidation of operating receivables beginning in the fiscal year ended March 31, 2019. As a result, the ratio of liquidation reached 17% on March 31, 2019, and will be raised to around 25% on March 31, 2021, while net assets are kept below ¥1.0 trillion to maintain the ideal equity ratio of approximately 30%.

## 03 POINT Cash Flow Forecasts

Five-year aggregate core operating cash flow of ¥230.0 billion forecast for period of medium-term management plan (fiscal year ended March 31, 2017–fiscal year ending March 31, 2021)
Allocation of cash flows to growth investments and shareholder returns to achieve ongoing growth and improve capital efficiency

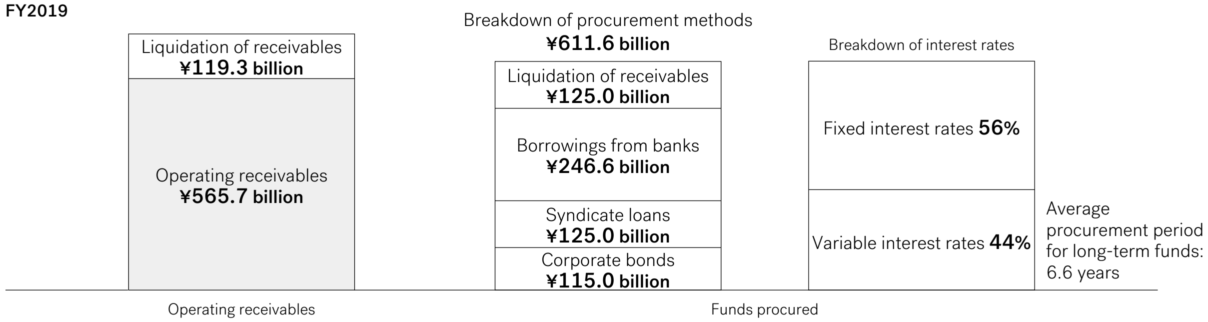



Over the period of the medium-term management plan, core operating cash flow, which excludes outflows associated with increases in operating receivables, is expected to amount to ¥230.0 billion. We will allocate ¥200.0 billion of this amount to growth investments and shareholder returns. Growth investments 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 through continuous, long-term dividend increases and share buybacks. Investments in new business fields will be conducted steadily over the period leading up to the fiscal year ending March 31, 2023.

## 04 POINT Response to Fund Procurement Risks and Interest Rate Hikes

Prioritization of safety in response to volatile procurement environment by maintaining consistent repayment levels and establishing backups
Balanced combination of diverse procurement methods and measures to limit risks and procurement costs

**FY2019**




The FinTech segment is expected to continue to grow, resulting in ongoing increases in fund procurement. Recognizing the risks presented by the volatile financial market, MARUI GROUP will respond by prioritizing safety and costs.

To this end, we will maintain consistent repayment levels while establishing backups, such as commitment lines, to hedge against the risk of not being able to replace repaid borrowings. At the same time, we will diversify the procurement methods we use through a combination of borrowings from banks, syndicate loans, corporate bonds, and liquidation of operating receivables, utilizing these procurement methods in a balanced manner. We will look to have procurement methods with fixed interest rates represent 50%–60% of total debt in order to absorb the impacts of future interest rate hikes and limit procurement costs.

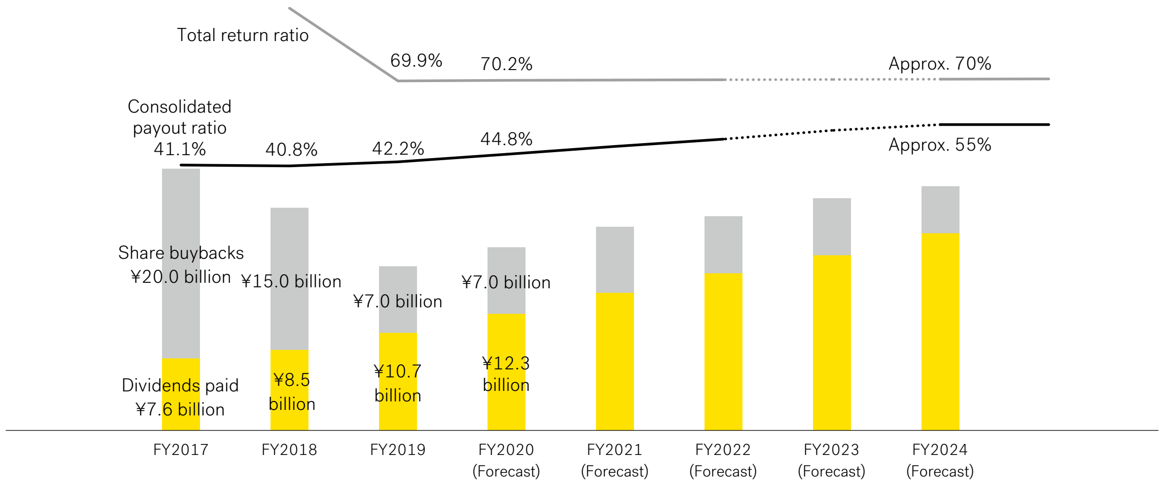


# Shareholder Returns and Future Policies

### Continuous, Long-Term Dividend Increases

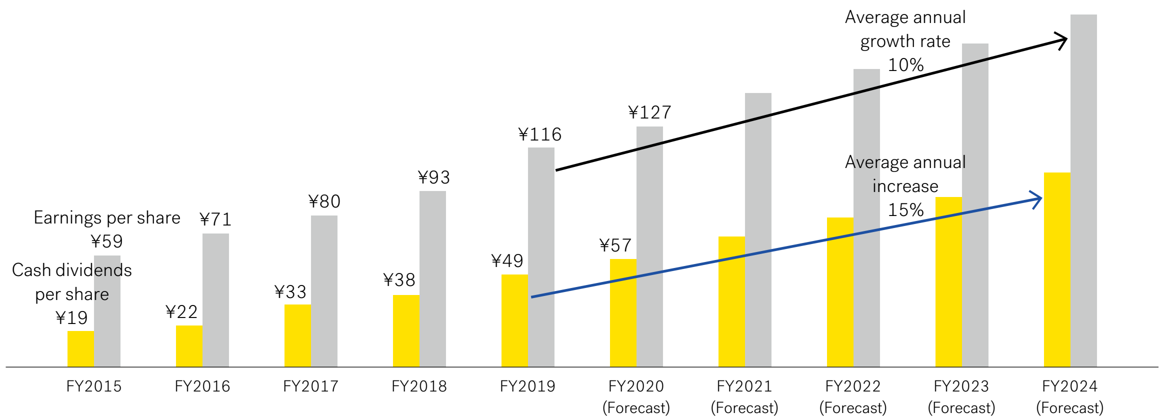
MARUI GROUP is targeting high growth coupled with high returns through ongoing dividend increases in conjunction with long-term growth in EPS. From the current target for the consolidated payout ratio of 40%, we will institute a phased increase toward the target of 55% in the fiscal year ending March 31, 2024, and consistent, long-term increases in dividends will be implemented to achieve these targets. Share buybacks will be implemented targeting a total return ratio of 70% through improved capital efficiency and shareholder returns. Acquired treasury stock will, in principle, be canceled.

### Future Shareholder Returns Outlook




Following the completion of the transition to fixed-term rental contracts and shopping centers, recurring gross profit has come to represent more than 60% of total gross profit. Through this stable earnings growth combined with a phased increase in the consolidated payout ratio along with ongoing share buybacks, we will target average annual increases of 10% in EPS and 15% in cash dividends per share to realize high long-term growth coupled with high returns.

### Future Dividend Outlook



# 11-Year Financial and Non-Financial Summary

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries

Millions of yen

| Fiscal years ended March 31 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Group transactions | — | — | — | — | — | 1,297,250 | 1,469,111 | 1,703,353 | 1,933,685 | 2,189,374 | 2,539,631 |
| Retailing*1 | — | — | — | — | — | — | — | 341,478 | 326,327 | 328,486 | 337,006 |
| FinTech*1 | — | — | — | — | — | — | — | 1,473,539 | 1,723,254 | 1,972,482 | 2,310,635 |
| Eliminations*2 | — | — | — | — | — | — | — | (111,664) | (115,896) | (111,594) | (108,010) |
| Total operating revenues*3 *4 | — | — | — | — | — | 253,077 | 249,847 | 245,867 | 237,022 | 240,469 | 251,415 |
| Revenue*3 | 447,400 | 419,255 | 406,472 | 412,408 | 407,366 | 416,460 | 404,947 | — | — | — | — |
| Gross profit*4 | 160,125 | 149,926 | 144,736 | 147,240 | 148,172 | 156,642 | 159,448 | 160,035 | 165,964 | 175,875 | 190,502 |
| Selling, general and administrative expenses*4 | 150,986 | 139,488 | 129,940 | 129,224 | 123,886 | 129,495 | 131,406 | 130,419 | 134,711 | 139,509 | 149,317 |
| EBITDA*4 *5 | 28,522 | 29,695 | 30,457 | 33,085 | 35,237 | 37,134 | 38,338 | 39,286 | 41,374 | 46,640 | 51,095 |
| Operating income*4 | 9,138 | 10,438 | 14,795 | 18,015 | 24,285 | 27,146 | 28,042 | 29,615 | 31,253 | 36,365 | 41,184 |
| Net income (loss) attributable to owners of parent | (8,750) | 5,104 | (23,638) | 5,251 | 13,255 | 15,409 | 16,036 | 17,771 | 18,724 | 20,907 | 25,341 |
| Segment income*1 *4 | | | | | | | | | | | |
| Retailing*1 | — | — | — | — | — | — | — | 10,658 | 7,759 | 8,826 | 11,421 |
| FinTech*1 *4 | — | — | — | — | — | — | — | 23,094 | 27,111 | 31,433 | 35,018 |
| Retailing and Store Operation*1 | 1,252 | 37 | 2,110 | 7,547 | 9,885 | 10,562 | 8,074 | 7,856 | — | — | — |
| Credit Card Services*1 | 6,725 | 10,272 | 13,704 | 10,619 | 13,177 | 15,634 | 20,126 | 22,186 | — | — | — |
| Retailing-Related Services*1 | 3,740 | 2,509 | 1,568 | 2,567 | 3,792 | 4,523 | 3,333 | 3,674 | — | — | — |
| Total assets*6 | 685,351 | 664,357 | 628,910 | 615,130 | 624,173 | 664,019 | 675,627 | 730,126 | 806,575 | 865,887 | 890,196 |
| Shareholders' equity | 310,818 | 312,188 | 284,526 | 289,975 | 303,637 | 315,446 | 306,795 | 281,610 | 273,883 | 274,434 | 284,752 |
| Installment sales accounts receivable | 88,761 | 95,871 | 111,760 | 142,995 | 171,187 | 213,466 | 227,121 | 279,763 | 348,191 | 402,030 | 428,180 |
| Consumer loans outstanding | 207,117 | 191,486 | 158,707 | 132,280 | 123,739 | 125,215 | 128,030 | 134,107 | 140,569 | 146,011 | 137,473 |
| Interest-bearing debt | 292,061 | 283,676 | 264,692 | 245,175 | 243,762 | 264,824 | 277,839 | 359,324 | 434,327 | 485,331 | 486,632 |
| Net cash provided by (used in) operating activities | 15,316 | 30,811 | 30,280 | 24,897 | 5,111 | (9,227) | 12,310 | (35,310) | (45,955) | (19,329) | 26,396 |
| Core operating cash flow*7 | — | — | — | — | — | — | 25,484 | 26,788 | 28,188 | 35,853 | 42,778 |
| Net cash provided by (used in) investing activities | (18,234) | (13,034) | (7,033) | (3,913) | 435 | (6,791) | (3,867) | (4,063) | 1,995 | 747 | (7,432) |
| Net cash provided by (used in) financing activities | 2,409 | (14,519) | (22,926) | (23,660) | (5,571) | 16,141 | (7,267) | 40,719 | 47,630 | 27,773 | (17,680) |
| Cash and cash equivalents | 29,026 | 32,283 | 32,603 | 29,928 | 29,940 | 30,053 | 31,229 | 32,575 | 36,245 | 45,437 | 46,720 |
| Capital investments | 24,073 | 17,398 | 14,332 | 7,941 | 7,665 | 11,238 | 9,786 | 12,882 | 15,696 | 10,250 | 9,094 |
| Depreciation and amortization | 19,384 | 19,257 | 15,661 | 15,069 | 10,951 | 9,988 | 10,296 | 9,670 | 10,121 | 10,274 | 9,911 |
| Earnings (loss) per share (yen) | (31.90) | 18.65 | (86.36) | 19.19 | 48.43 | 56.29 | 58.87 | 70.68 | 80.24 | 93.18 | 115.99 |
| Net assets per share (yen) | 1,135 | 1,140 | 1,039 | 1,059 | 1,109 | 1,152 | 1,166 | 1,161 | 1,196 | 1,245 | 1,310 |
| Cash dividends per share (yen) | 28.0 | 14.0 | 14.0 | 14.0 | 15.0 | 18.0 | 19.0 | 22.0 | 33.0 | 38.0 | 49.0 |
| Payout ratio (%) | — | 75.1 | — | 73.0 | 31.0 | 32.0 | 32.3 | 31.1 | 41.1 | 40.8 | 42.2 |
| Total return ratio (%) | — | 75.1 | — | 73.0 | 31.0 | 32.0 | 125.3 | 227.5 | 147.5 | 112.3 | 69.9 |
| Operating income margin (%)*4 *8 | 2.0 | 2.5 | 3.6 | 4.4 | 6.0 | 10.7 | 11.2 | 12.0 | 13.2 | 15.1 | 16.4 |
| Return on equity (%) | (2.7) | 1.6 | (7.9) | 1.8 | 4.5 | 5.0 | 5.2 | 6.0 | 6.7 | 7.6 | 9.1 |
| Return on invested capital (%)*4 | 1.0 | 1.1 | 1.7 | 2.1 | 3.0 | 3.0 | 3.3 | 3.3 | 3.1 | 3.3 | 3.7 |
| Return on assets (%)*6 | 1.1 | 1.5 | 2.2 | 2.8 | 3.9 | 4.3 | 4.2 | 4.1 | 4.1 | 4.2 | 4.5 |
| Equity ratio (%)*6 | 45.4 | 47.0 | 45.2 | 47.1 | 48.6 | 47.5 | 45.4 | 38.6 | 34.0 | 31.7 | 32.0 |
| Stock price at year-end (yen) | 523 | 678 | 537 | 690 | 975 | 885 | 1,365 | 1,613 | 1,513 | 2,168 | 2,235 |
| Market capitalization (including treasury stock) (billions of yen) | 166.6 | 216.0 | 171.1 | 219.8 | 310.6 | 282.0 | 380.3 | 449.4 | 353.5 | 506.6 | 499.9 |
| Price earnings ratio (times) | — | 36.4 | — | 36.0 | 20.1 | 15.7 | 23.2 | 22.8 | 18.9 | 23.3 | 19.3 |
| Price book-value ratio (times) | 0.5 | 0.6 | 0.5 | 0.7 | 0.9 | 0.8 | 1.2 | 1.4 | 1.3 | 1.7 | 1.7 |
| Number of common shares issued (including treasury stock) | 318,660,417 | 318,660,417 | 318,660,417 | 318,660,417 | 318,660,417 | 318,660,417 | 278,660,417 | 278,660,417 | 233,660,417 | 233,660,417 | 223,660,417 |
| Number of shares of treasury stock | 44,918,979 | 44,941,174 | 44,946,398 | 44,947,345 | 44,948,289 | 44,901,353 | 15,588,364 | 36,270,334 | 4,704,750 | 13,269,506 | 6,214,767 |
| Total number of employees | 7,085 | 6,847 | 6,492 | 6,218 | 6,101 | 5,966 | 5,918 | 5,899 | 5,732 | 5,548 | 5,326 |
| Ratio of female employees (%) | 44.6 | 44.7 | 44.4 | 44.4 | 44.3 | 44.5 | 44.6 | 45.5 | 45.1 | 44.4 | 43.9 |
| Ratio of female managers (%) | — | — | — | — | 6.4 | 7.3 | 8.5 | 8.9 | 10.0 | 10.9 | 12.0 |
| Employee turnover rate (excluding mandatory retirement) (%) | — | — | — | — | 2.8 | 2.3 | 2.0 | 1.6 | 2.6 | 2.3 | 2.5 |
| Total number of stores*9 | 25 | 25 | 26 | 27 | 27 | 27 | 27 | 28 | 27 | 26 | 25 |
| Total sales floor area (thousand m$^2$) | 444.8 | 453.3 | 457.8 | 458.4 | 453.1 | 446.5 | 444.0 | 441.8 | 452.1 | 439.8 | 425.6 |
| EPOS cardholders (including Akai Card) (ten thousands of members) | 437 | 476 | 476 | 487 | 498 | 542 | 591 | 613 | 636 | 657 | 688 |
| Ratio of delinquent debt (%) | 3.91 | 3.19 | 3.35 | 3.10 | 2.32 | 1.84 | 1.68 | 1.57 | 1.45 | 1.60 | 1.80 |
| Energy consumption (GJ) | — | — | — | — | 1,998,182 | 2,525,815 | 2,350,595 | 2,305,099 | 2,341,454 | 2,327,713 | 2,277,481 |
| GHG emissions (Scope 1) (t-$CO_2$)*10 *11 | 18,964 | 21,653 | 14,136 | 17,291 | 10,727 | 13,044 | 12,580 | 14,434 | 14,920 | 13,818 | 15,109 |
| GHG emissions (Scope 2) (t-$CO_2$)*10 *11 | 103,172 | 108,970 | 100,756 | 79,050 | 76,039 | 106,085 | 98,637 | 89,179 | 103,264 | 99,286 | 96,232 |
| GHG emissions (Scope 3) (t-$CO_2$)*10 *11 | — | — | — | — | — | 550,612 | 530,595 | 509,070 | 489,439 | 412,256 | 399,926 |

*1 Beginning with the fiscal year ended March 31, 2017, the prior segments of Retailing and Store Operation, Credit Card Services, and Retailing-Related Services were reorganized into the Retailing and FinTech segments.

*2 Eliminations under total Group transactions represent the deduction of credit card transactions recorded in Retailing.

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

*4 From the fiscal year ended March 31, 2019, gain on bad debt recovered, which has previously been recorded at net value under non-operating income, will be recorded at total value under revenue, and expenses on bad debt recovered will be recorded at total value under selling, general and administrative expenses. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

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

*6 Figures for the fiscal year ended March 31, 2018, have been restated to reflect the change in accounting standards accompanying the application of the Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ), Guidance No. 28, February 16, 2018).

*7 Core operating cash flow represents net cash provided by (used in) operating activities less the increase in operating receivables.

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

*9 From the fiscal year ended March 31, 2017, sites at which both a Marui store and a Modi store exist are counted as one store.

*10 Scope 1 & 2 represent greenhouse gas emissions from the Group. Scope 3 represents greenhouse gas emissions from areas including raw material procurement, transportation, and use by customers. Third-party verification has been received from the Japan Quality Assurance Organization for greenhouse gas emissions figures since the fiscal year ended March 31, 2017.

*11 In the fiscal year ended March 31, 2014, the scope of data collection was expanded to include the entire Group.

# Consolidated Financial Statements

## Consolidated Balance Sheets

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
As of March 31, 2018 and 2019

| | 2018 | Millions of yen 2019 | Thousands of U.S. dollars (Note 1) 2019 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and deposits (Notes 22 and 24) | ¥ 45,448 | ¥ 46,731 | $ 424,827 |
| Notes and accounts receivable–trade (Note 24) | 7,006 | 6,138 | 55,800 |
| Accounts receivable–installment (Notes 7 and 24) | 402,030 | 428,180 | 3,892,545 |
| Operating loans (Notes 8 and 24) | 146,011 | 137,473 | 1,249,754 |
| Allowance for doubtful accounts (Note 24) | (11,843) | (13,818) | (125,618) |
| | 543,205 | 557,974 | 5,072,490 |
| Inventories | 7,489 | 5,196 | 47,236 |
| Other | 26,522 | 30,476 | 277,054 |
| Total current assets | 622,665 | 640,379 | 5,821,627 |
| Property and equipment (Note 29): | | | |
| Land | 103,680 | 103,044 | 936,763 |
| Buildings and structures (Note 9) | 257,968 | 247,635 | 2,251,227 |
| Construction in progress | 764 | 551 | 5,009 |
| Other (Note 9) | 33,363 | 33,261 | 302,372 |
| Accumulated depreciation | (218,974) | (209,421) | (1,903,827) |
| Property and equipment, net | 176,803 | 175,071 | 1,591,554 |
| Investments and other assets: | | | |
| Investment securities (Notes 10, 24 and 25) | 14,999 | 22,172 | 201,563 |
| Intangible assets | 6,388 | 6,849 | 62,263 |
| Leasehold and other deposits (Note 23) | 32,527 | 31,895 | 289,954 |
| Deferred tax assets (Note 27) | 9,558 | 10,589 | 96,263 |
| Other (Note 11) | 2,944 | 3,238 | 29,436 |
| Total investments and other assets | 66,418 | 74,745 | 679,500 |
| Total assets | ¥ 865,887 | ¥ 890,196 | $ 8,092,690 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable–trade (Note 24) | ¥ 12,361 | ¥ 10,231 | $ 93,009 |
| Short-term loans payable and current portion of long-term loans payable (Notes 24 and 34) | 75,331 | 71,632 | 651,200 |
| Current portion of bonds payable (Notes 24 and 34) | 10,000 | 30,000 | 272,727 |
| Income taxes payable (Note 24) | 5,961 | 8,211 | 74,645 |
| Provision for bonuses | 3,940 | 3,516 | 31,963 |
| Provision for point card certificates | 11,445 | 14,181 | 128,918 |
| Provision for stock benefits (Note 6) | — | 673 | 6,118 |
| Provision for loss on redemption of gift certificates | 156 | 165 | 1,500 |
| Other | 49,236 | 57,765 | 525,136 |
| Total current liabilities | 168,431 | 196,376 | 1,785,236 |
| Non-current liabilities: | | | |
| Bonds payable (Notes 24 and 34) | 95,000 | 85,000 | 772,727 |
| Long-term loans payable (Notes 24, 26, and 34) | 305,000 | 300,000 | 2,727,272 |
| Deferred tax liabilities (Note 27) | 2,053 | 3,470 | 31,545 |
| Provision for loss on interest repayment | 6,081 | 4,957 | 45,063 |
| Provision for loss on guarantees | 203 | 190 | 1,727 |
| Provision for stock benefits (Note 6) | 363 | — | — |
| Asset retirement obligations (Note 28) | 874 | 2,777 | 25,245 |
| Other | 12,980 | 12,672 | 115,200 |
| Total non-current liabilities | 422,555 | 409,067 | 3,718,790 |
| Total liabilities | 590,987 | 605,443 | 5,504,027 |
| Contingent liabilities (Note 12) | | | |
| Net assets (Note 20) | | | |
| Shareholders' equity: | | | |
| Capital stock | 35,920 | 35,920 | 326,545 |
| Authorized: 1,400,000,000 shares of common stock | | | |
| Issued: 233,660,417 shares as of March 31, 2018 and 223,660,417 shares as of March 31, 2019 | | | |
| Capital surplus | 91,307 | 91,323 | 830,209 |
| Retained earnings | 168,034 | 166,858 | 1,516,890 |
| Treasury stock (Note 33) | | | |
| 13,269,506 shares as of March 31, 2018 and 6,214,767 shares as of March 31, 2019 | (22,389) | (12,327) | (112,063) |
| Total shareholders' equity | 272,872 | 281,774 | 2,561,581 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 1,563 | 2,977 | 27,063 |
| Deferred gains or losses on hedges | (1) | 0 | 0 |
| Total accumulated other comprehensive income | 1,561 | 2,977 | 27,063 |
| Non-controlling interests | 466 | — | — |
| Total net assets | 274,900 | 284,752 | 2,588,654 |
| Total liabilities and net assets | ¥ 865,887 | ¥ 890,196 | $ 8,092,690 |

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



## Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

| Consolidated Statements of Income | 2018 | Millions of yen 2019 | Thousands of U.S. dollars (Note 1) 2019 |
|---|---|---|---|
| Revenue (Note 29) | ¥240,469 | ¥251,415 | $2,285,590 |
| Cost of sales (Notes 13 and 29) | 64,593 | 60,913 | 553,754 |
| Gross profit | 175,875 | 190,502 | 1,731,836 |
| Selling, general and administrative expenses (Notes 14 and 29) | 139,509 | 149,317 | 1,357,427 |
| Operating income | 36,365 | 41,184 | 374,400 |
| Non-operating income (expenses): | | | |
| Dividend income | 353 | 229 | 2,081 |
| Gain on donation of property and equipment | 176 | 67 | 609 |
| Gain on sale of property and equipment (Note 15) | 1,121 | 1,754 | 15,945 |
| Gain on sale of investment securities | 429 | 4 | 36 |
| Interest expenses | (1,492) | (1,465) | (13,318) |
| Financing expenses | (224) | (153) | (1,390) |
| Loss on retirement of property and equipment (Note 16) | (1,643) | (1,337) | (12,154) |
| Loss on closing of stores (Note 17) | (604) | (2,000) | (18,181) |
| Impairment loss (Note 18) | (1,184) | (4) | (36) |
| Loss on sale of investment securities | (1,334) | (253) | (2,300) |
| Loss on valuation of investment securities | (23) | (435) | (3,954) |
| Other, net | (49) | (155) | (1,409) |
| | (4,477) | (3,751) | (34,100) |
| Income before income taxes | 31,888 | 37,433 | 340,300 |
| Income taxes (Note 27) | | | |
| Income taxes–current | 10,765 | 12,301 | 111,827 |
| Income taxes–deferred | 194 | (228) | (2,072) |
| | 10,959 | 12,072 | 109,745 |
| Net income | 20,929 | 25,360 | 230,545 |
| Net income attributable to non-controlling interests | 21 | 18 | 163 |
| Net income attributable to owners of parent | ¥ 20,907 | ¥ 25,341 | $ 230,372 |

| Consolidated Statements of Comprehensive Income | 2018 | Millions of yen 2019 | Thousands of U.S. dollars (Note 1) 2019 |
|---|---|---|---|
| Net income | ¥20,929 | ¥25,360 | $230,545 |
| Other comprehensive income (Note 19): | | | |
| Valuation difference on available-for-sale securities | 2,597 | 1,414 | 12,854 |
| Deferred gains or losses on hedges | (1) | 1 | 9 |
| Total other comprehensive income | 2,596 | 1,416 | 12,872 |
| Comprehensive income | ¥23,525 | ¥26,776 | $243,418 |
| Comprehensive income attributable to: | | | |
| Owners of parent | ¥23,504 | ¥26,757 | $243,245 |
| Non-controlling interests | 21 | 18 | 163 |

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

| Per share data (Note 32) | 2018 | Yen 2019 | U.S. dollars (Note 1) 2019 |
|---|---|---|---|
| Net income per share: | | | |
| Basic | ¥ 93.18 | ¥ 115.99 | $ 1.05 |
| Diluted | 93.18 | — | — |
| Cash dividends | 38.00 | 49.00 | 0.44 |
| Net assets per share | 1,245.22 | 1,309.53 | 11.90 |

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

# Consolidated Statements of Changes in Net Assets

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

Millions of yen

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total | Subscription rights to shares | Non-controlling interests | Total net assets |
| **Balance as of April 1, 2017** | ¥35,920 | ¥91,307 | ¥155,079 | ¥ (7,389) | ¥274,918 | ¥(1,034) | ¥— | ¥(1,034) | ¥ 2 | ¥ 453 | ¥274,339 |
| Changes of items during period: | | | | | | | | | | | |
| Dividends from surplus | | | (7,953) | | (7,953) | | | | | | (7,953) |
| Net income attributable to owners of parent | | | 20,907 | | 20,907 | | | | | | 20,907 |
| Purchase of treasury stock | | | | (15,002) | (15,002) | | | | | | (15,002) |
| Disposal of treasury stock | | (0) | | 2 | 2 | | | | | | 2 |
| Retirement of treasury stock | | | | | — | | | | | | — |
| Transfer from retained earnings to capital surplus | | 0 | (0) | | — | | | | | | — |
| Net changes of items other than shareholders' equity | | | | | | 2,597 | (1) | 2,596 | (2) | 12 | 2,607 |
| Total changes of items during period | — | — | 12,954 | (15,000) | (2,045) | 2,597 | (1) | 2,596 | (2) | 12 | 561 |
| **Balance as of April 1, 2018** | ¥35,920 | ¥91,307 | ¥168,034 | ¥(22,389) | ¥272,872 | ¥ 1,563 | ¥(1) | ¥ 1,561 | ¥— | ¥ 466 | ¥274,900 |
| Changes of items during period: | | | | | | | | | | | |
| Dividends from surplus | | | (9,452) | | (9,452) | | | | | | (9,452) |
| Net income attributable to owners of parent | | | 25,341 | | 25,341 | | | | | | 25,341 |
| Purchase of treasury stock | | | | (7,002) | (7,002) | | | | | | (7,002) |
| Disposal of treasury stock | | 0 | | 0 | 0 | | | | | | 0 |
| Retirement of treasury stock | | (17,064) | | 17,064 | — | | | | | | — |
| Transfer from retained earnings to capital surplus | | 17,064 | (17,064) | | — | | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 15 | | | 15 | | | | | | 15 |
| Net changes of items other than shareholders' equity | | | | | | 1,414 | 1 | 1,416 | — | (466) | 949 |
| Total changes of items during period | — | 15 | (1,175) | 10,062 | 8,902 | 1,414 | 1 | 1,416 | — | (466) | 9,852 |
| **Balance as of March 31, 2019** | ¥35,920 | ¥91,323 | ¥166,858 | ¥(12,327) | ¥281,774 | ¥ 2,977 | ¥ 0 | ¥ 2,977 | ¥— | ¥ — | ¥284,752 |

Thousands of U.S. dollars (Note 1)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total | Subscription rights to shares | Non-controlling interests | Total net assets |
| **Balance as of April 1, 2018** | $326,545 | $ 830,063 | $1,527,581 | $(203,536) | $2,480,654 | $14,209 | $(9) | $14,190 | $— | $ 4,236 | $2,499,090 |
| Changes of items during period: | | | | | | | | | | | |
| Dividends from surplus | | | (85,927) | | (85,927) | | | | | | (85,927) |
| Net income attributable to owners of parent | | | 230,372 | | 230,372 | | | | | | 230,372 |
| Purchase of treasury stock | | | | (63,654) | (63,654) | | | | | | (63,654) |
| Disposal of treasury stock | | 0 | | 0 | 0 | | | | | | 0 |
| Retirement of treasury stock | | (155,127) | | 155,127 | — | | | | | | — |
| Transfer from retained earnings to capital surplus | | 155,127 | (155,127) | | — | | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 136 | | | 136 | | | | | | 136 |
| Net changes of items other than shareholders' equity | | | | | | 12,854 | 9 | 12,872 | — | (4,236) | 8,627 |
| Total changes of items during period | — | 136 | (10,681) | 91,472 | 80,927 | 12,854 | 9 | 12,872 | — | (4,236) | 89,563 |
| **Balance as of March 31, 2019** | $326,545 | $ 830,209 | $1,516,890 | $(112,063) | $2,561,581 | $27,063 | $ 0 | $27,063 | $— | $ — | $2,588,654 |

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



# Consolidated Statements of Cash Flows

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
For the fiscal years ended March 31, 2018 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes | ¥ 31,888 | ¥ 37,433 | $ 340,300 |
| Depreciation and amortization | 10,274 | 9,911 | 90,100 |
| Impairment loss | 1,184 | 4 | 36 |
| Increase (decrease) in provision for point card certificates | 2,264 | 2,736 | 24,872 |
| Increase (decrease) in provision for allowance for doubtful accounts | 2,491 | 1,975 | 17,954 |
| Increase (decrease) in provision for loss on interest repayment | (5,406) | (1,123) | (10,209) |
| Increase (decrease) in provision for bonuses | 269 | (424) | (3,854) |
| Interest and dividend income | (399) | (269) | (2,445) |
| Interest expenses | 1,492 | 1,465 | 13,318 |
| Loss (gain) on retirement of property and equipment | 780 | 304 | 2,763 |
| Loss (gain) on sale of property and equipment | (1,121) | (1,754) | (15,945) |
| Loss (gain) on sale of investment securities | 904 | 249 | 2,263 |
| Loss (gain) on valuation of investment securities | 30 | 476 | 4,327 |
| Decrease (increase) in notes and accounts receivable–trade | (2,166) | 868 | 7,890 |
| Decrease (increase) in accounts receivable–installment | (53,838) | (26,150) | (237,727) |
| Decrease (increase) in operating loans | (5,442) | 8,537 | 77,609 |
| Decrease (increase) in inventories | 2,193 | 2,098 | 19,072 |
| Increase (decrease) in accounts payable–trade | (3,489) | (2,129) | (19,354) |
| Other, net | 10,792 | 4,735 | 43,045 |
| Subtotal | (7,297) | 38,944 | 354,036 |
| Interest and dividend income received | 365 | 237 | 2,154 |
| Interest expenses paid | (1,518) | (1,460) | (13,272) |
| Income taxes paid | (10,880) | (11,344) | (103,127) |
| Income taxes refund | 0 | 18 | 163 |
| Net cash provided by (used in) operating activities | (19,329) | 26,396 | 239,963 |
| **Cash flows from investing activities:** | | | |
| Purchase of property and equipment | (9,607) | (8,788) | (79,890) |
| Proceeds from sale of property and equipment | 1,328 | 2,702 | 24,563 |
| Purchase of investment securities | (1,793) | (2,765) | (25,136) |
| Proceeds from sale of investment securities | 8,562 | 113 | 1,027 |
| Payments for leasehold and other deposits | (161) | (324) | (2,945) |
| Proceeds from collection of leasehold and other deposits | 1,134 | 2,159 | 19,627 |
| Other, net | 1,285 | (529) | (4,809) |
| Net cash provided by (used in) investing activities | 747 | (7,432) | (67,563) |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term loans payable | 3,503 | (14,698) | (133,618) |
| Net increase (decrease) in commercial paper | (5,000) | — | — |
| Proceeds from long-term loans payable | 62,500 | 37,000 | 336,363 |
| Repayments of long-term loans payable | (10,000) | (31,000) | (281,818) |
| Proceeds from issuance of bonds | 19,897 | 19,899 | 180,900 |
| Redemption of bonds | (20,000) | (10,000) | (90,909) |
| Purchase of treasury stock | (15,016) | (7,009) | (63,718) |
| Cash dividends paid (Note 21) | (7,953) | (9,452) | (85,927) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | — | (2,263) | (20,572) |
| Other, net | (158) | (156) | (1,418) |
| Net cash provided by (used in) financing activities | 27,773 | (17,680) | (160,727) |
| Net increase (decrease) in cash and cash equivalents | 9,191 | 1,283 | 11,663 |
| Cash and cash equivalents at beginning of period | 36,245 | 45,437 | 413,063 |
| Cash and cash equivalents at end of period (Note 22) | ¥ 45,437 | ¥ 46,720 | $ 424,727 |

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

# Notes to Consolidated Financial Statements

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
As of and for the fiscal years ended March 31, 2018 and 2019

## 1. BASIS OF PRESENTATION

MARUI GROUP CO., LTD. ("the Company") and its consolidated subsidiaries (collectively, "the Group") prepare the consolidated financial statements in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976). These consolidated financial statements are audited by KPMG AZSA LLC based on the provisions set forth in Article 193-2, Paragraph (1) of the Financial Instruments and Exchange Act in Japan, then filed and issued domestically as the Security Report by sending to the Director-General of the Kanto Finance Bureau.

The accompanying consolidated financial statements of the Group have been prepared by making certain reclassifications and rearrangements to the aforementioned consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019. These accompanying consolidated financial statements are also audited by KPMG AZSA LLC on a voluntary basis.

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

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

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥110 = $1, the approximate rate of exchange at March 31, 2019, and were then rounded down to the nearest thousand. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollars do not necessarily agree with the sums of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements as of and for the fiscal years ended March 31, 2018 and 2019, include the accounts of the Company and its nine significant subsidiaries.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method. For the fiscal years ended March 31, 2018 and 2019, there was no subsidiary or affiliate accounted for using the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting was applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

### (2) Investment securities

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

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

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

Investments in investment limited partnerships are stated at the net amount equivalent to the Company's ownership interest based on the latest financial statements available as of the reporting date stipulated in the partnership agreement.

### (3) Inventories

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

### (4) Depreciation and amortization

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

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

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

### (5) Allowance for doubtful accounts

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

### (6) Provision for bonuses

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

### (7) Provision for point card certificates

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

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

### (8) Provision for loss on redemption of gift certificates

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

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

### (9) Provision for loss on interest repayment

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

### (10) Provision for loss on guarantees

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

### (11) Provision for stock benefits

The provision for stock benefits is provided at the estimated amount for stock benefits to directors and employees at the fiscal year-end in accordance with the internal rule for stock delivery.

### (12) Basis for revenue recognition

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

### (13) Hedge accounting

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

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

### (14) Cash and cash equivalents

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

### (15) Consumption taxes

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

## 3. CHANGE IN ACCOUNTING POLICY

***Change in the Accounting Policy for Gain on Bad Debts Recovered***

In the FinTech segment, the amounts of cash collected from customers after being written off as uncollectible operating receivables (accounts receivable–installment and operating loans) were previously accounted for as "Gain on bad debts recovered" under non-operating income after netting against collection expenses. Effective from the beginning of the fiscal year ended March 31, 2019, the Company has changed its accounting policy so that said amounts of cash collected are accounted for as revenue and said collection expenses are accounted for as selling, general and administrative expenses.

Due to changes in the Group's business structure, revenue of the FinTech segment has increased to the same level as that of the Retailing segment, and as a result, the FinTech segment became more important in the Group's business activities. Reviewing the scope of revenue from the Group's business activities as a whole, the Company has adopted this treatment to disclose the results of operations in a more appropriate manner.

Since this change in accounting policy was adopted retroactively, the figures for the fiscal year ended March 31, 2018, were adjusted to conform to the current year's presentation.

As a result of these retroactive adjustments, the figures in the accompanying consolidated statement of income for the fiscal year ended March 31, 2018, show the following: "Revenue" increased by ¥1,469 million, "Selling, general and administrative expenses" increased by ¥347 million, and "Operating income" increased by ¥1,122 million, whereas "Non-operating income (expenses)" decreased by ¥1,122 million. However, there was no impact on "Income before income taxes" and per share information as a result of the change in accounting policy.

Please see Note 30 for the impact on segment information.

## 4. ACCOUNTING STANDARD ISSUED BUT NOT YET APPLIED

The following standard and guidance were issued but not yet applied.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following five steps.

Step 1: Identify contract(s) with customers
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract(s)
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

The Company plans to apply the aforementioned standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard and guidance on the consolidated financial statements.

## 5. CHANGE IN PRESENTATION

***Consolidated Statements of Income***

The account "Interest income," which was previously shown as a separate line item under "Non-operating income (expenses)," was included in "Other, net" in the fiscal year ended March 31, 2019, as the monetary impact on the consolidated financial statements was no longer significant. The account "Gain on donation of property and equipment," which was previously included in "Other, net" under "Non-operating income (expenses)," was shown as a separate line item in the fiscal year ended March 31, 2019, as the amount exceeded 10% of the total of non-operating income. The reclassification was made to the consolidated financial statements as of March 31, 2018, to conform to the current presentation. As a result, in the consolidated statement of income for the fiscal year ended March 31, 2018, the amounts of ¥46 million presented as "Interest income" and ¥391 million presented as "Other, net" under "Non-operating income (expenses)" were reclassified as "Gain on donation of property and equipment" and "Other, net" in the amounts of ¥176 million and ¥260 million, respectively.

***Changes in Connection with the Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"***

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

As a result, ¥6,065 million out of ¥7,328 million of "Deferred tax assets" under "Current assets" on the previously disclosed balance sheet as of March 31, 2018, is included in ¥9,558 million of "Deferred tax assets" under "Investments and other assets" on the accompanying consolidated balance sheet as of March 31, 2018. The remaining balance of ¥1,262 million of "Deferred tax assets" is net against deferred tax liabilities related to income taxes levied by the same tax authority and is thus included in ¥2,053 million of "Deferred tax liabilities" under "Non-current liabilities" on the accompanying consolidated balance sheet as of March 31, 2018.

## 6. ADDITIONAL INFORMATION

***Officer Remuneration Board Incentive Plan Trust***

The Company also has an incentive plan using the "Officer Remuneration Board Incentive Plan Trust ("BIP Trust")" to provide an incentive to (i) Directors and Executive Officers (excluding External Directors and non-residents in Japan) of the Company and (ii) Directors of 11 subsidiaries of the Group (excluding External Directors and non-residents in Japan; collectively, with the Directors and Executive Officers of the Company, the "Executives").

(1) Overview of the plan

The Company sets up a trust with the Executives who fulfill certain requirements as beneficiaries, by contributing funds to acquire the Company's stock. The trust acquires the Company's own stock from the stock market for the number of shares required for delivering to the Executives based on the prescribed internal rule for stock delivery. Then, in accordance with the internal rule, the Company makes a delivery or payment of its shares and cash equivalents to the amount obtained by converting a part of the shares into cash based on the rank of each Executive and degree of achievement of the performance target.

The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the plan.

(2) The Company's shares held at the trust
The Company's shares held at the trust are carried at their book value at the trust (excluding incidental expenses) and accounted for as treasury stock under net assets. The book value of applicable treasury stock is ¥217 million ($1,972 thousand) and the number of shares is 161,500 shares as of March 31, 2018 and 2019.

***Stock Benefit Employee Stock Ownership Plan Trust***

The Company has an incentive plan using the "Stock Benefit Employee Stock Ownership Plan Trust ("ESOP Trust")" to provide an incentive to the Group's employees holding senior management positions (hereinafter the "Senior Managers"), aiming to enhance their commitment to further improve the business performance and corporate value over the medium-to-long term.

(1) Overview of the plan
The Company sets up a trust with the Senior Managers who fulfill certain requirements as beneficiaries, by contributing funds to acquire the Company's stock. The trust acquires the Company's own stock from the stock market for the number of shares required for delivering to the Senior Managers based on the prescribed internal rule for stock delivery. Then, in accordance with the internal rule, the Company makes a delivery or payment of its shares and cash equivalents to the amount obtained by converting a part of the shares into cash based on the rank of each Senior Manager and degree of achievement of the performance target. The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the plan.

(2) The Company's shares held at the trust
The Company's shares held at the trust are carried at their book value at the trust (excluding incidental expenses) and accounted for as treasury stock under net assets. The book value of applicable treasury stock is ¥479 million ($4,354 thousand), and the number of shares is 340,800 shares as of March 31, 2018 and 2019.

## MATTERS RELATED TO CONSOLIDATED BALANCE SHEETS (Notes 7 to 12)

## 7. ACCOUNTS RECEIVABLE–INSTALLMENT

The following balances for receivables are securitized and are therefore excluded from the consolidated balance sheets as of March 31, 2018 and 2019:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Card shopping: | | | |
| Lump sums receivable | ¥69,973 | ¥79,920 | $726,545 |
| Revolving receivable | 2,776 | 26,164 | 237,854 |
| Cash advance: | | | |
| Revolving receivable | — | 13,179 | 119,809 |

## 8. LOAN COMMITMENTS

Certain consolidated subsidiaries that operate in the credit card business provide consumer loan services to customers.

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Total loan limits | ¥1,188,248 | ¥1,255,552 | $11,414,109 |
| Amount executed as loans | 146,011 | 150,652 | 1,369,563 |
| Unused balance | ¥1,042,237 | ¥1,104,900 | $10,044,545 |

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

## 9. REDUCTION ENTRY AMOUNT

As a result of the acceptance of national subsidies, the following reduction entry amount was deducted from the acquisition cost of property and equipment.

| Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| 2018 | 2019 | 2019 |
| ¥66 | ¥66 | $600 |

## 10. INVESTMENTS IN STOCKS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The balance of "Investment securities" includes the investments in stocks of unconsolidated subsidiaries and affiliates as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Stocks of unconsolidated subsidiaries and affiliates | ¥840 | ¥4,059 | $36,900 |

## 11. INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The balance of "Other" includes the investments in capital of unconsolidated subsidiaries and affiliates as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Capital of unconsolidated subsidiaries and affiliates | ¥132 | ¥132 | $1,200 |

## 12. CONTINGENT LIABILITIES

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

As of March 31, 2018 and 2019, the amounts of the Group's guarantee obligations were ¥24,616 million and ¥22,217 million ($201,972 thousand), respectively.

## MATTERS RELATED TO CONSOLIDATED STATEMENTS OF INCOME (Notes 13 to 18)

### 13. COST OF SALES

For the fiscal years ended March 31, 2018 and 2019, cost of sales included the revaluation loss on inventories in the amounts of ¥24 million and ¥23 million ($209 thousand), respectively.

### 14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2018 and 2019, are as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Advertisement | ¥ 12,168 | ¥ 12,298 | $ 111,800 |
| Provision for point card certificates | 11,445 | 14,181 | 128,918 |
| Provision for allowance for doubtful accounts | 12,344 | 14,364 | 130,581 |
| Salaries and allowances | 31,537 | 30,869 | 280,627 |
| Provision for bonuses | 3,615 | 3,223 | 29,300 |
| Rent | 15,897 | 15,501 | 140,918 |
| Depreciation and amortization | 8,915 | 8,614 | 78,309 |
| Other | 43,584 | 50,264 | 456,945 |
| Total | ¥139,509 | ¥149,317 | $1,357,427 |

### 15. GAIN ON SALE OF PROPERTY AND EQUIPMENT

Gain on sale of property and equipment for the fiscal years ended March 31, 2018 and 2019, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Land, etc. | ¥1,121 | ¥1,754 | $15,945 |
| Total | ¥1,121 | ¥1,754 | $15,945 |

### 16. LOSS ON RETIREMENT OF PROPERTY AND EQUIPMENT

Loss on retirement of property and equipment for the fiscal years ended March 31, 2018 and 2019, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Buildings and structures | ¥ 535 | ¥ 192 | $ 1,745 |
| Furniture and fixtures, etc. | 1,108 | 1,145 | 10,409 |
| Total | ¥1,643 | ¥1,337 | $12,154 |

### 17. LOSS ON CLOSING OF STORES

Loss on closing of stores for the fiscal years ended March 31, 2018 and 2019, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Restoration costs, etc. | ¥604 | ¥2,000 | $18,181 |
| Total | ¥604 | ¥2,000 | $18,181 |

### 18. IMPAIRMENT LOSS

The impairment loss recognized for the fiscal year ended March 31, 2018, is as follows:

| Use | Location | Type of assets | Millions of yen |
|---|---|---|---|
| Stores | Mito store<br>Mito, Ibaraki, etc. | Land | ¥ 738 |
| | | Other | 446 |
| | | Total | ¥1,184 |

The impairment loss recognized for the fiscal year ended March 31, 2019, is as follows:

| Use | Location | Type of assets | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|---|
| Stores | Kyoto Marui<br>Kyoto, Kyoto | Buildings | ¥4 | $36 |
| | | Total | ¥4 | $36 |

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

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

### 19. MATTERS RELATED TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Valuation difference on available-for-sale securities: | | | |
| Amounts incurred for the year | ¥ 2,847 | ¥1,778 | $16,163 |
| Reclassification adjustments | 904 | 250 | 2,272 |
| Before tax effect adjustment | 3,751 | 2,028 | 18,436 |
| Tax effect | (1,154) | (614) | (5,581) |
| Valuation difference on available-for-sale securities | 2,597 | 1,414 | 12,854 |
| Deferred gains or losses on hedges: | | | |
| Amounts incurred for the year | (2) | 2 | 18 |
| Tax effect | 0 | (0) | (0) |
| Deferred gains or losses on hedges | (1) | 1 | 9 |
| Total other comprehensive income | ¥ 2,596 | ¥1,416 | $12,872 |

## MATTERS RELATED TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Notes 20 to 21)
## 20. CLASS & NUMBER OF SHARES ISSUED AND OUTSTANDING AND TREASURY STOCK

The following table summarizes the number of shares of common stock, issued and outstanding, and treasury stock:

| | Number of shares | |
|---|---|---|
| | 2018 | 2019 |
| Common stock, issued and outstanding: | | |
| At the beginning of the year | 233,660,417 | 233,660,417 |
| Decrease due to retirement of treasury stock | — | (10,000,000) |
| At the end of the year | 233,660,417 | 223,660,417 |
| Treasury stock: | | |
| At the beginning of the year | 4,704,750 | 13,269,506 |
| Increase due to purchase of treasury stock in the stock market | 8,564,700 | 2,944,300 |
| Increase due to purchase of odd lot shares | 1,473 | 962 |
| Decrease due to retirement of treasury stock | — | (10,000,000) |
| Decrease due to exercise of stock options | (1,400) | — |
| Decrease due to sale of stock to odd lot shareholders | (17) | (1) |
| At the end of the year | 13,269,506 | 6,214,767 |

## 21. DIVIDENDS

The following tables summarize the dividends paid for the fiscal years ended March 31, 2018 and 2019:

| 2018 | | | | | |
|---|---|---|---|---|---|
| Resolution | Class of share | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
| Ordinary General Meeting of Shareholders held on June 26, 2017 | Common stock | ¥3,900 | ¥17 | March 31, 2017 | June 27, 2017 |
| Board of Directors' meeting held on November 9, 2017 | Common stock | 4,052 | 18 | September 30, 2017 | December 4, 2017 |

Note 1: The amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 26, 2017, includes ¥8 million of dividends for the BIP Trust and ESOP Trust.

Note 2: The amount of dividends resolved at the Board of Directors' meeting held on November 9, 2017, includes ¥9 million of dividends for the BIP Trust and ESOP Trust.

| 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Total amount of dividends | | Dividends per share | | | |
| Resolution | Class of share | (Millions of yen) | (Thousands of U.S. dollars) (Note 1) | (Yen) | (U.S. dollars) (Note 1) | Record date | Effective date |
| Ordinary General Meeting of Shareholders held on June 25, 2018 | Common stock | ¥4,417 | $40,154 | ¥20 | $0.18 | March 31, 2018 | June 26, 2018 |
| Board of Directors' meeting held on November 8, 2018 | Common stock | 5,034 | 45,763 | 23 | 0.20 | September 30, 2018 | December 4, 2018 |

Note 1: The amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 25, 2018, includes ¥10 million ($90 thousand) of dividends for the BIP Trust and ESOP Trust.

Note 2: The amount of dividends resolved at the Board of Directors' meeting held on November 8, 2018, includes ¥11 million ($100 thousand) of dividends for the BIP Trust and ESOP Trust.



Dividends with a record date during the fiscal year ended March 31, 2019, but with an effective date subsequent to the fiscal year ended March 31, 2019, are as follows:

| | | Total amount of dividends | | | Dividends per share | | | |
|---|---|---|---|---|---|---|---|---|
| Resolution | Class of share | (Millions of yen) | (Thousands of U.S. dollars) (Note 1) | Source | (Yen) | (U.S. dollars) (Note 1) | Record date | Effective date |
| Ordinary General Meeting of Shareholders held on June 20, 2019 | Common stock | ¥5,666 | $51,509 | Retained earnings | ¥26 | $0.23 | March 31, 2019 | June 21, 2019 |

Note: The amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 20, 2019, includes ¥13 million ($118 thousand) of dividends for the BIP Trust and ESOP Trust.

## 22. MATTERS RELATED TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of March 31, 2018 and 2019, are as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Cash and deposits | ¥45,448 | ¥46,731 | $424,827 |
| Time deposits with maturity in excess of three months | (11) | (11) | (100) |
| Cash and cash equivalents | ¥45,437 | ¥46,720 | $424,727 |

## 23. LEASES

### (As a Lessee)

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

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Within one year | ¥ 3,728 | ¥ 3,328 | $ 30,254 |
| Over one year | 17,818 | 14,543 | 132,209 |
| Total | ¥21,546 | ¥17,872 | $162,472 |

### (As a Lessor)

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Within one year | ¥10,038 | ¥ 7,303 | $ 66,390 |
| Over one year | 6,554 | 4,907 | 44,609 |
| Total | ¥16,592 | ¥12,211 | $111,009 |

## 24. FINANCIAL INSTRUMENTS

### (1) Status of financial instruments

### (a) Policy on financial instruments

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

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

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

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

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

Accounts payable–trade is settled in the short term.

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

### (2) Estimated fair value of financial instruments

Carrying value, fair value, and the difference between them as of March 31, 2018 and 2019, are summarized below. Financial instruments for which the fair value is extremely difficult to determine are excluded from the following table (See Note 2 below).

Millions of yen

| | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Difference | Carrying value | Fair value | Difference |
| (1) Cash and deposits | ¥ 45,448 | ¥ 45,448 | ¥ — | ¥ 46,731 | ¥ 46,731 | ¥ — |
| (2) Notes and accounts receivable–trade | 7,006 | 7,006 | — | 6,138 | 6,138 | — |
| (3) Accounts receivable–installment | 402,030 | | | 428,180 | | |
| Allowance for doubtful accounts*1 | (8,024) | | | (9,565) | | |
| | 394,005 | 434,942 | 40,937 | 418,615 | 469,541 | 50,925 |
| (4) Operating loans | 146,011 | | | 137,473 | | |
| Allowance for doubtful accounts*2 | (2,771) | | | (3,058) | | |
| | 143,239 | 162,550 | 19,310 | 134,414 | 152,121 | 17,706 |
| (5) Investment securities: | | | | | | |
| Available-for-sale securities | 12,954 | 12,954 | — | 14,630 | 14,630 | — |
| (6) Leasehold and other deposits | 6,173 | 6,236 | 62 | 5,334 | 5,388 | 54 |
| Assets, total | ¥608,829 | ¥669,139 | ¥60,310 | ¥625,865 | ¥694,552 | ¥68,686 |
| (1) Accounts payable–trade | ¥ 12,361 | ¥ 12,361 | ¥ — | ¥ 10,231 | ¥ 10,231 | ¥ — |
| (2) Short-term loans payable and current portion of long-term loans payable | 75,331 | 75,331 | — | 71,632 | 71,632 | — |
| (3) Current portion of bonds payable | 10,000 | 10,000 | — | 30,000 | 30,000 | — |
| (4) Income taxes payable | 5,961 | 5,961 | — | 8,211 | 8,211 | — |
| (5) Bonds payable | 95,000 | 95,140 | 140 | 85,000 | 85,230 | 230 |
| (6) Long-term loans payable | 305,000 | 304,597 | (402) | 300,000 | 299,745 | (254) |
| Liabilities, total | ¥503,654 | ¥503,392 | ¥ (261) | ¥505,075 | ¥505,051 | ¥ (24) |

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

Thousands of U.S. dollars (Note 1)

| | 2019 | | |
|---|---|---|---|
| | Carrying value | Fair value | Difference |
| (1) Cash and deposits | $ 424,827 | $ 424,827 | $ — |
| (2) Notes and accounts receivable–trade | 55,800 | 55,800 | — |
| (3) Accounts receivable–installment | 3,892,545 | | |
| Allowance for doubtful accounts | (86,954) | | |
| | 3,805,590 | 4,268,554 | 462,954 |
| (4) Operating loans | 1,249,754 | | |
| Allowance for doubtful accounts | (27,800) | | |
| | 1,221,945 | 1,382,918 | 160,963 |
| (5) Investment securities: | | | |
| Available-for-sale securities | 133,000 | 133,000 | — |
| (6) Leasehold and other deposits | 48,490 | 48,981 | 490 |
| Assets, total | $5,689,681 | $6,314,109 | $624,418 |
| (1) Accounts payable–trade | $ 93,009 | $ 93,009 | $ — |
| (2) Short-term loans payable and current portion of long-term loans payable | 651,200 | 651,200 | — |
| (3) Current portion of bonds payable | 272,727 | 272,727 | — |
| (4) Income taxes payable | 74,645 | 74,645 | — |
| (5) Bonds payable | 772,727 | 774,818 | 2,090 |
| (6) Long-term loans payable | 2,727,272 | 2,724,954 | (2,309) |
| Liabilities, total | $4,591,590 | $4,591,372 | $ (218) |

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

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable–trade
The fair value approximates their carrying value because of their short maturities.

(3) Accounts receivable–installment and (4) Operating loans
The fair value is determined as their present value by discounting, using the risk-free rate, future cash flows adjusted for their credit risk identified in the credit control process. With regard to bad receivables and loans, allowance for doubtful accounts is estimated based on the present value of their estimated future cash flows. The fair value approximates the amount of carrying value less allowance for doubtful accounts. Thus, the amount of carrying value less allowance for doubtful accounts is used as fair value.

(5) Investment securities
The fair value is based on quotes on an exchange.

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

Liabilities:

(1) Accounts payable–trade, (2) Short-term loans payable and current portion of long-term loans payable, (3) Current portion of bonds payable, and (4) Income taxes payable
The fair value approximates their carrying value because of their short maturities.

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

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

Derivative transactions
See Note 26, "DERIVATIVE TRANSACTIONS," for details.

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Unlisted stocks | ¥ 1,788 | ¥ 5,805 | $ 52,772 |
| Contributions to investment limited partnerships | 256 | 1,735 | 15,772 |
| Part of security deposits | 28,225 | 27,263 | 247,845 |

The items above are not included in (5) Investment securities or (6) Leasehold and other deposits in the table on page 120-121, as it is extremely difficult to determine the fair value since there were no market prices available and their future cash flows cannot be estimated.

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

Millions of yen

| | 2018 | | | |
|---|---|---|---|---|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits | ¥ 45,448 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable–trade | 7,006 | — | — | — |
| Accounts receivable–installment | 217,645 | 124,809 | 33,372 | 26,203 |
| Operating loans | 69,434 | 76,414 | 111 | 50 |
| Leasehold and other deposits | 799 | 3,244 | 436 | 1,693 |
| Total | ¥340,334 | ¥204,468 | ¥33,920 | ¥27,947 |

Millions of yen

| | 2019 | | | |
|---|---|---|---|---|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits | ¥ 46,731 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable–trade | 6,138 | — | — | — |
| Accounts receivable–installment | 258,355 | 105,417 | 35,520 | 28,886 |
| Operating loans | 72,991 | 64,336 | 97 | 48 |
| Leasehold and other deposits | 684 | 2,667 | 1,083 | 899 |
| Total | ¥384,901 | ¥172,421 | ¥36,701 | ¥29,834 |

Thousands of U.S. dollars (Note 1)

| | 2019 | | | |
|---|---|---|---|---|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and deposits | $ 424,827 | $ — | $ — | $ — |
| Notes and accounts receivable–trade | 55,800 | — | — | — |
| Accounts receivable–installment | 2,348,681 | 958,336 | 322,909 | 262,600 |
| Operating loans | 663,554 | 584,872 | 881 | 436 |
| Leasehold and other deposits | 6,218 | 24,245 | 9,845 | 8,172 |
| Total | $3,499,100 | $1,567,463 | $333,645 | $271,218 |

See Note 34, "SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT," for the schedule of aggregate annual maturities of long-term loans payable and long-term debt.

## 25. INVESTMENT SECURITIES

### (1) Information on available-for-sale securities as of March 31, 2018 and 2019, is as follows:

Millions of yen

| | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Acquisition cost | Difference | Carrying value | Acquisition cost | Difference |
| Carrying value exceeding acquisition cost: | | | | | | |
| Stocks | ¥12,555 | ¥10,149 | ¥2,406 | ¥13,154 | ¥ 8,632 | ¥4,522 |
| Subtotal | 12,555 | 10,149 | 2,406 | 13,154 | 8,632 | 4,522 |
| Carrying value not exceeding acquisition cost: | | | | | | |
| Stocks | 398 | 564 | (165) | 1,476 | 1,703 | (226) |
| Subtotal | 398 | 564 | (165) | 1,476 | 1,703 | (226) |
| Total | ¥12,954 | ¥10,713 | ¥2,241 | ¥14,630 | ¥10,335 | ¥4,295 |

Thousands of U.S. dollars (Note 1)

| | 2019 | | |
|---|---|---|---|
| | Carrying value | Acquisition cost | Difference |
| Carrying value exceeding acquisition cost: | | | |
| Stocks | $119,581 | $78,472 | $41,109 |
| Subtotal | 119,581 | 78,472 | 41,109 |
| Carrying value not exceeding acquisition cost: | | | |
| Stocks | 13,418 | 15,481 | (2,054) |
| Subtotal | 13,418 | 15,481 | (2,054) |
| Total | $133,000 | $93,954 | $39,045 |

Unlisted stocks in the amount of ¥948 million and ¥1,746 million ($15,872 thousand) as of March 31, 2018 and 2019, respectively, and contributions to investment limited partnerships in the amount of ¥256 million and ¥1,735 million ($15,772 thousand) as of March 31, 2018 and 2019, are not included in the table above as it is extremely difficult to determine the fair value since their market price is not readily available and their future cash flows cannot be estimated.

### (2) Information on sale of available-for-sale securities for the fiscal years ended March 31, 2018 and 2019, is as follows:

Millions of yen

| | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Proceeds from sales | Gains | Losses | Proceeds from sales | Gains | Losses |
| Stocks | ¥8,562 | ¥429 | ¥1,334 | ¥104 | ¥4 | ¥253 |
| Total | ¥8,562 | ¥429 | ¥1,334 | ¥104 | ¥4 | ¥253 |

Thousands of U.S. dollars (Note 1)

| | 2019 | | |
|---|---|---|---|
| | Proceeds from sales | Gains | Losses |
| Stocks | $945 | $36 | $2,300 |
| Total | $945 | $36 | $2,300 |

### (3) For the fiscal years ended March 31, 2018 and 2019, the disclosure of impairment loss on investment securities was omitted due to insignificance of the amount. When the fair value of investment securities declines by 30% to 50%, the Group recognizes an impairment loss after comprehensively evaluating the recoverability of the market price.

## 26. DERIVATIVE TRANSACTIONS

For the fiscal years ended March 31, 2018 and 2019, the Group's derivative transactions were limited to interest rate swaps that qualified for hedge accounting and met the requirements for the special accounting treatment for interest rate swaps as described below. There were no derivative transactions for which hedge accounting was not applied.

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

| | | | | Millions of yen | | | Thousands of U.S. dollars (Note 1) | |
|---|---|---|---|---|---|---|---|---|
| 2018 | | | 2019 | | | 2019 | | |
| Contract amount | | | Contract amount | | | Contract amount | | |
| Total | Due after one year | Fair value | Total | Due after one year | Fair value | Total | Due after one year | Fair value |
| ¥17,000 | ¥10,000 | * | ¥10,000 | ¥— | * | $90,909 | $— | * |

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

## 27. DEFERRED TAX ACCOUNTING

Major components of deferred tax assets and deferred tax liabilities as of March 31, 2018 and 2019, are as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Deferred tax assets: | | | |
| Depreciation | ¥ 5,597 | ¥ 5,257 | $ 47,790 |
| Impairment loss | 5,384 | 3,196 | 29,054 |
| Provision for loss on interest repayment | 1,860 | 1,516 | 13,781 |
| Provision for point card certificates | 3,286 | 4,164 | 37,854 |
| Net unrealized loss on non-current assets | 1,191 | 1,048 | 9,527 |
| Provision for bonuses | 1,240 | 1,088 | 9,890 |
| Net operating loss carried forward | 523 | 1,051 | 9,554 |
| Other | 5,593 | 8,110 | 73,727 |
| Subtotal | 24,678 | 25,433 | 231,209 |
| Valuation allowance | (5,630) | (5,815) | (52,863) |
| Total deferred tax assets | ¥19,047 | ¥19,617 | $178,336 |
| Deferred tax liabilities: | | | |
| Reserve for special account for advanced depreciation of non-current assets | ¥11,259 | ¥10,891 | $ 99,009 |
| Valuation difference on available-for-sale securities | 61 | 1,314 | 11,945 |
| Other | 221 | 293 | 2,663 |
| Total deferred tax liabilities | ¥11,542 | ¥12,498 | $113,618 |
| Deferred tax assets, net | ¥ 7,505 | ¥ 7,119 | $ 64,718 |

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

| | 2018 | 2019 |
|---|---|---|
| Statutory tax rate | 30.9% | 30.6% |
| Adjustments: | | |
| Permanent differences such as entertainment expenses, etc. | 0.2 | 0.2 |
| Permanent differences such as dividends, etc. | (0.1) | (0.0) |
| Change in valuation allowance | (4.2) | 0.5 |
| Inhabitants' tax | 0.5 | 0.4 |
| Difference in tax rates of consolidated subsidiaries | 3.3 | 0.2 |
| Adjustments to deferred tax assets in connection with application of pro forma standard taxation* | 3.5 | — |
| Other | 0.3 | 0.4 |
| Effective tax rate | 34.4% | 32.3% |

* A certain consolidated subsidiary became subject to pro forma standard taxation due to an increase in its capital amount. This is the effect of application of such taxation.

## 28. ASSET RETIREMENT OBLIGATIONS

### (1) Asset retirement obligations recognized on the consolidated balance sheets

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

For the fiscal year ended March 31, 2019, the Company recognized an additional ¥1,600 million ($14,545 thousand) of the asset retirement obligation due to a change in estimate since the amount of costs required at the time of retirement of certain assets became determinable.

Asset retirement obligations as of March 31, 2018 and 2019, consist of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Beginning balance | ¥892 | ¥ 897 | $ 8,154 |
| Increase due to acquisition of property and equipment | — | 301 | 2,736 |
| Increase due to change in estimate | — | 1,600 | 14,545 |
| Adjustments due to passage of time | 4 | 4 | 36 |
| Decrease due to fulfillment of obligation | — | (24) | (218) |
| Ending balance | ¥897 | ¥2,779 | $25,263 |

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

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

## 29. INVESTMENT AND RENTAL PROPERTY

Certain consolidated subsidiaries hold commercial properties, including land, for rental in the Tokyo metropolitan area and other areas. The net rental income in connection with these properties for the fiscal years ended March 31, 2018 and 2019, was ¥17,509 million and ¥18,168 million ($165,163 thousand), respectively. The rental income was included in "Revenue" and the associated rental expenses were included in "Cost of sales" and "Selling, general and administrative expenses." The carrying value and the fair value of such assets are as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Carrying value*1: | | | |
| Beginning balance | ¥ 86,249 | ¥103,928 | $ 944,800 |
| Changes during the year*2 | 17,679 | 12,205 | 110,954 |
| Ending balance | ¥103,928 | ¥116,134 | $1,055,763 |
| Fair value*3 | ¥215,080 | ¥251,003 | $2,281,845 |

*1 Carrying value represents the amount on the consolidated balance sheets that is carried at the acquisition cost less accumulated depreciation.
*2 Major items are the increases due to reclassification of holding purposes of properties in the amounts of ¥18,530 million and ¥12,897 million ($117,245 thousand) for the fiscal years ended March 31, 2018 and 2019, respectively.
*3 Fair value is based on the appraised value provided by third-party real estate appraisers.

## 30. SEGMENT INFORMATION

### (1) Overview of reportable segments

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

The Group consists of the following two reportable segments identified by products and services: "Retailing" and "FinTech."

The Retailing segment engages in management of commercial property rental, retailing operations of clothes and accessories, space production, advertising, apparel distribution, and management of buildings and other facilities. The FinTech segment engages in the credit card services, the consumer loans, and the rent guarantee businesses; IT systems; and real estate rental.

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

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

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

As stated in Note 3, "CHANGE IN ACCOUNTING POLICY," effective from the beginning of the fiscal year ended March 31, 2019, the amounts of cash collected from customers after being written off as uncollectible operating receivables are accounted for as revenue, and collection expenses are accounted for as selling, general and administrative expenses. This change in accounting policy was adopted retroactively.

As a result of this change in accounting policy, and the associated retroactive adjustments, "Revenue from outside customers" increased by ¥1,469 million and "Segment income" increased by ¥1,122 million in the FinTech segment for the fiscal year ended March 31, 2018.

Millions of yen

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Reportable segment | | | Adjustment*1 | Consolidated*2 |
| | Retailing | FinTech | Total | | |
| Revenue: | | | | | |
| Outside customers | ¥132,241 | ¥108,227 | ¥240,469 | ¥ — | ¥240,469 |
| Intersegment | 5,839 | 2,187 | 8,026 | (8,026) | — |
| Total | ¥138,081 | ¥110,415 | ¥248,496 | ¥ (8,026) | ¥240,469 |
| Segment income | ¥ 8,826 | ¥ 31,433 | ¥ 40,259 | ¥ (3,894) | ¥ 36,365 |
| Segment assets | ¥295,936 | ¥595,844 | ¥891,781 | ¥(25,893) | ¥865,887 |
| Other items: | | | | | |
| Depreciation and amortization | ¥ 8,484 | ¥ 1,819 | ¥ 10,303 | ¥ (29) | ¥ 10,274 |
| Increase in property and equipment and intangible assets | 9,030 | 1,874 | 10,905 | (654) | 10,250 |

*1 Adjustment to segment income consists of intersegment elimination of ¥2,534 million and corporate expenses of ¥(6,428) million that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(416,031) million and corporate assets of ¥390,674 million, which mainly present the Company's loans in connection with the Group's cash management system.
*2 Segment income is reconciled to operating income in the consolidated statements of income.

Millions of yen

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Reportable segment | | | Adjustment*1 | Consolidated*2 |
| | Retailing | FinTech | Total | | |
| Revenue: | | | | | |
| Outside customers | ¥125,410 | ¥126,005 | ¥251,415 | ¥ — | ¥251,415 |
| Intersegment | 6,270 | 2,296 | 8,567 | (8,567) | — |
| Total | ¥131,681 | ¥128,301 | ¥259,982 | ¥ (8,567) | ¥251,415 |
| Segment income | ¥ 11,421 | ¥ 35,018 | ¥ 46,439 | ¥ (5,255) | ¥ 41,184 |
| Segment assets | ¥301,520 | ¥622,712 | ¥924,232 | ¥(34,035) | ¥890,196 |
| Other items: | | | | | |
| Depreciation and amortization | ¥ 7,701 | ¥ 1,765 | ¥ 9,466 | ¥ 444 | ¥ 9,911 |
| Increase in property and equipment and intangible assets | 6,882 | 3,025 | 9,908 | (813) | 9,094 |

Thousands of U.S. dollars (Note 1)

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Reportable segment | | | Adjustment*1 | Consolidated*2 |
| | Retailing | FinTech | Total | | |
| Revenue: | | | | | |
| Outside customers | $1,140,090 | $1,145,500 | $2,285,590 | $ — | $2,285,590 |
| Intersegment | 57,000 | 20,872 | 77,881 | (77,881) | — |
| Total | $1,197,100 | $1,166,372 | $2,363,472 | $ (77,881) | $2,285,590 |
| Segment income | $ 103,827 | $ 318,345 | $ 422,172 | $ (47,772) | $ 374,400 |
| Segment assets | $2,741,090 | $5,661,018 | $8,402,109 | $(309,409) | $8,092,690 |
| Other items: | | | | | |
| Depreciation and amortization | $ 70,009 | $ 16,045 | $ 86,054 | $ 4,036 | $ 90,100 |
| Increase in property and equipment and intangible assets | 62,563 | 27,500 | 90,072 | (7,390) | 82,672 |

*1 Adjustment to segment income consists of intersegment elimination of ¥2,278 million ($20,709 thousand) and corporate expenses of ¥(7,533) million ($(68,481) thousand) that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(432,711) million ($(3,933,736) thousand) and corporate assets of ¥399,889 million ($3,635,354 thousand), which mainly present the Company's loans in connection with the Group's cash management system.
*2 Segment income is reconciled to operating income in the consolidated statements of income.

For the fiscal years ended March 31, 2018 and 2019, an impairment loss of ¥1,184 million and ¥4 million ($36 thousand), respectively, was reported by the Retailing segment.

## 31. RELATED PARTY INFORMATION

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

| 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of company | Location | Capital (Millions of yen) | Business | Voting rights | Relationship | Transaction | Amount (Millions of yen) | Account name | Balance (Millions of yen) |
| Nakano Co., Ltd. | Shinjuku, Tokyo | ¥10 | Real estate rental | Direct 1.0% | Property rental Concurrent position as director | Property rental | ¥45 | Leasehold and other deposits | ¥41 |
| | | | | | | | | Other current liabilities | 1 |
| Seiwa Kogyo Co., Ltd. | Shinjuku, Tokyo | 10 | Real estate rental | Direct 0.8% | Property rental Concurrent position as director | Property rental | 32 | Leasehold and other deposits | 191 |

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

| 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of company | Location | Capital (Millions of yen) | Business | Voting rights | Relationship | Transaction | Amount (Millions of yen) | Account name | Balance (Millions of yen) |
| Nakano Co., Ltd. | Shinjuku, Tokyo | ¥10 ($90 thousand) | Real estate rental | Direct 1.1% | Property rental Concurrent position as director | Property rental | ¥47 ($427 thousand) | Leasehold and other deposits | ¥41 ($372 thousand) |
| | | | | | | | | Other current liabilities | 1 ($9 thousand) |
| Seiwa Kogyo Co., Ltd. | Shinjuku, Tokyo | 10 ($90 thousand) | Real estate rental | Direct 0.8% | Property rental Concurrent position as director | Property rental | 32 ($290 thousand) | Leasehold and other deposits | 191 ($1,736 thousand) |

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

## 32. PER SHARE INFORMATION

Net income per share, both basic and diluted, for the fiscal years ended March 31, 2018 and 2019, is as follows:

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Net income per share | ¥93.18 | ¥115.99 | $1.05 |
| Diluted net income per share | 93.18 | — | — |

| | Thousands of shares | |
|---|---|---|
| | 2018 | 2019 |
| Weighted-average number of outstanding shares | 224,381 | 218,488 |
| Diluted shares: | | |
| Assumed exercise of stock options | 0 | — |

Diluted net income per share for the fiscal year ended March 31, 2019, is not disclosed since there are no diluted shares.

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

For the computation of net income per share and diluted net income per share, the number of shares held by BIP Trust and ESOP Trust is deducted from the weighted-average number of outstanding shares (502 thousand shares and 502 thousand shares for the fiscal years ended March 31, 2018 and 2019, respectively).

## 33. SUBSEQUENT EVENT

At the Board of Directors' meeting held on May 14, 2019, the Company resolved to acquire treasury stock in accordance with Article 156 of the Companies Act as applied with relevant changes in interpretation pursuant to the provisions of Article 165, paragraph (3).

### *Reason for acquisition*

Based on the medium-term management plan to be completed by the fiscal year ending March 31, 2021, the Group aims to achieve profitable growth by innovating Group business and integrating operations in light of potential changes in the business environment. As its financial strategy, the Group will effectively utilize the core operating cash flow that will be generated in the next five years in order to optimize the capital structure for the business, and it will increase investment growth and shareholder return. As part of the plan, the Company will execute acquisition of treasury stock to improve its corporate value by achieving the following targets: EPS of ¥130, ROE of 10%, and ROIC of 4%.

Based on these Group strategies, the Company resolved to acquire treasury stock as follows:

(Acquisition of treasury stock)

| | |
|---|---|
| (i) Class of shares | Common stock |
| (ii) Maximum number of shares to acquire | 3,900 thousand shares (1.79% of total outstanding shares) |
| (iii) Maximum amount for acquisition | ¥7,000 million ($63,636 thousand) |
| (iv) Acquisition period | From May 15, 2019 to March 31, 2020 |

## 34. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable and current portion of long-term loans payable as of March 31, 2018 and 2019, consist of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2018 | 2019 | 2019 |
| Short-term loans payable | ¥44,331 | ¥29,632 | $269,381 |
| Current portion of long-term loans payable | 31,000 | 42,000 | 381,818 |
| Total | ¥75,331 | ¥71,632 | $651,200 |

Annual weighted-average interest rates of short-term loans payable were 0.28% and 0.27% and those of current portion of long-term loans payable were 0.43% and 0.21% for the fiscal years ended March 31, 2018 and 2019, respectively.

Long-term debt as of March 31, 2018 and 2019, consists of the following:

| | Millions of yen 2018 | Millions of yen 2019 | Thousands of U.S. dollars (Note 1) 2019 |
|---|---|---|---|
| 0.26% long-term loans from banks and others due through 2029, excluding current portion | ¥305,000 | ¥300,000 | $2,727,272 |
| 22nd series unsecured 0.850% corporate bond, due 2019 | 5,000 | 5,000 | 45,454 |
| 24th series unsecured 0.582% corporate bond, due 2018 | 10,000 | — | — |
| 25th series unsecured 0.344% corporate bond, due 2019 | 10,000 | 10,000 | 90,909 |
| 26th series unsecured 0.562% corporate bond, due 2021 | 10,000 | 10,000 | 90,909 |
| 27th series unsecured 0.337% corporate bond, due 2020 | 15,000 | 15,000 | 136,363 |
| 28th series unsecured 0.543% corporate bond, due 2022 | 10,000 | 10,000 | 90,909 |
| 29th series unsecured 0.050% corporate bond, due 2019 | 15,000 | 15,000 | 136,363 |
| 30th series unsecured 0.130% corporate bond, due 2021 | 10,000 | 10,000 | 90,909 |
| 31st series unsecured 0.190% corporate bond, due 2022 | 10,000 | 10,000 | 90,909 |
| 32nd series unsecured 0.300% corporate bond, due 2024 | 10,000 | 10,000 | 90,909 |
| 33rd series unsecured 0.040% corporate bond, due 2021 | — | 10,000 | 90,909 |
| 34th series unsecured 0.190% corporate bond, due 2023 (Green bond) | — | 10,000 | 90,909 |
| Lease obligation | 1,570 | 1,550 | 14,090 |
| | 411,570 | 416,550 | 3,786,818 |
| Less: Current portion of corporate bond and lease obligation | 10,149 | 30,175 | 274,318 |
| Total | ¥401,420 | ¥386,375 | $3,512,500 |

The aggregate annual maturities of long-term debt subsequent to March 31, 2019, are as follows:

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|---|---|---|
| Year ending March 31 | Long-term loans payable | Bonds payable | Lease obligation | Long-term loans payable | Bonds payable | Lease obligation |
| 2020 | ¥ 42,000 | ¥ 30,000 | ¥ 175 | $ 381,818 | $ 272,727 | $ 1,590 |
| 2021 | 51,000 | 15,000 | 177 | 463,636 | 136,363 | 1,609 |
| 2022 | 37,000 | 30,000 | 177 | 336,363 | 272,727 | 1,609 |
| 2023 | 35,000 | 20,000 | 177 | 318,181 | 181,818 | 1,609 |
| 2024 and thereafter | 177,000 | 20,000 | 844 | 1,609,090 | 181,818 | 7,672 |
| Total | ¥342,000 | ¥115,000 | ¥1,550 | $3,109,090 | $1,045,454 | $14,090 |

## 35. QUARTERLY FINANCIAL INFORMATION

| Cumulative period | the 1st quarter | the 2nd quarter | the 3rd quarter | Year-End |
|---|---|---|---|---|
| Revenue (million yen) | ¥58,172 | ¥123,255 | ¥186,532 | ¥251,415 |
| Income before income taxes (million yen) | 8,448 | 18,578 | 28,636 | 37,433 |
| Net income attributable to owners of parent (million yen) | 5,730 | 12,477 | 19,333 | 25,341 |
| Net income per share (yen) | 26.03 | 56.86 | 88.35 | 115.99 |

| Each quarter | the 1st quarter | the 2nd quarter | the 3rd quarter | the 4th quarter |
|---|---|---|---|---|
| Net income per share (yen) | ¥26.03 | ¥30.84 | ¥31.51 | ¥27.63 |

# Independent Auditor's Report

KPMG

**Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of MARUI GROUP CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MARUI GROUP CO., LTD. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

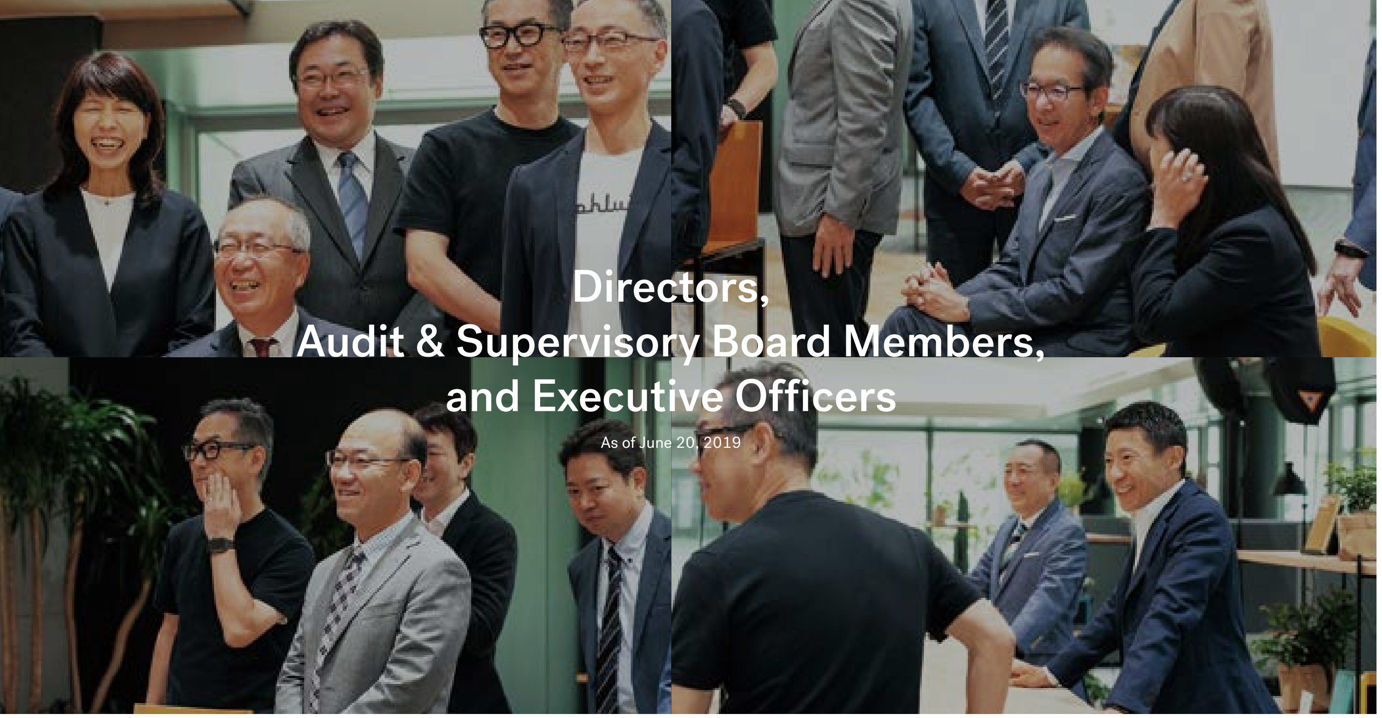
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 30, 2019

Tokyo, Japan

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



# Directors, Audit & Supervisory Board Members, and Executive Officers

As of June 20, 2019

## Hiroshi Aoi

President and Representative Director, Representative Executive Officer

Shares held: 1,538,300
Born: January 1961

**Self-Introduction**

Born into the family of MARUI GROUP's founder, I joined the Company in 1986. I was 30 when I became a director and 44 when I became the Company's third president, a position I have held for the past 14 years. When we were faced with a management crisis, I remember the sense of commitment I felt to ensuring that I did not let the Company go under whenever I visited the grave of the founder. At that time, meetings on how to recover our performance ran late into the night on a daily basis. Eventually, I realized that these late-running meetings were the source of our troubles. Sick of overtime and old men, I pledged to promote work style reforms and diversity.

**Career History**

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
Apr. 2019 President and Representative Director, Representative Executive Officer, CEO (Incumbent)

**Participation in committees:**
Management Committee (Chairman)
Nominating and Compensation Committee
Sustainability Committee (Chairman)
Compliance Promotion Board (Chairman)

## Etsuko Okajima

External Director

Shares held: 0
Born: May 1966

**Self-Introduction**

I joined Mitsubishi Corporation as a career-track employee in 1989. In comparison to the 150 men hired on the career track, women in this program were rare, with only two hired that year. After joining, I was placed in an M&A section, where I was inspired by the MBA holders around me to attend Harvard University to acquire my own MBA. This experience changed me, making me realize that I preferred innovative, transformative businesses as opposed to reliable, large-scale ones. In the years that followed, I built a career in fields merging management, people, and organizations through my positions at McKinsey & Company and GLOBIS Management Bank, finally founding ProNova Inc. in 2007. Today, I am an external director at numerous companies, including five listed companies, where I am working together with managers to foster future presidents.

**Career History**

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)
Mar. 2016 Outside Director, Link and Motivation Inc. (Incumbent)
Dec. 2018 Outside Director, euglena Co., Ltd. (Incumbent)

**Participation in committees:**
Nominating and Compensation Committee



Note: Numbers of shares held are as of March 31, 2019.

Reasons for appointment of directors and Audit & Supervisory Board members
www.0101maruigroup.co.jp/en/ci/officer/

## Yoshitaka Taguchi

External Director

Shares held: 400
Born: April 1961

**Self-Introduction**

Born in Nagano Prefecture, my grandfather founded his business in the waterfilled city of Ogaki City, Gifu Prefecture, often referred to as an important center of transportation on the Nobi Plain in the middle of Japan. I was thus raised in this city among its plentiful water. After graduating college in 1985, I was sent to a U.S. subsidiary of the Seino Group, where I served as president before returning to Japan to become a director of Seino Transportation Co., Ltd., in 1989 and later president in 2003. My motto is "wisdom and action," inspiring me to attempt to link customers and other relevant parties through my management. MARUI GROUP's concept of co-creation management thus resonates with me. As a manager from a different industry and a representative of the interests of shareholders, I hope to play my part in contributing to improved social value for MARUI GROUP.

**Career History**

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

## Masahiro Muroi

External Director

Shares held: 0
Born: July 1955

**Self-Introduction**

I have worked at Nomura Research Institute, Ltd., for 40 years. Joining this company as an IT engineer, I have been responsible for large-scale development projects and the creation of new businesses with cutting-edge digital technologies. I was 45 when I became a director, and have thus spent a long time at the head office, where I have engaged in corporate governance reforms and in investor relations activities. Having visited Silicon Valley in the United States several times since my youth, there are several areas with regard to which I cannot help but sense risks in terms of the differences in the cultures of fostering innovation between the United States and Japan. This is one of the reasons why I serve as the head of a government digital transformation human resource research committee even today. My motto is "always earnest and dedicated."

**Career History**

Apr. 1978 Joined Nomura Computer System Co., Ltd. (currently Nomura Research Institute, Ltd.)
Jun. 2000 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.
Apr. 2015 Vice Chairman, 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)

## Masao Nakamura

Director, Senior Managing Executive Officer

Shares held: 22,000
Born: June 1960

**Self-Introduction**

I joined MARUI GROUP in 1983. During the 12 years in which I could have been considered a mid-rank employee, I was in store planning departments, where I played a central role in developing the department stores that we have since moved away from. I was later placed in charge of the retailing business, a position that saw me promoting the transition to shopping centers and fixed-term rental contracts to transform the business models of the department stores I had a hand in developing. This was a massive change that felt similar to transferring to a new company in a different industry. However, it was also exhilarating as I could feel the propensity for innovation born when the entirety of MARUI GROUP was united toward a single goal. This exhilaration remains with me today, this time stimulated by MARUI GROUP's efforts to co-create value.

**Career History**

Apr. 1983 Joined the Company
Apr. 2007 Executive Officer
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.
Oct. 2017 Director and Managing Executive Officer Responsible for FinTech Business
Apr. 2019 Director and Senior Managing Executive Officer Responsible for FinTech Business
In charge of Corporate Planning, Real Estate Business, and Customer Success (Incumbent)

**Participation in committees:**
Management Committee
Sustainability Committee
Compliance Promotion Board
Public Relations IR Committee
Internal Control Committee (Chairman)

## Hirotsugu Kato

Director, Managing Executive Officer

Shares held: 5,800
Born: July 1963

Self-Introduction

My passion was baseball until high school. At college, this passion became fashion, and I joined MARUI GROUP in 1987 with the goal of working in fashion. Ironically, after joining I have had almost no experience working directly in fashion, rather devoting one half of my career to finance and accounting and the other half to corporate planning. I have been working in investor relations for the past couple of years, and I was also placed in an investor relations position when I was young. Since that time, I have been acutely aware of topics of interest to investors, cost of capital, for example. This awareness shaped my work in finance and accounting and in corporate planning thereafter. As for my personality, while I don't necessarily agree with it, I am often said to be "stubborn."

Career History

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 CDO (Chief Digital Officer), General Manager, IR Department In charge of Corporate Planning and ESG Promotion
Feb. 2018 Director, tsumiki Co., Ltd. (Incumbent)
Apr. 2018 Senior Managing Director, M & C SYSTEMS CO., LTD.
Apr. 2019 Director, Senior Managing Executive Officer, and CFO In charge of IR, Finance, Investment Research, Sustainability, and ESG Promotion (Incumbent)

**Participation in committees:**
Management Committee
Sustainability Committee
Environment and CSR Committee (Leader)
Compliance Promotion Board
Public Relations IR Committee
Insider Trading Prevention Committee (Chairman)

## Masahisa Aoki

Director, Senior Executive Officer

Shares held: 4,300
Born: July 1969

Self-Introduction

My love for cars drove me to joining MOVING CO., LTD. in 1992, where I was a truck driver for five years. I was promoted to management in 2009 and then transferred to MARUI CO., LTD. At first, I didn't know any other way into our stores aside from the truck loading gate. As the years passed, I took part in many new undertakings, including the apparel recycling program and the anime business. Today, I remain optimistic and forward-looking, enjoying my work as I tackle new challenges every day. However, I sometimes find myself longing for those short yet fun days as a deputy store manager or store manager.

Career History

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
Apr. 2018 General Manager, New Business Development Department, in charge of Anime Business
Apr. 2019 Senior Executive Officer In charge of Anime Business (Incumbent) President and Representative Director, MARUI CO., LTD. (Incumbent)
Jun. 2019 Director and Senior Executive Officer (Incumbent)

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

## Yuko Ito

Director, Executive Officer

Shares held: 7,700
Born: June 1962

Self-Introduction

I studied architecture in college and joined MARUI GROUP in 1986, being placed in an agriculture department at this time. As I built my career thereafter, I spent years in positions pertaining to spaces, including sales floor and interior renovation planning and sales to external customers in the space production business. These positions saw me primarily interacting with men during my work, whether inside or outside of the Company.
As I overcame the obstacles placed before me as a woman, I grew while experiencing the sense of accomplishment that came with my achievements as a woman. In 2007, I became MARUI GROUP's first female general manager. My goals since then have been improving the diversity of management and spurring MARUI GROUP toward new growth with my specialized expertise.

Career History

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.
Apr. 2018 General Manager, Group Design Center (Incumbent)
Apr. 2019 Director, MARUI CO., LTD. (Incumbent) Managing Director, AIM CREATE CO., LTD. (Incumbent)
Jun. 2019 Director and Executive Officer (Incumbent)

**Participation in committees:**
Management Committee
Environment and CSR Committee

## Hideaki Fujizuka

Audit & Supervisory Board Member (Full time)

Shares held: 1,200
Born: September 1955

Self-Introduction

In 1980, I joined a bank with the dream of becoming a branch manager. However, I spent the next several years in market-related divisions and later found myself in general affairs, public relations, and other positions removed from the market. For this reason, I was unfortunate in that my time as a branch manager was limited to one year at the Yoyogi-Uehara Branch of MUFG Bank, Ltd. I have experienced various industries and types of work over my career at real estate companies, precision equipment manufacturers, and, of course, MARUI GROUP. In these positions, I have aspired to identify the fundamental aspects of the issues at hand to respond to the present market conditions. We are currently faced with a highly volatile era. In my central role in corporate governance as an Audit & Supervisory Board member, I hope to be proactive and optimistic and to enjoy contributing to improved corporate value for MARUI GROUP.

Career History

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: 10,000
Born: June 1959

Self-Introduction

After joining MARUI GROUP in 1982, I was placed in a credit card division and then a division selling computers, which were just then becoming commonplace. It may have been this position that led to my transfer to an IT systems division, later becoming president of M & C SYSTEMS CO., LTD., our IT arm. All in all, I have spent around 30 years in MARUI GROUP's IT divisions. My education was in liberal arts, far removed from IT. Regardless, I have been involved in the majority of the Company's businesses through the lens of IT utilization, which has been a truly motivating experience. I fulfill my duties with a commitment to seeing matters through to the end. In the future, I look forward to contributing to MARUI GROUP's development by helping strengthen corporate governance as an Audit & Supervisory Board member.

Career History

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.
Jun. 2013 Director and Executive Officer
Apr. 2015 Senior Executive Officer In charge of Audit and Information Systems
Apr. 2016 Senior Executive Officer and CIO (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

## Tadashi Ooe

External Audit & Supervisory Board Member

Shares held: 76,800
Born: May 1944

Self-Introduction

I became a lawyer in 1969, and celebrated my 50th anniversary in this position in 2019. I still step into the courtroom even today, primarily working in the fields of trade and corporate law. My first position as an external Audit & Supervisory Board member came in 1994, after which I have been involved in this capacity at MARUI GROUP and various other companies. Because of my background, MARUI GROUP probably expects me to offer advice on legal and compliance matters. Not limiting myself to these areas, I try to offer positive advice for the benefit of MARUI GROUP. If I had to summarize my personality, I would say that I am careful and business-minded. Not a particularly interesting statement, I know.

Career History

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.
Jun. 2004 External Audit & Supervisory Board Member (Incumbent)
Jun. 2011 Director, Jeco Co., Ltd. (Incumbent)
Jun. 2015 Outside Director, Nissan Chemical Corporation (Incumbent)

### Takehiko Takagi

External Audit & Supervisory Board Member

Shares held: 6,800
Born: January 1945

Self-Introduction

I have 40 years of experience in tax bureaus and in the National Tax Agencies. When I was young, I was placed in an audit department. In this position, I exposed many major and malicious tax evaders, driven by my commitment to ensure that our society is one that is fair to people who responsibly pay their taxes. During the latter half of my career, I found myself working to facilitate the smooth introduction of the then-new computer systems in all tax bureaus, cultivating human resources, and developing organizations in which personnel can be placed in the ideal position. Today, I am contributing to the sound development of companies as a corporate auditor.

Career History

- 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
- Jun. 2008 External Audit & Supervisory Board Member (Incumbent)
- Jun. 2010 External Audit & Supervisory Board Member, KAWADA TECHNOLOGIES, Inc. (Incumbent)

### Motohiko Sato

Executive Vice President

Shares held: 48,900
Born: December 1953

Self-Introduction

Having joined the Company in 1977, I am the oldest active employee at MARUI GROUP. I was positioned in the IT system division of MARUI CO., LTD., in 1980, where I took part in systems development in this division for 13 years, gaining experience as a programmer and system engineer. M & C SYSTEMS CO., LTD., was established in 1984, and this company's code of conduct states that "the customer's perspective is the foundation for system services." I went about my work while keeping this statement close at heart, and this experience continues to benefit me today. I became a director at MARU GROUP CO., LTD., in 2005 at the same time that Hiroshi Aoi assumed his position as president. I was later assigned to the positions of CIO, CFO, and now CSO. I see myself as an optimist, believing that a desirable result can always be achieved no matter what adversity is faced.

Career History

- 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
- Apr. 2019 Executive Vice President and CSO (Chief Security Officer) (Incumbent)

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

### Tomoo Ishii

Senior Managing Executive Officer

Shares held: 19,000
Born: July 1960

Self-Introduction

I worked in credit card divisions for six years after joining the Company in 1983 before being transferred to general affairs in 1990, where I would stay for 29 years. It was six years ago when I was placed in charge of personnel. My career history makes many think I have committed to defending our current state, but I see things differently. After becoming a general manager, I was given the opportunity to gain experience in the leadership of organizations of various sizes, including being president of two Group companies and three management companies as well as director of the health insurance union. Throughout this experience, I have remained keenly aware of the fact that change is essential. If we do not change, productivity and safety will decline. Symbolic of this belief, I changed myself, losing 20 kg over a period of three years some eight years ago.

Career History

- Apr. 1983 Joined the Company
- Apr. 2007 Executive Officer and General Manager, Group Compliance Division
- Jun. 2009 Director and Executive Officer, General Manager, General Affairs Division
- Apr. 2013 Director and Executive Officer, General Manager, Personnel Division
- Apr. 2015 Director and Managing Executive Officer, and Chief Operating Officer
  Healthcare Promotion and General Manager, Personnel Division
  In charge of General Affairs and Healthcare Promotion
- Apr. 2017 President and Representative Director, MOVING CO., LTD.
- Jun. 2018 Senior Managing Executive Officer, CSO (Chief Security Officer), and CHO (Chief Health Officer)
  In charge of Audit, General Affairs, Personnel, and Health Promotion
- Apr. 2019 Senior Managing Executive Officer and CHO
  In charge of Audit, General Affairs, Personnel, and Health Promotion (Incumbent)

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

### Toshikazu Takimoto

Managing Executive Officer

Shares held: 1,900
Born: November 1959

Self-Introduction

I had actually intended to enter a different industry, but I found myself joining MARUI GROUP in 1982 instead. At the time, we were still collecting payments for monthly installment transactions, and my first position was visiting customer homes by motorcycle to make such collections. This experience proved incredibly beneficial when it came time to reconstruct our credit card services business. Over the years, I have been placed in various positions, including those related to stores, sales floors, new businesses, planning, and IT systems. Notably, I was responsible for reconstructing our credit card services businesses, introducing the EPOS card to the world, and developing this business thereafter, an accomplishment of which I am most proud. My chance entry into MARUI GROUP enabled me to experience something so amazing. I hope to repay the Company for this incredible opportunity by working to make it better and to deliver greater joy to customers.

Career History

- Mar. 1982 Joined the Company
- Mar. 2009 Executive Officer and General Manager, Group Profit Improvement Division
- Apr. 2011 Managing Director, Epos Card Co., Ltd.
- Apr. 2012 President and Representative Director, Epos Card Co., Ltd.
- Jun. 2012 Director and Executive Officer
- Apr. 2015 Managing Executive Officer (Incumbent)
- Apr. 2016 Managing Executive Officer
  Responsible for FinTech Business
- Oct. 2017 Managing Executive Officer
  Responsible for Retailing Business (Incumbent)
- Apr. 2018 Managing Executive Officer and CIO (Chief Information Officer) (Incumbent)
  President and Representative Director, M & C SYSTEMS CO., LTD. (Incumbent)

**Participation in committees:**
Management Committee
Sustainability Committee
Compliance Promotion Board
Public Relations IR Committee
Internal Control Committee
Information Security Committee

### Yoshinori Saito

Managing Executive Officer

Shares held: 3,100
Born: July 1962

Self-Introduction

I started my career at MARUI GROUP in 1986 as a member of the sales staff at Machida Marui. I experienced various positions in the years that followed, including procurement, accounting, and corporate planning, culminating in my becoming store manager at Machida Marui in 2007, marking my triumphant return to where my career began. I was general manager of the Financial Department at the outbreak of the 2008 financial crisis, watching as we recorded the first loss since the time of our founding. My time overseeing the Financial Department was thus the most challenging leg of my career. Fortunately, this crisis was surmounted thanks to the support of my colleagues, including those more experienced than I, and our business partners. I am currently managing Epos Card Co., Ltd., with a focus on the cultivation of the human resources that will drive its ongoing growth.

Career History

- 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.
- Apr. 2016 Senior Executive Officer
  President and Representative Director, Epos Card Co., Ltd. (Incumbent)
- Apr. 2019 Managing Executive Officer (Incumbent)

**Participation in committees:**
Management Committee
Sustainability Committee
Compliance Promotion Board
Internal Control Committee
Information Security Committee

### Hajime Sasaki

Senior Executive Officer

Shares held: 6,700
Born: November 1963

Self-Introduction

After joining the Company in 1986, I started my career on the sales floor. I learned the warmth of a team when managing a shop, and I then gained a sense of motivation and perseverance when faced with the harsh working conditions of the planning product division. A major change in my career occurred in 2006, when I transferred to Epos Card Co., Ltd. There, I was involved in the launch of the EPOS card, and I suppose you could say that I grew by overcoming adversity with the help of those around me. I experienced the importance of co-creation at MARUI CO., LTD., after that, later becoming president of this company in 2016. However, the dip in earnings in my first year as president showed me that things do not always go as planned. In 2019, I became president of AIM CREATE CO., LTD. I consider myself an optimistic dreamer, and I am now filled with anticipation regarding the future potential of our alliance with Sumitomo Forestry Co., Ltd.

Career History

- 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
  President and Representative Director, MARUI CO., LTD.
- Apr. 2019 Senior Executive Officer
  In charge of Architecture (Incumbent)
  President and Representative Director, AIM CREATE CO., LTD. (Incumbent)

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

**Masahiro Aono**

Senior Executive Officer

Shares held: 2,100
Born: March 1962

Self-Introduction

I joined MARUI GROUP in 1984 and then went on to experience sales on the sales floors of 10 different stores. I was later involved in product creation as a private brand buyer. For the past 15 years, my role has been store development. The number of business negotiations I have taken part in with external business partners is No. 1 in MARUI GROUP. Some negotiations are difficult, and some do not end well. However, through these negotiations I have been able to experience, several times, that amazing moment when we pool our knowledge to overcome obstacles and reach an agreement. My growth, as well as MARUI GROUP's growth, has been spurred by its customers as well as by its numerous business partners. I therefore hope to develop a business that enables us to repay this debt to our customers and to our business partners.

Career History

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
Apr. 2014 Director and General Manager, Store Business Promotion Department, MARUI CO., LTD.
Apr. 2015 Managing Director, MARUI CO., LTD.
Director, AIM CREATE CO., LTD. (Incumbent)
Apr. 2019 Senior Executive Officer (Incumbent)
Senior Managing Director, MARUI CO., LTD. (Incumbent)

**Participation in committees:**
Management Committee
Safety Control Committee (Chairman)

**Yoshiaki Kogure**

Executive Officer

Shares held: 2,600
Born: September 1960

Self-Introduction

I entered MARUI GROUP in 1983, being positioned at New Ikebukuro Nishi-Guchi Marui. My decision to join the Company was motivated by a desire to work in fashion and apparel, but I realized that I suffered from a lack of fashion sense working in men's designer and character brands at the head office. I later held positions in public relations, sales promotions, and events. I relied on my stamina to overcome the harsh conditions, which entailed early morning and late-night overtime, and sometimes all-nighters. When I returned to stores from the head office after 15 years, my inexperience as a deputy store manager showed as I didn't understand anything, not card issuance, register inspection, mark-downs, or stocking. For some reason, I felt joy everyday as the female employees treated me like a newcomer as they taught me. After that, I was primarily placed in head office management divisions. My longest position has been at MARUI FACILITIES Co., Ltd., where I am currently in my seventh year.

Career History

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)
Apr. 2015 Director, MARUI HOME SERVICE Co., Ltd. (Incumbent)

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

**Mayuki Igayama**

Executive Officer

Shares held: 5,500
Born: June 1964

Self-Introduction

My career at MARUI GROUP started at the men's accessory sales floor at Kichijoji Marui in 1987. I then went on to work in sales promotion, advertising, and direct marketing at the head office. I tend to like to do everything myself, and I spent a lot of my 20s and 30s on overtime. Two experiences inspired me to change how I worked and to grow. The first was an illness that struck me when I was 42. The second was when I became a product development project leader in the field of shoes, where I had no experience, at 44. If I had to sum up my personality, the word I would use is "serious." Going forward, I hope to contribute to the improvement of corporate value at MARUI GROUP through the type of serious action for which I was named.

Career History

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.
Apr. 2016 Director and General Manager, Omni-Channel Retailing Division, MARUI CO., LTD.
Apr. 2019 President and Representative Director, MOVING CO., LTD. (Incumbent)

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

**Junko Tsuda**

Executive Officer

Shares held: 3,600
Born: May 1972

Self-Introduction

I have changed positions more than 10 times in the roughly 20 years since I joined MARUI GROUP in 1995, working in sales and customer service, sales promotion, purchasing, private brand, demand marketing, and new business divisions as well as a store manager. I felt highly motivated in all of these positions, focusing my efforts on co-creation activities with our customers and various other stakeholders. By responding to changes in the needs of the times with empathy, I aim to increase the range of situations in which I can contribute. I would say that I am a positive individual. I thus intend to go about my work proactively and with optimism going forward while turning my attention to future possibilities.

Career History

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.
Apr. 2019 Director and General Manager, Cardholder Service Department, Epos Card Co., Ltd. (Incumbent)

**Participation in committees:**
Management Committee
Public Relations IR Committee

**Miyuki Kawara**

Executive Officer

Shares held: 1,300
Born: August 1963

Self-Introduction

I was born in Kagoshima Prefecture, and I came to Tokyo for work. I joined MARUI GROUP out of my love for designer and character brands. In my first year, I worked in the women's clothing department of Shibuya Marui. My coworkers called me "Dynamite Kawara" because of my head-on approach toward everything. For about a decade beginning in my 30s, I was engaged in product planning, analyzing social trends to propose the product themes we should focus on. This was a job I could lose myself in as I enjoyed the feeling of launching new movements. Later, I experienced the importance of individuals and of teams as a store manager before bearing witness to the various possibilities accessible through connections with external stakeholders in the CSR Promotion Department and at Epos Card Co., Ltd. I hope to use the lessons I have learned in my current position and in developing new stores that will shape the future. My source of energy is sweets and shopping.

Career History

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.
Apr. 2019 Director and Store Manager, Marui Family Mizonokuchi, MARUI CO., LTD. (Incumbent)

**Participation in committees:**
Management Committee
Internal Control Committee

**Tatsuo Niitsu**

Executive Officer

Shares held: 20,100
Born: November 1967

Self-Introduction

My first position after entering the Company in 1991 was in credit card services. I later gained experience in the Sales Planning Division of MARUI CO., LTD., before taking up my first chief manager position in the Demand Marketing Section. After that, I managed the Corporate Planning Section and Sales Planning Division before assuming my current position as general manager of the Business Planning Division. I emphasize the importance of creating new businesses by giving form to unmet customer needs, and I like to hypothesize about how to accomplish this goal whenever something inspires me, whether at or away from work. As I am addicted to addressing customer needs, I greatly enjoy people watching. I also enjoy social occasions as they are a source of good ideas. I find joy in doing things different from other people, and I hope to utilize this peculiarity in my work.

Career History

Apr. 1991 Joined the Company
Apr. 2014 General Manager, Sales Planning Division, MARUI CO., LTD.
Apr. 2016 Director and General Manager, Sales Planning Division, MARUI CO., LTD.
Apr. 2019 Executive Officer (Incumbent)
Director and General Manager, Sales Planning Division, MARUI CO., LTD. (Incumbent)

**Participation in committees:**
Management Committee
Information Security Committee

## Takeshi Ebihara

Executive Officer

Shares held: 1,000
Born: March 1969

Self-Introduction

Joining the Company in 1991, I was placed in the women's apparel department of Ikebukuro Marui before being transferred to an IT systems division in my second year. At age 35, I took part in the development of the systems that would be used to launch the EPOS card. This undertaking entailed revising our prior frameworks while developing new frameworks to accommodate the needs of Visa and of card shopping revolving payment transactions. It was a challenging project, but we overcame these challenges as a team, and the sense of accomplishment was great. Many people say that I am very meticulous, despite the image of people with B-type blood in Japan. I take this as a compliment. Looking forward, I aim to accelerate our digitization efforts and deliver frameworks that contribute to customer satisfaction.

Career History

Apr. 1991 Joined the Company
Apr. 2012 General Manager, Customer System Development Department, M & C SYSTEMS CO., LTD.
Apr. 2014 General Manager, Systems Department, Corporate Planning Headquarters, Epos Card Co., Ltd.
Apr. 2018 Director and General Manager, Customer System Development Department, M & C SYSTEMS CO., LTD.
Apr. 2019 Executive Officer and CDO (Chief Digital Officer) (Incumbent)
Director and General Manager, Digital Transformation Promotion Department, M & C SYSTEMS CO., LTD. (Incumbent)
Director, Epos Card Co., Ltd. (Incumbent)

**Participation in committees:**
Management Committee
Information Security Committee

## Reiko Kojima

Executive Officer

Shares held: 0
Born: September 1975

Self-Introduction

After graduating from a medical program, I became an internal medicine physician at a general hospital. Contrary to my reason for becoming a doctor, which was to support working individuals, most of my patients were senior citizens. I therefore chose to become a company physician at a major manufacturer in 2002. For six years, I worked in this position while simultaneously performing outpatient examinations in the psychosomatic medicine department of a hospital on a weekly basis. In my examinations, I witnessed people that were energized despite being busy as well as those that became ill under similar circumstances. This made me want to research how people can be happy in their work, prompting me to enter a graduate program.
I joined MARUI GROUP after acquiring my Doctor of Medicine. I look forward to continuing to help invigorate the Company's employees and organizations with my foundation in medicine in the future.

Career History

Mar. 2000 Acquisition of physician's license
May 2002 Regular Outpatient Physician, Department of Psychosomatic Medicine, Yokohama Rosai Hospital
Company Physician, Furukawa Electric Co., Ltd.
Mar. 2010 Acquisition of Doctor of Medicine
Apr. 2011 Company Physician (Incumbent)
Apr. 2014 General Manager, Health Management Division (Incumbent)
Apr. 2019 Executive Officer (Incumbent)

**Participation in committees:**
Management Committee
Sustainability Committee
Environment and CSR Committee

Hearing that President Hiroshi Aoi would wear a t-shirt to the photoshoot, CFO Hirotsugu Kato showed up in a t-shirt, white pants, and sneakers. This surprising outfit drew laughter from the other officers, relaxing the atmosphere and making the overall photoshoot calmer and more enjoyable than in previous years.

## Personality Types of MARUI GROUP Officers

MARUI GROUP had all directors and Audit & Supervisory Board members, both internal and external, take part in the Myers–Briggs Type Indicator® (MBTI®) personality test[*1] based on international standards. These tests were meant to help them better understand themselves and to contribute to their ongoing growth. We thereby ascertained that the naturally ingrained personalities of these officers were incredibly diverse. It was thus decided to disclose the MBTI® personality types of these officers in order to communicate the fundamental aspects of their characteristics and diversity that cannot be portrayed simply by looking at business skills.

### Diversity of MARUI GROUP Officers Seen in Their Personalities

MARUI GROUP believes that diversity is crucial to the effectiveness of the Board of Directors and the Audit & Supervisory Board. When people think of diversity, they often associate it with diversity of gender, race, or business skills. Going beyond these surface-level traits, we emphasize the importance of diversity in the ingrained personalities of individuals.

All 25 of internal and external MARUI GROUP directors, Audit & Supervisory Board members, and executive officers took part in a workshop during which they underwent MBTI® personality tests and then discussed the results in groups. The purpose of this workshop was to promote self-understanding and facilitate future growth. Through this workshop, officers were able to gain a better understanding of others and of themselves and to find their Best Fit type.[*2] The workshop also cast light on the high level of diversity among MARUI GROUP officers.

By disclosing the results of the MBTI® personality evaluations, we hope to communicate the diversity of MARUI GROUP officers on a more fundamental level. These results complement the glimpse into officer personalities provided by the unique self-introductions featured in the “Directors, Audit & Supervisory Board Members, and Executive Officers” section on pages 132–140.

*1 The MBTI® personality test was developed in accordance with international standards and based on the personality type theory proposed by Swiss psychiatrist Carl G. Jung. This test has been translated in the languages of more than 45 countries and is administered to around 2 million people every year in the United States. The personality types assigned through the MBTI® method refer to the naturally ingrained personality with which one is born, as opposed to the socially constructed personality that is a result of one’s life experience, profession, or position. The MBTI® test is not meant to categorize people or be used for diagnosis purposes, but is rather a tool for promoting understanding of the diversity of naturally ingrained personality types. It is therefore widely used for facilitating self-understanding and career development, mutual understanding in interpersonal relationships, and team building.

*2 Best Fit type constitutes personal information and has been disclosed with the consent of all relevant individuals. One’s Best Fit type (how individuals recognize themselves) can change as a result of deeper self-understanding.

**Comments from Officers after MBTI® Workshop**

I could not find common ground with T team, and no progress was made in discussions. Later, they told me that the conversation took off the moment I left.—Aoi

I was once again made aware of the fact that there are a lot of different types of people and ways of reacting to the same occurrence.—Takimoto

I was astounded to learn of the naturally ingrained personality types of everyone at the workshop. I was misreading their work faces even after all these years.—Sato

The test categorized me as ENTJ, but I feel like INTJ.—Igayama

I am currently helping a lot of companies achieve rapid growth, and this workshop reminded me of the importance of empathy and intuition.—Okajima

I now understand why my naturally ingrained personality was what it was. My outward personality is a product of my years in this society.—Sasaki

All officers were distributed pretty evenly among the 16 personality types, indicating a good balance among MARUI GROUP’s officers.—Nakamura



### Diversity of MARUI GROUP Officers Extrapolated from MBTI® Types

According to the MBTI® framework, everyone has a natural preference toward how they want to act, and that preference can be divided into the four categories on the axes of the matrix below. There are no good or bad preferences. Rather, they indicate each individual’s behavioral preference, how they feel most natural expressing themselves, much like one feels most natural using their dominate hand. By understanding which “hand” is dominant, we are able to better understand our purpose and how to interact with others. This understanding can help MARUI GROUP develop more effective frameworks for co-creation. It is important to recognize that everyone is born with all of the preferences to a certain degree, and that this is what enables us to grow.

**Extroversion (E) or Introversion (I):** Where your interests lie and what energizes you
**Sensing (S) or Intuition (N):** How you prefer to gain information
**Thinking (T) or Feeling (F):** What type of logic you prefer to follow
**Judging (J) or Perceiving (P):** How you prefer to interact with the world around you

| | Sensing (S) | | Intuition (N) | |
|---|---|---|---|---|
| Introversion (I) | **ISTJ** Quiet, serious, earn success by thoroughness and dependability. Take pleasure in making everything orderly and organized—their work, their home, their life. Value traditions and loyalty. Ito, Takagi, Fuse, Saito | **ISFJ** Quiet, friendly, responsible, and conscientious. Loyal, strive to create an orderly and harmonious environment at work and at home. Fujizuka | **INFJ** Conscientious and committed to their firm values. Develop a clear vision about how best to serve the common good. Organized and decisive in implementing their vision. | **INTJ** Have original minds and great drive for implementing their ideas and achieving their goals. Skeptical and independent, have high standards of competence and performance—for themselves and others. Kato |
| Introversion (I) | **ISTP** Tolerant and flexible, quiet observers until a problem appears, then act quickly to find workable solutions. Analyze what makes things work and readily get through large amounts of data to isolate the core of practical problems. | **ISFP** Quiet, friendly, sensitive, and kind. Loyal and committed to their values and to people who are important to them. Dislike disagreements and conflicts, do not force their opinions or values on others. Ooe | **INFP** Idealistic, loyal to their values and to people who are important to them. Curious, quick to see possibilities, can be catalysts for implementing ideas. Aoi, Niitsu, Kojima | **INTP** Have unusual ability to focus in depth to solve problems in their area of interest. Skeptical, sometimes critical, always analytical. Sasaki |
| Extroversion (E) | **ESTP** Theories and conceptual explanations bore them—they want to act energetically to solve the problem. Focus on the here-and-now, learn best through doing. Ebihara | **ESFP** Outgoing, friendly, and accepting. Enjoy working with others to make things happen. Flexible and spontaneous, adapt readily to new people and environments. Okajima, Aoki | **ENFP** Warmly enthusiastic and imaginative. Want a lot of affirmation from others, and readily give appreciation and support. Spontaneous and flexible, often rely on their ability to improvise and on their verbal fluency. Takimoto, Tsuda | **ENTP** Quick, ingenious, stimulating, alert, and outspoken. Resourceful in solving new and challenging problems. Bored by routine. |
| Extroversion (E) | **ESTJ** Practical, realistic, matter-of-fact. Have a clear set of logical standards, systematically follow them and want others to also. Muroi, Kogure | **ESFJ** Warmhearted, conscientious, and cooperative. Like to work with others to complete tasks accurately and on time. Want to be appreciated for who they are and for what they contribute. | **ENFJ** Warm, empathetic, responsive, and responsible. Find potential in everyone, want to help others fulfill their potential. Loyal, responsive to praise and criticism. Ishii, Kawara | **ENTJ** Frank, decisive, assume leadership readily. Usually well-informed, well-read, enjoy expanding their knowledge and passing it on to others. Forceful in presenting their ideas. Taguchi, Aono, Nakamura, Igayama, Sato |

Source: The Myers & Briggs Foundation
www.myersbriggs.org/