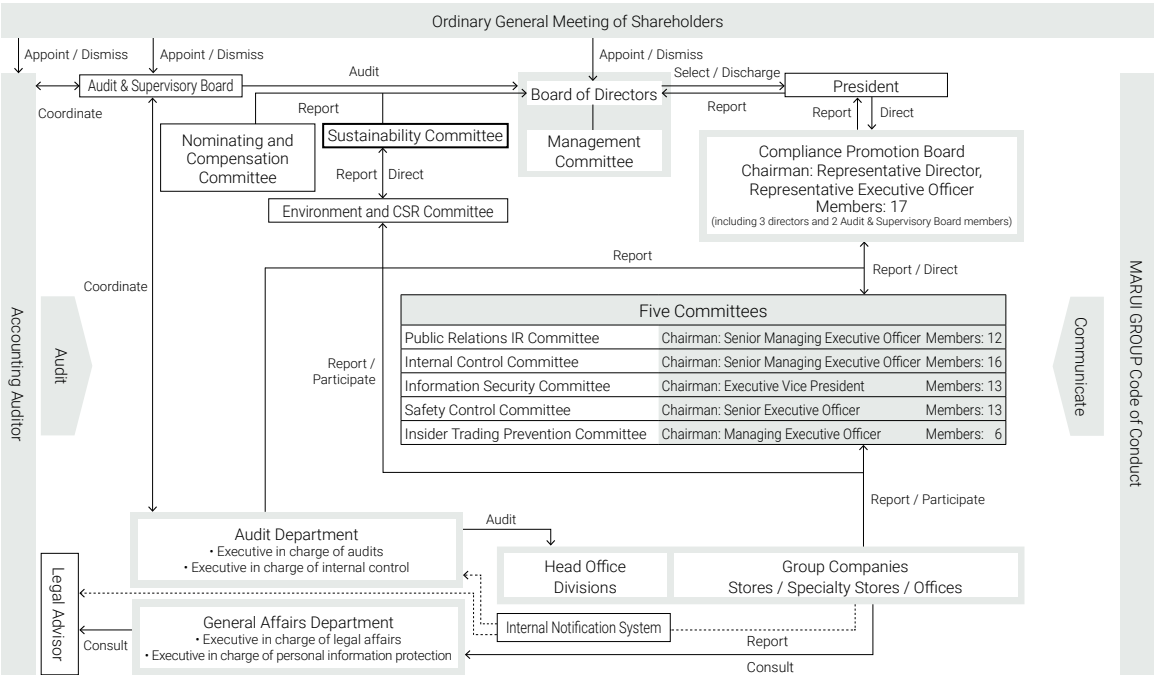
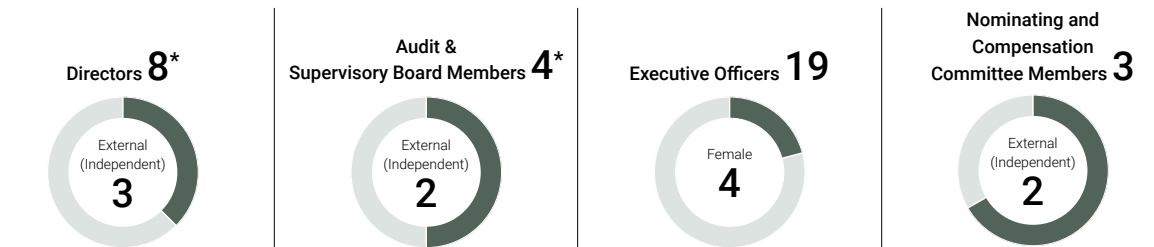


Corporate Governance for Co-Creating Corporate Value

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. For the purpose of promoting co-creation sustainability management, we have also established the Sustainability Committee, which

oversees the Environment and CSR Committee, an organization responsible for relevant risk management and other relevant procedures. In addition, two new Audit & Supervisory Board members, one of whom is a woman, were appointed at the Ordinary General Meeting of Shareholders held in June 2020 to further strengthen the Company's management team.

Furthermore, the Company has established the MARUI GROUP Corporate Governance Guidelines, which compile our basic corporate governance and initiative policies, and publishes corporate governance reports that provide details on the implementation of these policies. The Company is committed to further strengthening corporate governance going forward.



As of October 1, 2020

Committee Membership  
[www.0101maruigroup.co.jp/pdf/committee\\_members\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/committee_members_en.pdf)

MARUI GROUP Corporate Governance Guidelines  
[www.0101maruigroup.co.jp/pdf/cgg\\_20200730\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/cgg_20200730_en.pdf)

MARUI GROUP Corporate Governance Report  
[www.0101maruigroup.co.jp/pdf/cgr\\_en.pdf](http://www.0101maruigroup.co.jp/pdf/cgr_en.pdf)

M  
MESSAGE

Messages from New Audit & Supervisory Board Members



Hitoshi Kawai  
Audit & Supervisory Board Member (Full time)  
(Appointed in June 2020)

I worked at banks and securities companies for a total of 31 years. During this time, I was provided with plentiful opportunities to take part in new initiatives and innovations, often times ending in success. For example, I was involved in expanding the corporate bond market, developing new products and businesses, and creating start-up company ecosystems. These initiatives were in part a response to the deregulation of the financial industry. More importantly, though, they were also undertakings that contributed to the resolution of social issues and to the public good. The understanding of the customers and colleagues I met during my time at banks and securities companies empowered me in my co-creative initiatives. I also learned an important lesson when I was president of the Kyoto branch of a bank, which was how growing together with customers over the long term, as opposed to chasing short-term gains, and acting together with colleagues united by a shared vision, can create massive and lasting value for society.

MARUI GROUP has continued to transform itself to match changes in the times, all while remaining true to its core value of the co-creation of credibility. Today, it is endeavoring to co-create a society in which future generations can shine together with stakeholders throughout the current society. As part of this quest, MARUI GROUP looks to evolve into an intellectual creation company through its business model, merging retailing, fintech, and now co-creative investment. I joined MARUI GROUP in June 2020. When I speak with President Aoi and other members of the Company, I am always overwhelmed by a sense of anticipation as I imagine MARUI GROUP's various initiatives and the results they will create. I hope to contribute to these efforts in my capacity as an Audit & Supervisory Board member, and I look forward to growing together.

I have held positions as an outside director and an outside auditor at a number of companies since 2003. In this position, I became increasingly interested in the concepts of ESG management and the SDGs. With this interest, I was fascinated when I heard of MARUI GROUP's forward-looking co-creation sustainability management approach. I accepted the invitation to be an external Audit & Supervisory Board member at MARUI GROUP because I hoped that, by supervising the co-creation sustainability management in my capacity, I could contribute to the improvement of the Company's medium-to-long-term corporate value.

I think that Audit & Supervisory Board members are increasingly being expected to play a role in driving corporate governance reforms as well as in implementing defensive governance measures. A specific role of external Audit & Supervisory Board members is to utilize their outside perspective to oversee management decisions to ensure that they are being made transparently and impartially with consideration paid to the perspective of future generations and other stakeholders. In my case, in particular, I want to use my expertise as an attorney in the monitoring of the Company's compliance and other internal control and risk management systems. I also hope to go about my duties while practicing extensive communication through coordination with and visits to the Board of Directors, the Audit & Supervisory Board, internal auditing divisions, and the accounting auditor.

Stakeholder values and lifestyles are changing amid the COVID-19 pandemic. This trend is increasing the need for inclusive, forward-looking management that is respectful toward diversity. In this environment, I am committed to working together with MARUI GROUP to realize its vision of providing a platform for supporting the happiness of all stakeholders, including future generations.



Yoko Suzuki  
External Audit & Supervisory Board Member  
(Appointed in June 2020)

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, 2020, are detailed in the table below. In addition to resolutions and reports, free and open discussion and exchanges of opinion took place focused on issues pointed out by external directors and ESG and other themes related to long-term improvements in corporate value.

	Resolutions and Reports		Discussion Themes
First Quarter	<ul style="list-style-type: none"><li>• Change to resolution regulations</li><li>• Capital and business alliances</li><li>• Revision of officer compensation and medium-to-long-term incentives</li></ul>	<ul style="list-style-type: none"><li>• Establishment of Sustainability Committee</li><li>• Content investment trends</li><li>• Wellness management</li></ul>	<ul style="list-style-type: none"><li>• Evaluation of the effectiveness of the Board of Directors</li></ul>
Second Quarter	<ul style="list-style-type: none"><li>• Cross-shareholdings</li><li>• Investment products</li><li>• Positioning of Co-Creation Management Academy program participants</li></ul>	<ul style="list-style-type: none"><li>• Advisors</li><li>• Co-creation with start-up companies</li><li>• Organization reforms and relocation of officers and managers</li></ul>	<ul style="list-style-type: none"><li>• Organization and human resource development for post-digital world</li><li>• New business development</li></ul>
Third Quarter	<ul style="list-style-type: none"><li>• Management practices for EPOS cards emphasizing ongoing use</li><li>• Establishment of new company</li><li>• Experience-oriented store initiatives</li></ul>	<ul style="list-style-type: none"><li>• MARUI IR DAY report</li><li>• Shared living residence business initiatives</li><li>• Fund procurement report</li></ul>	<ul style="list-style-type: none"><li>• Nominating and Compensation Committee</li></ul>
Fourth Quarter	<ul style="list-style-type: none"><li>• Increase in investment in new company</li><li>• Issues at subsidiaries and future initiatives</li><li>• Delegation of authority to executive officers</li></ul>	<ul style="list-style-type: none"><li>• Evaluation of the effectiveness of the Board of Directors</li><li>• Organization reforms and relocation of officers and managers</li><li>• Committee membership changes</li></ul>	<ul style="list-style-type: none"><li>• Review of Co-Creation Management Academy and future human resource development initiatives</li><li>• Initiative areas and promotion structures for co-creation sustainability management</li></ul>

Transcript of Board of Directors' Discussion

The following is an abridged transcript of a discussion by the Board of Directors regarding new business development that took place in September 2019.

**Muroi:** Through the establishment of a chief digital officer, an innovation center, and an accelerator program, MARUI GROUP has installed the infrastructure necessary for new business development. However, new businesses generally have low success rates and their scale and profitability pales in comparison to existing businesses. It is incredibly important to look at the Company's business portfolio in its entirety to determine which projects will be prioritized and which will be abandoned. You also need to accurately calculate total investment amounts, project numbers, success rates, and returns. Other important considerations include what type of investments will be conducted over the next three-to-five years, how cash flows will be generated, and if these cash flows will exceed cost of capital. You must remain levelheaded when accessing these important factors.

**Okajima:** I want to talk about why MARUI GROUP looks to develop new businesses. Possible reasons include fostering new earnings pillars or cultivating human resources. I think the Company's current business plan contests are beneficial in terms of human resource development.

**Taguchi:** It is easy to understand if you state clearly that the new business development program is aimed at fostering human resources. The employees who see this will be motivated if they feel inspired to participate.

**Muroi:** Human resource development is important, but it is also crucial for MARUI GROUP to truly develop new businesses. If you do not make a business of a sufficient scale, it will be difficult to talk about how it relates to Companywide strategies.

**Aoi:** We aim to foster a corporate culture through human resource development while at the same time creating new businesses. We must first ask, "What type of new business does MARUI GROUP need?" The business of tsumiki or our anime business does not replace our retailing and fintech businesses, they contribute. I think that any new businesses should contribute to existing businesses in this manner.

**Okajima:** You mean to say that you are gauging investment returns in terms of the resulting improvements in lifetime value.  
**Muroi:** I understand the essence of MARUI GROUP's new business development approach. It would appear that the strategic focuses of MARUI GROUP's new businesses differ from those of companies that cannot survive without creating new businesses. If you can make this clear, it could affect business evaluations and plans. Are there no businesses that can be positioned adjacent to existing businesses, like the rent guarantee and anime businesses? Is this something that is decided by business departments?

**Aoi:** I think that is a decision to be made by management. However, if we share our view that new businesses at MARUI GROUP should be positioned adjacent to existing businesses and ask for ideas, we will surely receive proposals.

**Okajima:** I think it depends on the goal of developing the new business. If you look to refine operations by continuing to use assets in the same manner as previously, that should be done by business departments. If you look to use existing assets to do something new, that should be seen as a shift. Is it correct to assume that we should tell stakeholders that we are undergoing a shift?

**Muroi:** When speaking with institutional investors, I have been told that investors do not fully understand MARUI GROUP's innovative business model. I think you need to more effectively explain that your management strategies differ from other companies', and that this is true with regard to new businesses as well.



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 possibility of acquiring third-party verification for the results of the evaluation of the effectiveness of the Board of Directors was examined. However, opinions were received, largely from external directors, stating that the current self-evaluation methodology was sufficiently effective.

Overview of Evaluation Results

The evaluation of the effectiveness of the Board of Directors conducted in the fiscal year ended March 31, 2020, confirmed that, overall, the Board of Directors was highly effective. In the previous year's evaluation, the low ratio of medium-to-long-term incentives (stock-based compensation) to total officer compensation and the failure to orient compensation systems toward medium-to-long-term improvements in corporate value were identified as issues. In response to these issues, the Company implemented a new compensation system with a higher ratio of medium-to-long-term improvements. As a result, the evaluation of the officer compensation systems increased substantially. In addition, the Company took steps to address the lack of involvement in and oversight of the future leader development program, which was identified as an issue in the previous evaluation. These steps included discussion by the Board of Directors and enhancement of provisions for the ongoing monitoring of the placement and development of program participants.

New issues identified included the need to increase the presence of women on the Board of Directors and to make better use of internet conferences.

Future Initiatives

In order to increase the presence of women on the Board of Directors, an area identified as requiring improvement, the Company appointed Yoko Suzuki as an external Audit & Supervisory Board member in the fiscal year ending March 31, 2021, bringing the ratio of women on the Board of Directors to 25%. From a long-term perspective, the Company will continue to cultivate junior female employees and identify and foster officer candidates through the future leader development program.

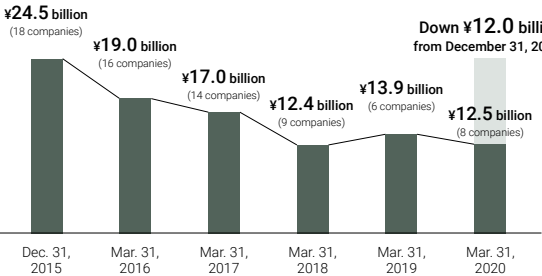
Meanwhile, in response to the global COVID-19 pandemic, the Company began holding meetings of the Board of Directors in the form of internet conferences in the fiscal year ended March 31, 2020. Internet conferences will continue to be used as a tool for facilitating timely discussion, resolutions, and information provision.

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. Shareholdings for which the strategic significance has been diminished will be sold in a phased manner based on consideration for the conditions surrounding the counterparty.

The returns from each cross-shareholding are 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, 2020, the Company held shares of the stock in eight companies as cross-shareholdings (10 companies fewer than on December 31, 2015), and the total value of these shares on the consolidated balance sheet was ¥12.5 billion (down ¥12.0 billion from December 31, 2015).

Total Value of Cross-Shareholdings on the Consolidated Balance Sheet



Two additional holdings in listed companies were acquired in the fiscal year ended March 31, 2020, to facilitate collaboration with new business partners, causing a year-on-year increase in cross-shareholdings. The amount of these holdings totals ¥5 million, and these stocks are held for the purpose of collecting information on industry trends and other topics.

\* Reduction amounts are displayed in comparison to December 31, 2015, as the MARUI GROUP Corporate Governance Guidelines were published in November 2015.

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 ended 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.

In addition, the compensation levels and the ratio of performance-linked compensation have been revised to increase the portion of performance-linked compensation. This revision was aimed at boosting motivation to contribute to improved medium-to-long-term performance and corporate value for the Company in order to have officers share the interests of shareholders and to strengthen management from the perspective of

shareholders. Specifically, the ratio of 8 : 1 : 1 (basic compensation : performance-linked bonuses : performance-linked stock-based compensation) used until the fiscal year ended March 31, 2019, was replaced with a ratio of 6 : 1 : 3 in the fiscal year ended March 31, 2020.

In the fiscal year ended March 31, 2020, 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.

Target Indicators and Performance-Linked Coefficients

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

\* 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, 2020 (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)	150	21	—	171
External directors	29	—	—	29
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	34	—	—	34
External Audit & Supervisory Board members	15	—	—	15

The upper limit for full-year compensation paid to directors has been set at ¥300 million (excluding employee salaries paid to directors that are also employees of the Company or Group companies) and at ¥50 million for external directors. Separate from this amount, the upper limit for performance-linked bonuses has been set at ¥100 million (excluding employee salaries paid to directors that are also employees of the Company or Group companies) paid to directors (excluding external directors) and the upper limit for performance-linked stock-based compensation issued to directors (the amount of money contributed to trusts on their behalf) has been set at ¥200 million per fiscal year to be multiplied by the number of fiscal years in the respective incentive period (¥400 million for the two-year period encompassing the fiscal year ended March 31, 2020, and the fiscal year ending March 31, 2021). In addition, the upper limit for monthly compensation of Audit & Supervisory Board members has been set at ¥6 million. All of these amounts were set at the Ordinary General Meeting of Shareholders. Amounts of compensation for individual officers are not listed as no officer received total compensation of more than ¥100 million.



Officer Compensation  
www.0101maruigroup.co.jp/en/ci/governance/compensation.html

Future Leader Development Program

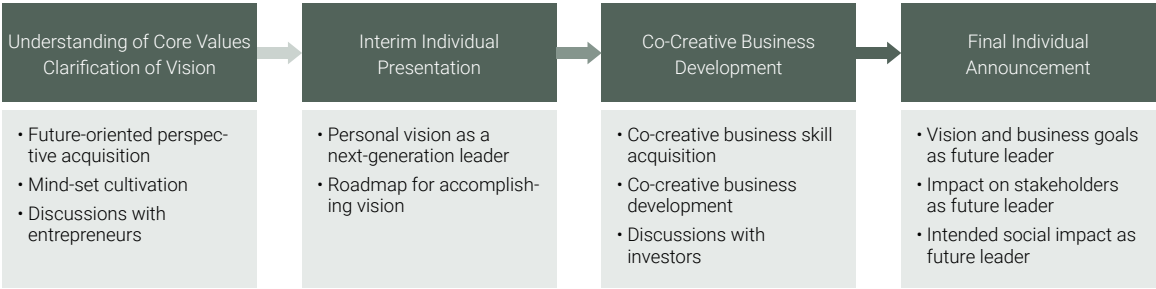
MARUI GROUP unveiled its Co-Creation Management Academy (CMA) future leader development program in April 2017 with the aim of identifying and cultivating human resources capable of promoting management innovation. This program is based on open application, and each year 10–20 candidates are selected from among volunteers. To date, a total of 63 individuals have participated. Those selected are submitted to a one-year training curriculum developed under the guidance of 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 Company management, managers of other companies, and external experts. 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.

Areas of focus concerning the curriculum for the fiscal year ended March 31, 2020, included understanding of MARUI GROUP's core values and acquisition of a management and a business perspective. Participants were given lectures from external specialists on topics such as finance, corporate value, legal

regulations, corporate governance, management strategies, and leadership. They also spoke with members of corporate management and managers of other companies and researched the Company through group work.

In the fiscal year ending March 31, 2021, the fourth year of the program, the curriculum was revised with the aim of cultivating human resources that are able to undertake co-creative businesses with start-up companies and targeting future generations. This curriculum involved conventional learning as well as hands-on and experience-oriented programs. Examples of these programs included discussions with entrepreneurs at the front lines of business and exchanges with members of younger generations. These programs were arranged to help participants improve their management skills and business creation capabilities and foster the skills that will be needed in the post-digital world. Moreover, we introduced a mentorship program in which individuals that had participated in previous programs mentor current participants to stimulate mutual growth. Through the CMA program, we aim to continue identifying and cultivating junior and female employees with the potential to become future leaders.

Sample Curriculum



Sample of Newly Introduced Experience-Oriented Programs

Workshop on Customer-Oriented Thinking in the Post-Digital World  Yasufumi Fujii East Asia Sales Representative beBit, Inc.		How to Realize Your Dreams—Programming Workshop and Lecture by University Student Mentor  Yusuke Mizuno Representative Director and CEO Life is Tech, Inc.	
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Appointment of New Wellness-Field Advisor

MARUI GROUP appoints external experts with insight into business strategies and various business areas as advisors. We anticipate that such advisors will be powerful assets 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 meetings of advisors are held once every two or three months, at which the president, pertinent directors, and representatives from relevant areas attend; advice is also sought on specific themes.

In addition, ESG specialists were appointed in January 2019 to strengthen the advisor team and support MARUI GROUP in conducting co-creation sustainability management while responding to operating environment changes over the long term. One additional advisor with expertise in the wellness field was appointed in July 2020.

Advisors




Appointed in July 2020

**Yoshiki Ishikawa**  
Doctor of Medicine; Preventative Medicine Researcher; Representative Director, Well-being for Planet Earth Foundation

Reason for appointment: Yoshiki Ishikawa possesses a wealth of experience and broad-ranging insight as a preventative medicine researcher. He is also one of Japan's foremost researchers of well-being and the representative director of Well-being for Planet Earth Foundation. MARUI GROUP anticipates that he will offer valuable suggestions and advice pertaining to the Company's management.

Wellness Specialist




Appointed in July 2016

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

Reason for appointment: Masakazu Masujima is a leading expert in the field of fintech with robust insight and experience. MARUI GROUP anticipates that he will offer proposals of specific growth investment targets, advice and proposals regarding entry into the securities business, and advice on fintech-related laws and regulations for use in the development of new FinTech businesses.

Fintech Specialist




Appointed in July 2017

**Meyumi Yamada**  
Director, istyle Inc.

Reason for appointment: MARUI GROUP anticipates that Meyumi Yamada will provide up-to-date information on D2C ecosystems and customer success strategies and stimulate meaningful discussion in this regard to drive new value creation in the post-digital world.

D2C Specialist



Appointed in October 2019

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

Reason for appointment: Yutaka 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.

AI Specialist

Sustainability Advisors



Appointed in January 2019

**Peter David Pedersen**  
Representative Director, Next Leaders' Initiative for Sustainability; Professor, Shizenkan University

Reason for appointment: As a corporate consultant, Peter David 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 environmental and sustainability fields.

Environmental Specialist



Appointed in January 2019

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

Reason for appointment: Masayoshi 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.

Social Specialist

Risk Management



Committee Membership  
www.0101maruigroup.co.jp/pdf/committee\_members\_en.pdf

Risk management system

The Group maintains five committees, i.e., the Public Relations IR Committee, Internal Control Committee, Information Security Committee, Safety Control Committee, and Insider Trading Prevention Committee to control high-risk areas in business operations and strive for speedy operational improvement and the prevention of accidents. At the same time, the Compliance Promotion Board, chaired by the Representative Director, is set up to coordinate the functions of all the committees.

The Group enhances the effectiveness of risk management by holding regular meetings participated by Executive Officers as well as holding and establishing the meetings of the above committees and subcommittees to realize close coordination, risk information sharing, and speedy decision making and implementation of countermeasures.

Business and other risks

Matters stated in the business overview and financial information of our securities report that may affect the judgment of investors are as follows. Forward-looking statements in this document are based on the judgment of the Group at the end of the fiscal year under review.

1. Risks concerning business strategies

1-1. Risks concerning Retailing and FinTech environments

<div>• Changes in consumption trends</div> <div>• Occurrence and intensification of competition</div> <div>• Expansion of the e-commerce market, and diversification of settlement methods</div> <div>• Revision of the taxation system and relevant laws</div>	<div>Impact</div> <div>The Group's operations integrate Retailing and FinTech. The Group conducts operations at sales offices centered on the Tokyo metropolitan area and sales offices located throughout the country. We anticipate to see a decline in the number of visiting customers and transactions at stores due to changes in markets causing sluggish consumer spending, such as fluctuations in business conditions, changes in economic conditions, the declining population, intensifying competition, the expansion of the e-commerce market, and the rise in the sharing economy. In addition, the share of credit card usage in the market is expected to shrink as a result of the technological advances such as the diversification of settlement means associated with the transition to cashless payments, or changes in consumer behaviors. If these risks become apparent, the financial position and business results of the Group may be affected. In store operations, the Group has been building a stable earnings structure by transitioning to a business structure focused on shopping centers and fixed-term rental agreements. However, the financial position and business results of the Group may be affected by cancellation of fixed-term rental agreements with tenants and increased vacant floor space, both of which will lead to a decline in rental revenue, posting of impairment loss due to fluctuations in land prices, increased tax burden due to a revision of the taxation system, and other factors. Furthermore, allowance for doubtful accounts is provided with respect to operating receivables (accounts receivable-installment and operating loans) of cards that account for a large share of the Group's total assets, based on the occurrence of receivables in arrears, historical bad debt ratios, etc. However, payments in arrears and uncollected receivables could increase due to worsening economic conditions, changes in relevant laws, or other factors. The financial position and business results of the Group may be affected by a sharp increase in bad debt expenses or allowance for doubtful accounts, etc. Provision for loss on interest repayment has been provided to prepare for the repayment of interest on cash advances, by projecting the amount of future repayments based on the past actual repayments. However, if the amount of provision is insufficient for the amount of future claims for interest repayment, additional costs may be incurred.</div>
<div>Countermeasures</div> <div>We are pushing ahead with a marriage of internet and physical venues centered on our e-commerce site "MARUI web channel." Marui and Modi stores have been working to realize the co-existence of physical venues with e-commerce and to constantly improve facility value by working to promote "digital native stores" to accommodate the post-digital era. The Group is working to diversify touchpoints with customers by having stores also play a complementary role to digital. Moreover, we endeavor to broaden our customer base and increase the number of customers by advancing "Customer Diversity and Inclusion," providing products and services that bring joy to all customers, regardless of their age, physical characteristics, or gender. Recognizing the promotion of the transition to cashless payments as a big opportunity, the FinTech segment responds to diversified payment methods by increasing EPOS Gold and Platinum cardholders and encouraging them to use their EPOS card as their main card by implementing the strategy of maximizing the share of EPOS card payments among household finances, such as the rent guarantee services business. Moreover, aiming to realize financial inclusion with the goal of providing everyone with the financial services they need when they need them, regardless of income or age, we provide initial credit by utilizing big data based on credit expertise acquired from the time of our founding, as well as credit monitoring under the belief that "creditability should be built together with customers." We have achieved a low ratio of delinquent debt by increasing credit limits based on usage frequency and transaction amounts and payment history.</div>	