



## MARUI GROUP's Co-Creation

MARUI GROUP views co-creation as the process of incorporating customer perspectives into all business processes to work together with partners to create happiness for customers.





## OUR VISION

# Creating Customer Happiness Together with Our Partners

We are developing frameworks to incorporate customer perspectives into store development, product creation, credit card services, and all other business processes. The form of happiness sought by customers is increasingly being found in more-fulfilling lifestyles. Accordingly, we are transforming our business model by holding planning meetings with customers for individual projects to maintain an up-to-date understanding of their needs and co-create new forms of happiness.

This type of co-creation business in which the Group and customers co-create happiness together represents the foundation of our operations. In the co-creation process, not only customers but also business partners, community members, and employees are seen as important “partners.” Feedback from all these partners is incorporated in MARUI GROUP’s business, and this type of co-creation represents the Company’s core strength.

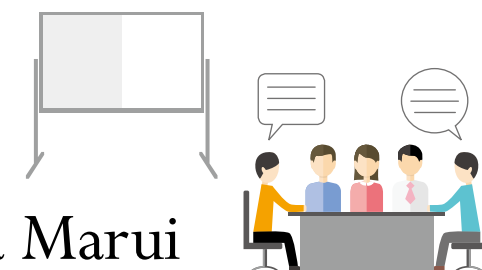
## Numbers

# 4,400 to date

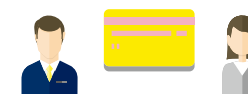
Number of customers to participate in the

## Development of Shibuya Marui

A total of 4,400 customers participated in developing plans for Shibuya Marui through Internet surveys, group meetings, and other venues. Store atmosphere, floor concepts, and other details of store development were discussed with customers.



# 16



## Number of Collaboration Card Partners

Epos Card Co., Ltd., is issuing collaboration cards with a total of 16 companies, commercial facilities, fan clubs, and other organizations across Japan (as of July 31, 2015). Cardholders can utilize the benefits of all collaboration card partners, allowing for mutual customer referral between MARUI and these organizations.

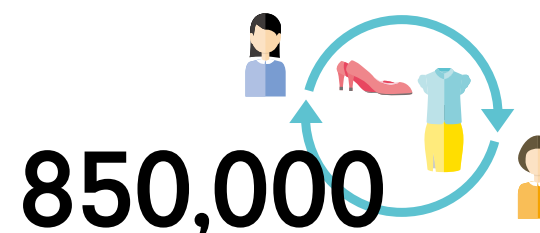
# 60 times a year



## Women’s Shoes

planning meetings with customers

Around 90% of customers expressed discomfort with pumps, but we were able to co-create a hit new line of pumps together with customers. Customers participated in 60 planning meetings a year, with 1,000 individuals taking part in test groups each year.



# 850,000

## Customer clothing items and shoes traded-in through the Apparel Recycling Program

The 850,000 clothing items and shoes traded-in by customers in the fiscal year ended March 31, 2015, were resold in stores, used to support post-Great East Japan Earthquake reconstruction efforts, or donated to developing countries.



# 25 t-CO<sub>2</sub>

## Carbon Offset

together with local communities

CO<sub>2</sub> emissions totaling 25 t-CO<sub>2</sub>, equivalent to the amount emitted to manufacture the number of Rakuchin Kirei Pumps sold in March 2015, were offset through environmental preservation activities conducted in Kobe City and Miyagi Prefecture.



#### OUR AMBITION

## Co-Creating Customer Joy by Merging Retailing and Credit Cards

We strive to bring joy to our customers. As customers shift away from the accumulation of physical goods to pursue more-fulfilling lifestyles, we are transforming our business model to cater to the new forms of joy customers are beginning to seek. Accordingly, we are shifting toward shopping center style stores, which go beyond simply offering apparel items to also providing dining, other services, and other shopping experiences. In creating products, the women's shoes lines that were planned by incorporating the input and desires of

various customers have proven to be major hits. Furthermore, our Credit Card Services business is supporting all facets of customer lifestyles with its EPOS cards, which were launched in 2006 and have a special license from Visa Inc. that includes direct issuance rights. In the future, we aim to add a new element of joy to customer lifestyles in the areas of fashion, food, living, entertainment, learning, health, and beauty through our unique business model that merges retailing and credit cards.

#### Numbers

# 2.6 times

## Increase in Purchase Numbers at Machida Marui

after conversion to a lifestyle-support store

The newly converted Machida Marui has proven popular among customers of all ages, with purchase numbers rising 2.6 times.



# 195 million

## Number of Visiting Customers, an indicator of popularity

A total of 195 million customers visited our Marui and Modi stores in the fiscal year ended March 31, 2015, after increases in the numbers of restaurants and sundry goods. The total number of daily visitors was roughly 540,000 people.



# More than 2 million pairs

## Number of extra-comfortable Women's Shoes Sold

The Rakuchin series of women's shoes have been a major hit, with more than 2 million pairs sold to date. By expanding the range of sizes available, we are addressing the needs of women of all ages.



# Approx. 6 million

## Number of Cardholders shopping both inside and outside Marui stores

There are approximately 6 million cardholders of MARUI GROUP's proprietary credit cards, which have a special license with Visa Inc. (as of June 30, 2015). EPOS cards can be used while shopping inside and outside Marui stores in Japan and overseas.



# More than 7,000

## Growing number of facilities nationwide providing EPOS Cardholder Benefits

Discounts and other benefits are provided to EPOS cardholders at more than 7,000 facilities nationwide. We aim to further spread savings opportunities throughout Japan.



To Our Stakeholders

## MARUI GROUP's Vision Is to Realize Co-Creation Management.

*Hiroshi Aoi*

**Hiroshi Aoi**  
President and Representative Director  
Representative Executive Officer

For the fiscal year ended March 31, 2015, MARUI GROUP published its first integrated report. The decision to create this report was made based on our desire to share our policies, values, and vision with all our stakeholders. MARUI GROUP's business activities are able to thrive thanks to the daily support of shareholders and other investors as well as countless other stakeholders, including customers, business partners, local community members, and employees. Therefore, it is my wish for this report to bridge the gap between the Company and all these stakeholders and thereby foster enhanced mutual understanding.

Our corporate philosophy calls for us to “continue evolving to better aid our customers” and “equate the development of our people with the development of our company.” Based on this philosophy, our mission is to maintain ties with our customers to co-create new customer happiness. It is this drive that has fueled our transformation and evolution in recent years. Always striving to attend to the needs of our customers and bring them joy, we treasure our interactions with customers and accordingly base all our actions from their perspective. This sentiment is not only imprinted in the Group's corporate DNA; it is also the point of origin for the co-creation management we envision.

At the moment, the Group's business model is undergoing a drastic transformation. This is not to say that we will abandon our current originality and strengths. However, the focus of Japanese society is moving away from the accumulation of physical goods to emphasize the pursuit of more-fulfilling lifestyles, changing the form of happiness customers seek and thereby necessitating that our business changes as well. This transformation will require us to break away from past successes to cut a fresh start based on the perspectives of the customers of today. And that will be no easy task. Nonetheless, I am filled with excitement for the potential new forms of customer happiness we will co-create, and I think we have finally found the path we will tread in this quest.

I hope we can look forward to the support of all our stakeholders as we tackle the challenges that lie before us on this bold new adventure.

August 2015



President Aoi in Yurakucho Marui in June 2015

# New Management Team Supporting Our Co-Creation Management

Based on its co-creation management vision, MARUI GROUP is reforming its management team to better respond to changing customer needs. For this reason, Directors and Audit & Supervisory Board members are now expected to play an even greater role in ensuring sustainable growth and driving medium-to-long-term improvements in corporate value.

To this end, we have reduced the number of directors to heighten management flexibility while also strengthening the supervisory function of the Board of Directors. In addition, we welcomed Etsuko Okajima, Representative and CEO of ProNova Inc., as a newly appointed external director and an independent director as stipulated by the Tokyo Stock Exchange. The Company now has two external and independent directors, with the other being Koichiro Horiuchi, President and Representative Director of FUJI KYUKO CO., LTD. With Ms. Okajima onboard, we are advancing measures to further empower female employees and otherwise promote increased diversity in the development of our people as spoken of in our corporate philosophy.

From front left  
**Motohiko Sato**  
Director

**Koichiro Horiuchi**  
External Director

**Hiroshi Aoi**  
President and Representative Director

**Etsuko Okajima**  
External Director

From back left  
**Takehiko Takagi**  
External Audit & Supervisory Board Member

**Tetsuji Sunami**  
Audit & Supervisory Board Member (Full time)

**Tomoo Ishii**  
Director

**Masao Nakamura**  
Director

**Hideaki Fujizuka**  
Audit & Supervisory Board Member (Full time)

**Tadashi Ooe**  
External Audit & Supervisory Board Member





In front of bust of MARUI founder Chuji Aoi in June 2015

## New Executive Management Team to Realize a United MARUI GROUP

We aim to provide all customers with the joy they seek. To accomplish this goal, the Group is advancing to a new growth stage; a stage in which it will not be enough to merely pursue optimization on a single-Group company or single-business basis and one in which all businesses must be interconnected and developed as one. The vision of a United MARUI GROUP represents our shared commitment to reaching this stage.

To help realize this vision, a new executive management team was instated in June 2015 to strengthen executive management on a Groupwide basis. At the same time, we are moving forward with initiatives to create a United MARUI GROUP, including actively promoting both young and female employees and creating systems for cultivating the next generation of executive management candidates.



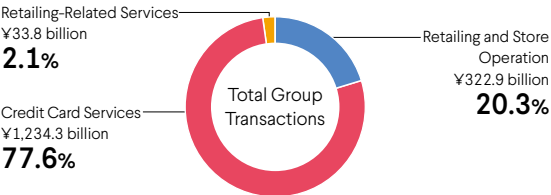
From front left	From middle left	From back left
<b>Masao Nakamura</b> Managing Executive Officer	<b>Hajime Sasaki</b> Senior Executive Officer	<b>Mayuki Igayama</b> Executive Officer
<b>Hiroshi Aoi</b> Representative Executive Officer	<b>Akira Ino</b> Senior Executive Officer	<b>Yuko Ito</b> Executive Officer
<b>Motohiko Sato</b> Senior Managing Executive Officer	<b>Toshikazu Takimoto</b> Managing Executive Officer	<b>Masahiro Aono</b> Executive Officer
<b>Takashi Wakashima</b> Managing Executive Officer	<b>Tomoo Ishii</b> Managing Executive Officer	<b>Yoshinori Saito</b> Executive Officer
	<b>Nariaki Fuse</b> Senior Executive Officer	<b>Hirotsugu Kato</b> Executive Officer
	<b>Yoshiaki Kogure</b> Executive Officer	<b>Junko Tsuda</b> Executive Officer

Groupwide Performance

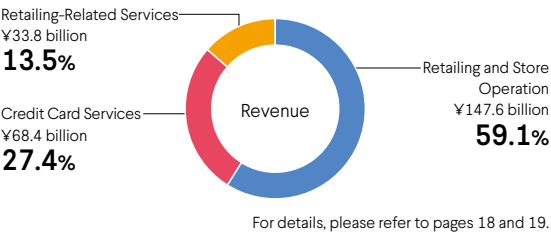
New Indicator for Measuring Group Growth

Total Group transactions

¥1,469.1 billion



\* Total Group transactions is the total value of transactions from all three businesses less credit card transactions from Retailing and Store Operation.



Operating Income

Target ¥36.0 billion or more in the fiscal year ending March 31, 2017

¥28.0 billion

ROE

Target 6.0% or more in the fiscal year ending March 31, 2017

5.2%

Cash Dividends per Share / Payout Ratio

Increased dividends for three consecutive years  
Conducted treasury stock acquisition of ¥15.0 billion, targeted payout ratio of 30% or more

¥19 / 32.3%

Number of Stores

24 Marui stores  
3 Modi stores

27 stores

Environment Preservation Expenditure

Total expenditure for installing LED lighting to reduce energy consumption in Marui stores and other environmental measures

¥1,281 million

Number of Employees

Approx. 8,000 employees, including temporary employees

5,918 employees

Electricity Consumption

Approx. 80% of electricity used at Marui and Modi stores, down 1% year on year

199 million kWh

Sales Floor Area

Combined sales floor area for Marui and Modi stores

444,040m<sup>2</sup>

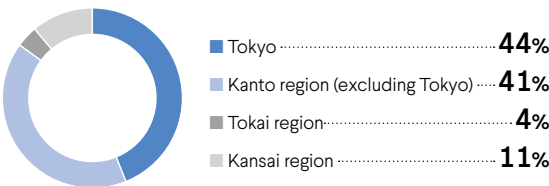
CO<sub>2</sub> Emissions

Approx. 70% of emissions from Marui and Modi stores, down 4% year on year

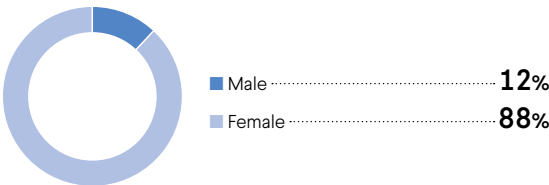
109,000 t-CO<sub>2</sub>

Marui Stores

Stores by Region



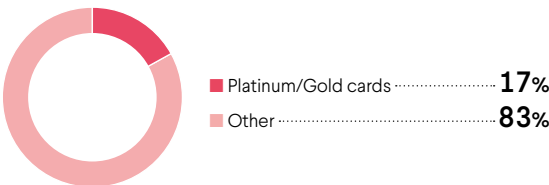
Purchases by Gender\*1



\*1 Purchases using EPOS cards

EPOS Cards

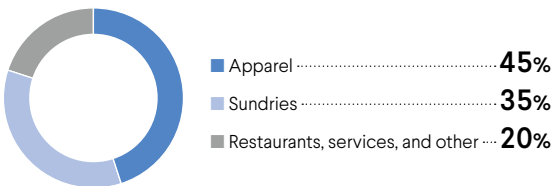
Cardholders by Card Type



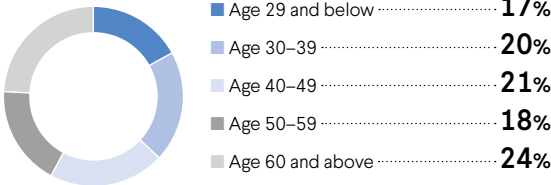
Transactions by Location



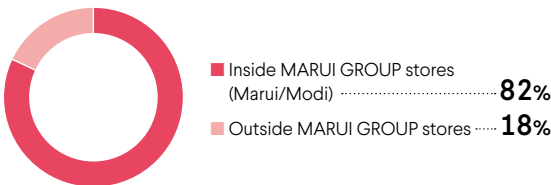
Sales Floor Area by Product Category



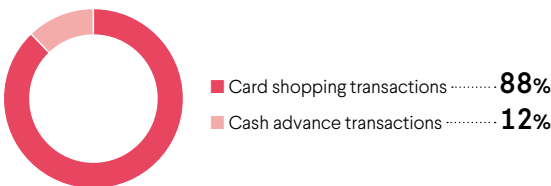
Purchases by Age Group\*1



New Cardholders by Application Location



Transactions by Type





## Financial and Non-Financial Highlights

MARUI GROUP CO., LTD., and its consolidated subsidiaries

Fiscal years ended March 31	2010	2011	2012	2013	2014	2015
Millions of yen						
Total Group transactions:	—	—	—	—	1,297,250	1,469,111
Retailing and Store Operation	—	—	—	—	338,705	322,866
Credit Card Services	—	—	—	—	1,054,706	1,234,339
Retailing-Related Services	—	—	—	—	34,695	33,816
Eliminations*1	—	—	—	—	(130,857)	(121,910)
Total operating revenues	419,255	406,472	412,408	407,366	416,460	404,947
Revenue	—	—	—	—	253,077	249,847
Gross profit	149,926	144,736	147,240	148,172	155,726	158,144
Selling, general and administrative expenses	139,488	129,940	129,224	123,886	128,579	130,102
EBITDA*2	29,695	30,457	33,085	35,237	37,134	38,338
Operating income	10,438	14,795	18,015	24,285	27,146	28,042
Net income (loss)	5,104	(23,638)	5,251	13,255	15,409	16,036
Segment income:						
Retailing and Store Operation	37	2,110	7,547	9,885	10,562	8,074
Credit Card Services	10,272	13,704	10,619	13,177	15,634	20,126
Retailing-Related Services	2,509	1,568	2,567	3,792	4,523	3,333
Total assets	664,357	628,910	615,130	624,173	664,019	675,627
Shareholders' equity	312,188	284,526	289,975	303,637	315,446	306,795
Installment sales accounts receivable	95,871	111,760	142,995	171,187	213,466	227,121
Consumer loans outstanding	191,486	158,707	132,280	123,739	125,215	128,030
Interest-bearing debt	283,676	264,692	245,175	243,762	264,824	277,839
Net cash provided by (used in) operating activities	30,811	30,280	24,897	5,111	(9,227)	12,310
Net cash provided by (used in) investing activities	(13,034)	(7,033)	(3,913)	435	(6,791)	(3,867)
Net cash provided by (used in) financing activities	(14,519)	(22,926)	(23,660)	(5,571)	16,141	(7,267)
Cash and cash equivalents	32,283	32,603	29,928	29,940	30,053	31,229
Capital investments	17,398	14,332	7,941	7,665	11,238	9,786
Depreciation and amortization	19,257	15,661	15,069	10,951	9,988	10,296
Earnings (loss) per share (yen)	18.65	(86.36)	19.19	48.43	56.29	58.87
Net assets per share (yen)	1,140	1,039	1,059	1,109	1,152	1,166
Cash dividends per share (yen)	14.0	14.0	14.0	15.0	18.0	19.0
Payout ratio (%)	75.1	—	73.0	31.0	32.0	32.3
Total return ratio (%)	75.1	—	73.0	31.0	32.0	125.3
Operating income margin (%)	2.5	3.6	4.4	6.0	6.5	6.9
Return on equity (%)	1.6	(7.9)	1.8	4.5	5.0	5.2
Return on assets (%)	1.5	2.2	2.8	3.9	4.3	4.2
Equity ratio (%)	47.0	45.2	47.1	48.6	47.5	45.4
Stock price at year-end (yen)	678	537	690	975	885	1,365
Market capitalization (including treasury stock) (billions of yen)	216.0	171.1	219.8	310.6	282.0	380.3
Price earnings ratio (times)	36.4	—	36.0	20.1	15.7	23.2
Price book-value ratio (times)	0.6	0.5	0.7	0.9	0.8	1.2
Total number of employees	6,847	6,492	6,218	6,101	5,966	5,918
Ratio of female employees (%)	44.7	44.4	44.4	44.3	44.5	44.6
Total number of stores	25	26	27	27	27	27
Total sales floor area (thousand m <sup>2</sup> )	453.3	457.8	458.4	453.1	446.5	444.0
Environment preservation expenditure (thousands of yen)	633,700	893,700	1,164,500	1,141,300	924,500	1,281,000
Electricity consumption (thousands of kWh)	259,800	244,800	204,500	204,800	215,000	199,000
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	130,600	114,900	96,300	104,300	113,000	109,000

\*1 Eliminations under total Group transactions represent the deduction of credit card transactions recorded in Retailing and Store Operation.

\*2 Earnings before interest, taxes, and depreciation and amortization

### Introduction of New Management Indicator—Total Group Transactions

As Marui stores are progressively converted into shopping center style stores, their source of revenue will change from product sales to rent revenues.

While this transition is expected to result in income growth, it will also lead to a gradual decrease in “total operating revenues” under the previous calculation methods, meaning that revenue and income trends will be inconsistent. For this reason, it was decided to introduce the new indicator of “total Group transactions” to more accurately display the Group's growth and management's performance.

In addition, from the fiscal year ending March 31, 2016, the calculation method for sales through the consignment buying system in Retailing and Store Operation will be changed from the previous method (amount of sales made to customers) to a method based on global standards that only records the amount of income accruing to the Company. In conjunction with this change, the line item that was previously “total operating revenues” will be displayed as “revenue.” The two new indicators are designed to more accurately reflect the Group's performance.

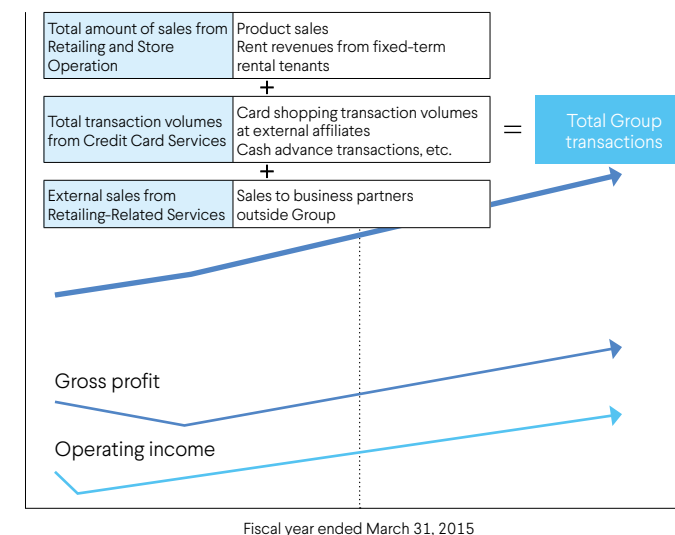
### Acquisition and Cancellation of Treasury Stock

The current three-year, medium-term management plan, which covers the period through March 31, 2017, targets improved corporate value to be realized through the implementation of growth strategies and financial strategies. One such financial strategy is to utilize the total of operating cash flow generated over the plan's period to fund growth investments and shareholder returns.

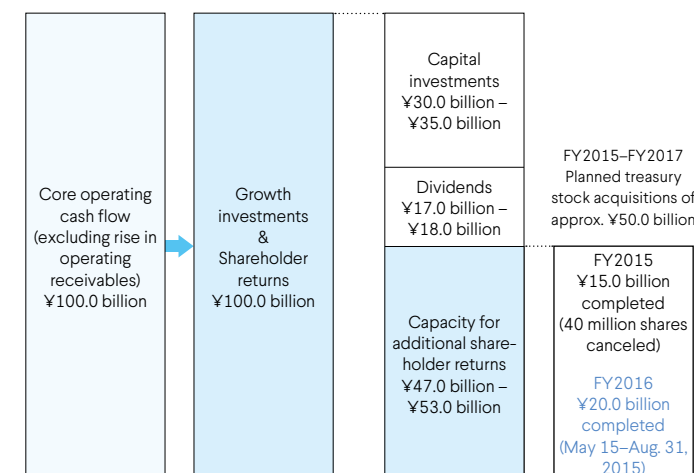
As one facet of these efforts, treasury stock acquisitions totaling ¥50.0 billion will be conducted over the period of the plan to quickly raise return on equity (ROE) to 6% or more and increase shareholder value.

Based on this policy, we acquired ¥15.0 billion worth of treasury stock in the fiscal year ended March 31, 2015, and canceled 40 million shares of treasury stock. Since May 2015, we have been conducting additional treasury stock acquisitions with an upper limit of ¥20.0 billion.

### Total Group Transactions—Indicator of Group Growth



### Utilization of Operating Cash Flow



# We Will Strive to Create New Value by Transforming Our Business Model.

The development of MARUI GROUP up until today has been grounded in its unique business model that merges retailing and credit card operations as well as in the corporate DNA that inspires it to innovate and respond to the changing times. Going forward, we will aspire to create increased corporate value by practicing co-creation management, which entails advancing our business together with customers and employees.



**Hiroshi Aoi**  
President and Representative Director  
Representative Executive Officer

## MARUI GROUP's History and DNA of Innovation

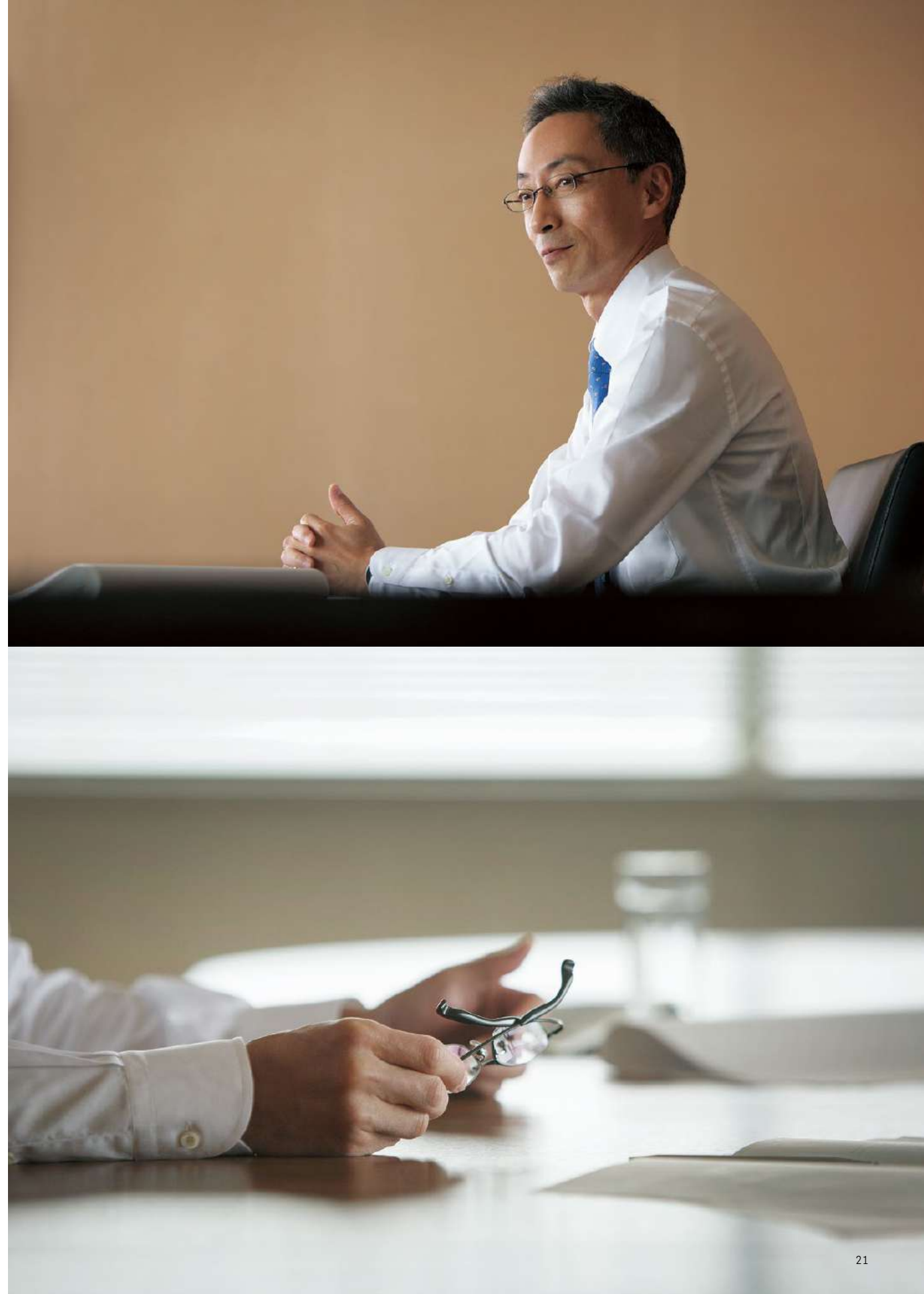
My grandfather, Chuji Aoi, founded MARUI in 1931. Then, our business involved selling furniture through monthly installment payments. This was the original form of the business model merging retailing and credit card operations that MARUI GROUP still uses today, and MARUI's business maintained this unique characteristic throughout its history. By pursuing the modernization of the installment payment system, my grandfather grew MARUI rapidly, leading the Company to issue Japan's first credit card in 1960.

In 1972, my father, Tadao Aoi, took up the mantle of president. Under his guidance, we launched a new business in 1981 in which we leveraged our credit know-how to provide cash advances, a type of small-amount consumer loan. In the mid-1980s, MARUI established a unique business model that combined youth fashion with credit cards, the so-called "young, fashion, credit cards" business model, which began to fuel brisk growth. By 1990, the Company had established a solid position in the Japanese retail industry, as indicated by its 30 consecutive years of increased sales and income.

Entering the 1990s, our "young, fashion, credit cards" business model grew less responsive to market changes following the collapse of Japan's bubble economy. MARUI thus fell into a period of stagnancy. I became president in 2005. My mission at that time was to utilize MARUI's DNA of innovation to reconstruct our business model and enable it to create new corporate value in tune with the times.

## Quest to Create Corporate Value

Reviving our retailing and credit card businesses required that we resolve a number of issues. The first area I addressed after becoming president was the innovation of credit card services. At that time, the impending revision of the Money Lending Business Act scheduled to begin in 2007 was making the future of cash advance operations uncertain. To respond to this change, in 2006, a year before the regulation's revision, we launched the EPOS CARD, which replaced our previous in-house credit card, the Akai Card (Red Card).



# To Advance to a New Stage, We Are Transforming Retailing Operations and Refining Our Business Model That Merges Retailing and Credit Card Operations.

EPOS cards hold a special license from Visa Inc., enabling them to be used not only in Marui stores but also at Visa-affiliated stores worldwide. Leveraging these cards, we implemented a strategy of compensating for the decline in cash advance revenues by expanding card shopping transactions, an area closely related to our mainstay retailing operations.

However, the negative impact of the introduction of the Money Lending Business Act revision exceeded our expectations. In addition, due to lost income stemming from reduced interest rates, we were required to refund interest collected from customers who borrowed money under the previous rates. This impact lingered for nine years, until 2014, and resulted in total losses of at least ¥100.0 billion to ¥150.0 billion. Over this period, we faced a harsh operating environment, recording full-year losses twice.

Meanwhile, card shopping transactions increased steadily each year. Furthermore, cash advance

operations have now bottomed out, and the strides made in the Credit Card Services business in recent years have been greatly contributing to the creation of new corporate value. While it took a while, we are now feeling the benefits of the innovations pursued to date.

## Advance to New Growth Stage

The next area in which I targeted reforms was retailing operations. Previously, our retailing strategies had been focused on youth and fashion, both of which were areas that Marui stores came to be equated with. We began a phased shifting toward new strategies when we opened Yurakucho Marui in 2007.

This probably goes without saying, but when Japan started seeing its birthrate decline and its population age, the future contraction of the youth market was apparent. Addressing this change was an urgent task for the Company. We therefore decided to drastically

revise our previous store development practices, which entailed product lineups centered on youth fashion.

It was at this time that we began creating stores that offered lifestyle support, devoting more sales floor area to sundry items and restaurants to win the support of a wider range of age groups. However, although these efforts raised customer satisfaction and subsequently visitor numbers, they also had the unexpected effect of lowering profitability.

Addressing this issue was quite difficult, taking several years. In the end, the answer was found in changing the format of stores. Up until that point, MARUI CO., LTD., had created department stores with earnings structures based on the consignment buying system. However, we discovered that by transitioning toward shopping center style stores, we could realize profitability even as we shifted from fashion-oriented to lifestyle-oriented stores. This transition resulted in our core source of earnings changing from product sales to rent revenues, which is negatively impacting top-line sales. Profit, meanwhile, is on the rise. We expect approximately 70% of floor space compatible with this new business model to be converted to shopping center style stores by the fiscal year ending March 31, 2017. After this, the Retailing and Store Operation business is projected to experience a gradual increase in operating income.

## A United MARUI GROUP

Throughout its history, MARUI GROUP has created corporate value through its unique business model, merging retailing and credit card operations, and it continues to further refine the strengths of this model. Looking at segment earnings, we see that Credit Card Services is currently supporting overall performance, and it is expected to drive profit growth going forward. Still, we cannot ignore the fact that the Credit Card Services business was built from the Retailing and Store Operation business and could not realize its full potential alone.

Accentuating this reality is the fact that 80% of EPOS CARD applications are submitted at Marui stores. The large portion of customers that apply for cards is a result of the efforts of our employees, with their specialties in retail, recommending cards to customers during their shopping experience. In addition, EPOS cards are issued on-the-spot in stores and can therefore be used immediately. For this reason, the ratio of cardholders that actively use their cards is high. The link with retailing operations is supporting the competitiveness of credit card operations. With regard to collaboration cards as well, the retail experience of our employees is making large contributions to increased value for collaboration partner facilities.



2006  
EPOS CARD licensed by Visa Inc.



2007  
Yurakucho Marui



2014  
First shopping center style store—Machida Marui



2014  
HUIS TEN BOSCH Collaboration EPOS CARD

# Our Co-Creation Management Is Aimed at Creating Value the Likes of which Have Never Been Seen before within MARUI GROUP by Sharing in the Happiness and Emotion of Customers.

At the same time, this relationship is proving beneficial for Retailing and Store Operation, as the option of using EPOS cards to enjoy shopping on credit is helping increase sales. Customers of Marui stores are also often EPOS cardholders. Similarly, MARUI's retailing expertise is supporting credit card operations. It is this type of intrinsic link between the Group's business and the Group's human resources that creates business value not found among rivals.

Organically, a United MARUI GROUP is something that has been realized naturally through the course of our operations. In the future, however, we will intentionally and strategically build upon these links to further refine the strengths they create.

## Co-Creation Management

Since its founding, MARUI's Credit Card Services business has operated under the basic belief that creditability should be built together with customers. We do not assign credit to customers based on their age or their profession. Rather, it is something we build together with customers through the trust we place in them. This belief inspires us to cherish the relationships with our various stakeholders, and it forms the foundation for our management practices that contribute to the development of both the Company and society. Once again, the focus of Japanese society is moving away from the accumulation

of physical goods to the pursuit of more-fulfilling lifestyles, shifting the interests of consumers from things to lifestyles and causing them to value individuality above shared experience. The days of mass consumption are over. As the previous seller's market transforms into a buyer's market, the tactic of pressuring consumers to buy without considering their needs will cease to be effective.

The Group strives to practice co-creation management, which means to thoroughly reinforce the concept of creating together with its customers. I believe that there is nothing more important than to maintain a stance of devotion toward incorporating customer needs and creating value together and that this approach must be adopted whether developing stores, creating products, or providing new services. In this manner, our co-creation management is aimed at creating value the likes of which have never been seen before within MARUI GROUP by sharing in the happiness and emotion of customers. I am confident that creating value with our customers in this way will lead to improved corporate value.

I would like to ask all our stakeholders for their ongoing support and encourage them to look forward to the future of MARUI GROUP with eager anticipation.

August 2015

## Overview of Performance in Fiscal Year Ended March 31, 2015

The fiscal year ended March 31, 2015, was the first year of the new three-year, medium-term management plan, which is slated to end in the fiscal year ending March 31, 2017. Performance in this year was more or less in line with our targets, with gross profit increasing for the fourth consecutive year and operating income rising for the sixth consecutive year.

In Retailing and Store Operation, while sales and income were down due to the impacts of the consumption tax rate hike, performance still exceeded our targets. At the moment, we are working to improve profitability by shifting away from our traditional department store model, which primarily generated earnings through consignment sales, to a business model based on shopping center style stores with tenants on fixed-term rental contracts. Plans in this area are gradually taking shape.

In Credit Card Services, total card transactions exceeded ¥1 trillion in the year under review.

This business is locked firmly in a growth track, recording double-digit growth in both total operating revenues and operating income, and is expected to drive overall performance going forward.

## Allocation of Entire Three-Year Operating Cash Flow to Growth Investments and Shareholder Returns

Under the new medium-term management plan, we are working to improve corporate value through the implementation of growth strategies and financial strategies. Our performance in the fiscal year ended March 31, 2015, and the targets of the plan are as follows.

### Management Performance and Targets

	FY2015 Performance	FY2017 Targets
Operating income	¥28.0 billion	¥36.0 billion or more
ROE	5.2%	6.0% or higher

The financial strategies aimed at achieving these targets call for us to allocate the entirety of the ¥100.0 billion in operating cash flow projected to be generated



# We Will Quickly Achieve Our ROE Target to Improve Corporate Value.

To improve corporate value, we will allocate the entirety of operating cash flow projected to be generated from the Group's business to growth investments and shareholder returns. Financial strategies will be implemented to achieve a capital structure suited to the scale of profits.

*Motoshiko Sato*  
**Motoshiko Sato**  
Director and Senior Managing Executive Officer, and CFO

over the three-year period of the plan to growth investments and shareholder returns. We thereby hope to quickly achieve the ROE target of 6% or higher, after which we will strive to swiftly raise ROE to 8% or higher and then 10% or higher in the fiscal year ending March 31, 2018, and beyond.

During this period, between ¥30.0 billion and ¥35.0 billion of generated cash flow will be allocated to growth-oriented capital investments in new stores, while ¥17.0 billion to ¥18.0 billion is earmarked for shareholder returns and ¥50.0 billion is scheduled to be used for treasury stock acquisitions\*1. The increase in working capital for Credit Card Services is to be funded entirely through external financing.

\*1 For details, please refer to Acquisition and Cancellation of Treasury Stock on page 19.

### Steady Enhancement of Shareholder Returns through Dividends and Treasury Stock Acquisitions

We hope that our shareholders will maintain their holdings over the long term, and we are therefore working to steadily enhance long-term shareholder returns through stable and continuous dividend payments combined with aggressive treasury stock acquisitions.

Since the fiscal year ended March 31, 2013, we have been increasing dividends in conjunction with performance recovery, targeting a payout ratio of 30% or more. In the fiscal year ended March 31, 2015, cash dividends per share were ¥19, up ¥1 year on year, making for a payout ratio of 32%.

#### Shareholder Returns and Payout Ratio

	FY2013	FY2014	FY2015	FY2016 (forecast)
Cash dividends per share	¥15	¥18	¥19	¥22
Payout ratio	31%	32%	32%	32%
Total return ratio	31%	32%	125%	146%

We are also conducting treasury stock acquisitions. In accordance with the aforementioned policy, a total of 10.7 million shares were bought back using ¥15.0 billion. Leading up to March 2017, we plan to conduct a series of acquisitions to repurchase another ¥35.0 billion worth of stock in total. Furthermore, 40 million shares of treasury stock, equivalent to 12.55% of total shares issued, were canceled in March 2015.

Looking ahead, we will continue to issue appropriate returns to shareholders to increase shareholder value while achieving a capital structure suited to the scale of profits.

### Total Group Transactions—New Management Indicator for New Business Model

MARUI GROUP has been recently pushing forward with the transformation of its business model. This transition necessitated the introduction of a new management indicator to more accurately display management performance. Accordingly, we created “total Group transactions” as a new top-line indicator that is effectively linked to income growth. At the same time, we revised the accounting policies for sales in Retailing and Store Operation, introducing “revenue” as a line item to replace the previously used “total operating revenues.” These changes will be applied to performance forecasts and reports for the fiscal year ending March 31, 2016, and onward\*2.

\*2 For details, please refer to Introduction of New Management Indicator—Total Group Transactions on page 19.

Structurally, the Retailing and Store Operation business accounts for the majority of the Company’s sales. As we shift toward shopping center style stores under the new business model, our source of earnings will change from product sales to rent revenues, resulting in a decline in overall recorded sales. At the same time, though, this transition is driving profitability improvements in the Retailing and Store Operation business and earnings growth in Credit Card Services, resulting in an upward trend in gross profit and operating income. This situation has caused inconsistency between trends in the previously used top-line indicator, “total operating revenues,” and income figures.

We anticipate that the newly introduced “total Group transactions” will prove to be a highly viable indicator that accurately reflects management performance and progress under the new medium-term management plan.

August 2015

MARUI GROUP Is Not Attempting to Duplicate the Successes of the Past but Is Rather Forging a New Path through Bold Innovation.

堀内 光一郎

Koichiro Horiuchi  
External Director  
President and Representative Director, FUJI KYUKO CO., LTD.



Since being appointed to the position of external director at MARUI GROUP, I have continued to actively provide management with suggestions and advice, all while maintaining an outside perspective. The role of an external director is generally to prevent management from falling into a sense of complacency and to exercise a restraint function to stop management from becoming overly inward looking or acting contrary to social norms. However, in the case of MARUI GROUP, I do not feel this is an issue, as its corporate governance system is functioning soundly.

MARUI GROUP’s strength lies in the fact that the Group always pursues innovation, taking appropriate risks while adapting to the changing times. The Group has built its operating foundations on top of a business model that merges retailing and credit cards. Accordingly, recent operating environment trends, such as the aging population, declining birthrate, and departure



from accumulating physical goods, represent major management issues needing to be addressed. However, even in tackling these issues, MARUI GROUP is not attempting to duplicate the successes of the past but is rather forging a new path through bold innovation. Management’s current stance can be seen in the transformation of the retailing business model, the opening of the Group’s first store in Kyushu, and the rapid development of EPOS CARD operations.

In the fiscal year ending March 31, 2016, MARUI GROUP’s corporate governance system will enter into a new stage. Accordingly, I will reaffirm my own responsibility so that I may live up to the expectations of the Company’s shareholders and other investors by contributing to improved corporate value.

August 2015



I believe that my duty as an external director is to provide suggestions on how MARUI GROUP can achieve sustainable growth and realize medium-to-long-term improvements in corporate value. In the past, I have supported corporate transformations at numerous companies as a management advisor. Calling upon this expertise, I aim to support MARUI GROUP's management to ensure that the Company continues to grow steadily. Furthermore, I have specialties in cultivating managerial candidates and developing organizations, and I therefore hope to help create an environment that facilitates that growth of employees from a management perspective.

From my viewpoint, the strength of MARUI GROUP comes from its organization, which capitalizes on the innovative minds of its management and the diversity of its human resources. Over the past several years, the Company has been transforming the business model for its Retailing and Store Operation business. These efforts have been driven by a corporate culture that fears neither failure nor change, based on the sentiment of equating the

development of people with the development of the Company contained in MARUI GROUP's corporate philosophy. Looking at its organization, MARUI GROUP respects the diversity of its human resources, and it is implementing numerous measures to create an air of dynamism in the organization, including assigning employees to new professions. These efforts will no doubt drive a steady increase in the Group's corporate value. I am completely onboard with this approach, and I want to support management in building upon these efforts in the future.

In regard to the Board of Directors, I feel that meetings need to go beyond simply approving and deciding on important management matters. Meetings of the Board of Directors should serve as forums for free and constructive discussion of management issues and directives. In my capacity as an external director, I will strive to serve as a catalyst for upbeat discussions and thereby make further contributions to improved corporate value.

August 2015

MARUI GROUP's Respect for the Diversity of Human Resources and Numerous Measures Implemented to Promote Dynamism in the Organizations Will No Doubt Increase the Group's Corporate Value.

Etsuko Okajima  
External Director  
Representative and CEO, ProNova Inc.

