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*Translation: Please note that the following purports to be an accurately translated excerpt of the original Japanese version prepared for the convenience of investors outside Japan. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

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Stock Exchange Code: 8252

June 2, 2017

3-2, Nakano 4-chome, Nakano-ku, Tokyo

**MARUI GROUP CO., LTD.**

Hiroshi Aoi

President and Representative Director

### **Notice of Convocation of the 81st Ordinary General Meeting of Shareholders**

Dear Shareholders:

You are cordially invited to attend the 81st Ordinary General Meeting of Shareholders of MARUI GROUP CO., LTD. (the “Company”).

**If you are unable to attend the aforesaid meeting, you can exercise your votes through either of the methods stated below. The Company respectfully requests you to view the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting rights on or before 7:00 p.m. (JST) June 23, 2017 (Friday).**

### **GUIDANCE ON THE WAY TO EXERCISE THE VOTING RIGHTS:**

#### **[For those attending the General Meeting of Shareholders]**

Please submit the Voting Rights Exercise Form enclosed herewith to the reception at the venue of the meeting. Furthermore, please be advised that persons other than the shareholders such as proxy who is not a shareholder and persons accompanying you shall not be able to enter the place of meeting.

#### **[For those exercising voting rights by mail]**

Please indicate on the Voting Rights Exercise Form enclosed herewith your consent or dissent to the proposals on the agenda, and return the form to the Company by mail on or before the deadline stated above.

#### **[For those exercising voting rights via the Internet]**

Please access the website for the exercise of voting rights (<http://www.evot.jp/>), using the log-in ID and temporary password which are shown on the Voting Rights Exercise Form. After logging in,

please indicate whether you approve or disapprove the items on the agenda by following the instructions on the screen by the deadline stated above.

With respect to exercising voting rights via the Internet, the Company takes liberty to ask shareholders to confirm the Guidelines for the Exercise of Voting Rights via the Internet. *(Note: This paragraph intentionally omitted as the Internet voting service is only available in Japan in the Japanese language.)*

## **PARTICULARS**

- 1. Date and Time of the Meeting:** Monday, June 26, 2017 at 10:00 a.m.  
(Reception commences at 9:00 a.m.)
- 2. Place of the Meeting:** 3rd Floor of the Head Office of MARUI GROUP CO., LTD.  
at 3-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan  
Please be aware that the place of the meeting is different from that of last year.  
Souvenirs distributed on the day of the General Meeting of Shareholders will no longer be provided. We appreciate your understanding.
- 3. Matters to be Addressed at the Meeting:**

### **Matters to be Reported:**

1. Report on the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 81st Fiscal Year (from April 1, 2016 to March 31, 2017).
2. Report on the Results of the Audits of Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board.

### **Matters to be Resolved:**

**Proposal 1:** Proposed Disposal of Surplus

**Proposal 2:** Election of Seven (7) Directors

**Proposal 3:** Election of One (1) Substitute Audit & Supervisory Board Member

### **Guidance for Exercising Voting Rights:**

- (1) In the event that a shareholder exercises voting rights both via return mail (Voting Rights Exercise Form) and the Internet, the Company will consider the exercise of voting rights via the Internet to be valid.
- (2) In the event that a shareholder exercises voting rights via the Internet more than once, the Company will consider the last exercise of voting rights to be valid.

- End -

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- If there is any amendment to the contents of the Reference Document Concerning the General Meeting of Shareholders, the Business Report, the Non-Consolidated Financial Statements, the Consolidated Financial Statements, the Company will announce such amendment on the Company's homepage (<http://www.0101maruigroup.co.jp/>).

## A message to all of our shareholders

Hiroshi Aoi  
President and Representative  
Director, and Group Representative  
Executive Officer

Let me begin by expressing by sincere appreciation for your ongoing patronage and support of the MARUI GROUP.

Our corporate philosophy is to “continue evolving to better aid our customers” and we “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. By always striving to attend to the needs of our customers and to 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.

We believe that corporate value is found at the intersection of our stakeholders’ interests and happiness, and view expanding this intersection as key to enhancing our corporate value.

MARUI GROUP’s co-creation of corporate value has only just begun. We hope that continued dialogue with all of our shareholders serves as a basis for “co-creation management” with all of our stakeholders. We look forward to your continued patronage in the future.

June 2017

## Reference Document Concerning the General Meeting of Shareholders

### Proposals and Reference Materials

#### Proposal 1: Proposed Disposal of Surplus

The Company considers that returning the profit to the shareholders is one of the important management priorities. The Company has a basic policy of continuing to return profits to the shareholders in proportion to the operating results with a view to retaining the consolidated payout ratio at least 40%. The Company will carry out return of profit to the shareholders taking into consideration results of operation and financial conditions and other relevant factors.

Based on the above basic policy, it is proposed that the year-end dividends for the fiscal year under review be 17 yen per share. Together with the interim dividends of 16 yen per share which have been paid, the annual payment of dividends for the fiscal year under review shall be 33 yen per share, an increase of 11 yen per share compared with the previous fiscal year, which is the increase in dividends for five (5) consecutive fiscal years.

Matters related to the year-end dividend:

- (1) Type of assets distributed: Cash
- (2) Matter related to distribution of cash and total amount:  
17 yen per share of common stock of the Company  
Total amount: 3,900,785,439 yen
- (3) Effective date for distribution of surplus: June 27, 2017

## Proposal 2: Election of Seven (7) Directors

The term of office of all of the six (6) Directors will expire at the close of this General Meeting.

In line with above, the Company would like to propose to elect seven (7) Directors, including the addition of one (1) External Director, in order to enhance management transparency and further strengthen the supervisory functions of Board of Directors' meetings.

Accordingly, the number of External Directors will be three (3).

The candidates for Directors are as follows:

Candidate Number	Name		Positions and Responsibilities at the Company
1	Hiroshi Aoi	【Reappointment】	President and Representative Director, and Group Representative Executive Officer
2	Koichiro Horiuchi	【Reappointment】 【Candidate for External Director】 【Candidate for Independent Director】	External Director
3	Etsuko Okajima	【Reappointment】 【Candidate for External Director】 【Candidate for Independent Director】	External Director
4	Masahiro Muroi	【New appointment】 【Candidate for External Director】 【Candidate for Independent Director】	
5	Masao Nakamura	【Reappointment】	Director and Managing Executive Officer Responsible for Retailing Business
6	Tomoo Ishii	【Reappointment】	Director and Managing Executive Officer, and Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion
7	Hirotsugu Kato	【Reappointment】	Director and Senior Executive Officer General Manager, IR Division In charge of Corporate Planning and ESG Promotion

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
1	Hiroshi Aoi (January 17, 1961) 【Reappointment】	<p>Jul. 1986      Joined the Company</p> <p>Apr. 1991      Director, and General Manager, Sales Planning Headquarters</p> <p>Apr. 1995      Managing Director, Deputy General Manager, Sales Promotion Headquarters, and General Manager, Sales Planning Division</p> <p>Jan. 2001      Managing Director, and General Manager, Sales Promotion Headquarters</p> <p>Jun. 2004      Executive Vice President and Representative Director</p> <p>Apr. 2005      President and Representative Director</p> <p>Oct. 2006      President and Representative Director, and Group Representative Executive Officer (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hiroshi Aoi has properly operated the Board of Directors as the chairman and duly performed his supervisory functions for important management decision making and operational execution as President and Representative Director of the Company since 2005. He has ample business experience and knowledge as a corporate manager, and has controlled overall operation of the Group and performed his duties properly as Group Representative Executive Officer. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid- term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	1,538,300
2	<p>Koichiro Horiuchi (September 17, 1960)</p> <p>【Reappointment】</p> <p>【Candidate for External Director】</p> <p>▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 9 years</p> <p>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</p>	<p>Apr. 1983      Joined The Long-Term Credit Bank of Japan</p> <p>Mar. 1988      Joined FUJI KYUKO CO., LTD., General Manager, Corporate Planning Division, FUJI KYUKO CO., LTD.</p> <p>Jun. 1988      Director, FUJI KYUKO CO., LTD.</p> <p>Feb. 1989      Senior Managing Director, FUJI KYUKO CO., LTD.</p> <p>Jun. 1989      Representative Director and Senior Managing Director, FUJI KYUKO CO., LTD.</p> <p>Sep. 1989      President and Representative Director, FUJI KYUKO CO., LTD. (Incumbent)</p> <p>Jun. 2008      External Director (Incumbent)</p> <p>Jun. 2012      External Audit &amp; Supervisory Board Member, THE YAMANASHI CHUO BANK, LTD. (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Mr. Koichiro Horiuchi has experience and extensive knowledge of corporate management. He also has actively made comments as External Director of the Company from an independent, objective position and have currently performed his duties for the Company properly. As the Company believes that he can continue to contribute to the reinforcement of supervisory function for management of the Company, the Company has nominated him as a candidate for an External Director.</p>	0

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
3	<p>Etsuko Okajima (May 16, 1966)</p> <p><b>【Reappointment】</b> <b>【Candidate for External Director】</b></p> <p>▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 3 years ▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</p>	<p>Apr. 1989      Joined Mitsubishi Corporation</p> <p>Jan. 2001      Joined McKinsey &amp; Company</p> <p>Jul. 2005      Representative and CEO, GLOBIS Management Bank</p> <p>Jun. 2007      Representative and CEO, ProNova Inc. (Incumbent)</p> <p>Jun. 2014      External Director, Astellas Pharma Inc. (Incumbent)</p> <p>Mar. 2016      External Director (Incumbent)</p> <p>External Director, Link and Motivation Inc. (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Ms. Etsuko Okajima has experience and extensive knowledge of corporate management and is well versed in diversity. She has currently performed her duties as External Director of the Company properly from an independent, objective position. As the Company believes that she can continue to contribute to the reinforcement of supervisory function for management of the Company, the Company has nominated her as a candidate for an External Director.</p>	0
4	<p>Masahiro Muroi (July 13, 1955)</p> <p><b>【New appointment】</b> <b>【Candidate for External Director】</b></p>	<p>Apr. 1978      Joined Nomura Computer System Co., Ltd. (current Nomura Research Institute, Ltd.)</p> <p>Jun. 2000      Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2002      Senior Corporate Managing Director, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2007      Senior Executive Managing Director, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2009      Representative and Senior Executive Managing Director, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2013      Representative and Vice President, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2015      Vice chairman, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Jun. 2016      External Director, Ryoden Corporation (Incumbent)</p> <p>Apr. 2017      Member of the Board, Nomura Research Institute, Ltd. (Scheduled to retire in June 2017)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Mr. Masahiro Muroi has experience in taking the initiative in corporate governance reforms as a corporate manager and deep knowledge of leading-edge technology and the digital field. As the Company believes that he can contribute to the reinforcement of supervisory function for management of the Company when developing a growth strategy via open innovation which the Company will promote, the Company has nominated him as a candidate for an External Director.</p>	0



	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
5	Masao Nakamura (June 11, 1960) 【Reappointment】	<p>Apr. 1983      Joined the Company</p> <p>May 2003      General Manager, Store Planning Division, Sales Promotion Headquarters</p> <p>Apr. 2007      Executive Officer, and General Manager, Group Business Promotion Division</p> <p>Jun. 2008      Director and Executive Officer, and General Manager, Corporate Planning Division and Business Development Division</p> <p>Apr. 2011      Managing Director and Managing Executive Officer President and Representative Director, MARUI Co., Ltd.</p> <p>Apr. 2015      Director and Managing Executive Officer Responsible for Retailing and Store Operations Business</p> <p>Apr. 2016      President and Representative Director, AIM CREATE CO., LTD. (Incumbent)</p> <p>May 2016      Director and Managing Executive Officer Responsible for Retailing Business (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Masao Nakamura has business experience in corporate planning, business development, store planning, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2008. He has controlled retailing business and performed his duties properly as Managing Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	20,800

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
6	Tomoo Ishii (July 16, 1960) 【Reappointment】	<p>Apr. 1983      Joined the Company</p> <p>Oct. 2005      General Manager, Group Compliance Division</p> <p>Apr. 2007      Executive Officer, and General Manager, Group Compliance Division</p> <p>Jun. 2009      Director and Executive Officer, and General Manager, General Affairs Division</p> <p>Apr. 2013      Director and Executive Officer, and General Manager, Personnel Division</p> <p>Apr. 2015      Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion, and General Manager, Personnel Division In charge of General Affairs and Healthcare Promotion</p> <p>Apr. 2016      Director and Managing Executive Officer, and Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion (Incumbent)</p> <p>Apr. 2017      President and Representative Director, MOVING CO., LTD. (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Tomoo Ishii has business experience in Personnel, General Affairs and Compliance Division, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2009. He also has controlled general affairs, personnel and healthcare promotion and performed his duties properly as Managing Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	17,500

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
7	Hirotsugu Kato (July 30, 1963) 【Reappointment】	<p>Mar. 1987      Joined the Company</p> <p>Apr. 2013      General Manager, Corporate Planning Division</p> <p>Apr. 2015      Executive Officer, and General Manager, Corporate Planning Division</p> <p>Oct. 2015      Executive Officer, and General Manager, Corporate Planning Division and IR Division</p> <p>Jun. 2016      Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Division</p> <p>Oct. 2016      Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Division In charge of ESG Promotion</p> <p>Apr. 2017      Director and Senior Executive Officer General Manager, IR Division In charge of Corporate Planning and ESG Promotion (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hirotsugu Kato has business experience in Corporate Planning, Finance and IR Divisions, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2016. He also has controlled corporate planning and ESG promotion and performed his duties properly as Senior Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	4,500

Notes:

1. Mr. Koichiro Horiuchi and Ms. Etsuko Okajima are candidates for External Directors and the Company has submitted a notification designating them as independent directors to Tokyo Stock Exchange, Inc.
2. Ms. Etsuko Okajima's name on the family register is Ms. Etsuko Mino.
3. Mr. Masahiro Muroi is a candidate for External Director and the Company plans to submit a notification designating him as an independent director to Tokyo Stock Exchange, Inc. subject to his appointment.
4. Mr. Masahiro Muroi is a Member of the Board of Nomura Research Institute, Ltd., which is a business partner of the Company, and he will retire from his post in June 23, 2017, and is expected to be appointed as Advisor on the same day. The Company's payment amount to Nomura Research Institute, Ltd. for the most recent fiscal year was 8 million yen, which accounted for 0.002% of consolidated sales of Nomura Research Institute, Ltd., and therefore he satisfies the "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company. For the "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company, please see "Criteria for Independence for External Directors and Audit & Supervisory Board Members" set forth as follows hereafter.
5. The Company has entered into a liability limit agreement with each of Mr. Koichiro Horiuchi and Ms. Etsuko Okajima under which his/her liability shall be limited to the minimum amount provided for in laws and regulations. In the event that they are re-elected as External Directors, the Company

is scheduled to enter into the same agreement with each of them. In the event that Mr. Masahiro Muroi is elected, the Company plans to enter into a liability limit agreement with him identical to the above.

### Proposal 3: Election of One (1) Substitute Audit & Supervisory Board Member

The resolution of electing Mr. Akira Nozaki as a Substitute Audit & Supervisory Board Member made at the 80th Ordinary General Meeting of Shareholders of the Company held on June 29, 2016 will be in effect until the start of this General Meeting.

For the purpose of preparing the case in which the number of Audit & Supervisory Board Member falls below the minimum number stipulated in the laws and regulations, the Company would like to propose to elect one (1) Substitute Audit & Supervisory Board Member.

Furthermore, the Audit & Supervisory Board has consented to this proposal.

Candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of Birth)	(Brief History and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
Akira Nozaki (November 20, 1957) <b>【Candidate for Substitute Audit &amp; Supervisory Board Member】</b>	Apr. 1988 Registered as Attorney Jun. 2015 External Director, J-OIL MILLS, Inc. (Scheduled to retire in June 2017) External Director, ICHIKAWA CO., LTD. (Incumbent)	0
	Reasons for nomination as a candidate for Substitute External Audit & Supervisory Board Member  The Company believes that he can carry out audit of the Company based on his legal knowledge and experience obtained through his long-term practice as a lawyer. Therefore, the Company has nominated him as a candidate for a Substitute External Audit & Supervisory Board Member.	

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Akira Nozaki is a candidate for Substitute External Audit & Supervisory Board Member of the Company. In the event that his election is approved and he assumes the post of External Audit & Supervisory Board Member, the Company plans to submit an Independent Officer Registration Statement to the Tokyo Stock Exchange, Inc. that designates him as an independent audit & supervisory board member.
3. Mr. Akira Nozaki serves as an External director of J-OIL MILLS, Inc., but will resign on June 22 2017, and is scheduled to be appointed as an External Audit & Supervisory Board Member at said Company on the same day.
4. In the event that Mr. Akira Nozaki is elected, the Company plans to enter into a liability limiting agreement with Mr. Akira Nozaki, under which his responsibility would be limited to the extent of the minimum amount provided for in the laws and regulations, upon his assumption of office as Audit & Supervisory Board Member.

## Criteria for Independence for External Directors and Audit & Supervisory Board Members

MARUI GROUP aims to ensure the appropriate levels of objectivity and transparency necessary for effective corporate governance. For this reason, it has established the following criteria for determining the independence of External Directors, External Audit & Supervisory Board Members, and candidates for these two positions. Individuals that meet all of these criteria are judged to be sufficiently independent from the Company.

1. The individual must not be a person involved in operation\*1 of the Company, its subsidiaries, or its affiliates and must not have been a person involved in operation during the past ten (10) years.
2. The individual must not be a major supplier\*2 of the Company, its subsidiaries, or its affiliates or a person involved in operation of a major supplier.
3. The individual must not be a major customer\*3 of the Company, its subsidiaries, or its affiliates or a person involved in operation of a major customer.
4. The individual must not be a major shareholder of the Company possessing direct or indirect holdings equating to 10% or more of voting rights, or a person involved in operation of a major shareholder.
5. The individual must not be a person involved in operation of an entity in which the Company, its subsidiaries, or its affiliates possesses direct or indirect holdings equating to 10% or more of the total voting rights of such entity.
6. The individual must not be a consultant, a certified public accountant or other accounting specialist, or a lawyer or other legal specialist receiving large amounts of monetary payments or other financial assets\*4 from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a Director or Audit & Supervisory Board Member. The individual also must not belong to a company or other organization that receives such payments or assets.
7. The individual must not receive large amounts of monetary payments or other financial assets\*4 as donations from the Company, its subsidiaries, or its affiliates and must not belong to a company or other organization that receives such donations.
8. The individual must not be the accounting auditor of the Company. The individual also must not belong to a company or other organization that serves as the accounting auditor of the Company.
9. The individual must not have been applicable under items 2. to 8. during the past five (5) years.
10. The individual must not be a relative\*5 of an individual that qualifies under Items 2. to 8. (only applicable to relatives of important persons involved in operation\*6 for all items except Items 6. and 8.).
11. The individual must not be a person involved in operation of another company with which the Company is in interrelationship of external officers\*7.

\*1 A “person involved in operation” is defined as an executive director, executive officer, or employee with operational execution responsibilities of a stock company; a director of a non-company legal entity or organization; or individuals serving persons in similar positions or at similar companies, non-company legal entities, or organizations.

\*2 A “major supplier” is defined as an entity that fulfills one of the following conditions:

- a. A supplier group (the corporate group to which the supplier that serves as the direct transaction counterparty belongs) that provides products or services to the Company, its subsidiaries, or its affiliates and for which transactions with the Company, its subsidiaries, and its affiliates equated to 10 million yen or more and represented more than 2% of the total consolidated net sales or transaction revenues of the supplier group in the most recently completed fiscal year.

- b. A supplier group with which liabilities of the Company, its subsidiaries, or its affiliates are associated and for which the applicable liabilities equated to 10 million yen or more and represented more than 2% of the consolidated total assets of the supplier group as of the end of the most recently completed fiscal year.

\*3 A “major customer” is defined as an entity that fulfills one of the following conditions:

- a. A customer group (the corporate group to which the customer that serves as the direct transaction counterparty belongs) to which the Company, its subsidiaries, or its affiliates provide products or services and for which the total amount of transactions with the customer group equated to 10 million yen or more and represented more than 2% of the consolidated total operating revenues of the Company in the most recently completed fiscal year.
- b. A customer group possessing liabilities that are associated with the Company, its subsidiaries, or its affiliates and that equated to 10 million yen or more and represented more than 2% of the consolidated total assets of the Company as of the end of the most recently completed fiscal year.
- c. A financial group (the financial group to which the customer that serves as the direct transaction counterparty belongs) from which the Company, its subsidiaries, or its affiliates procure funds through borrowings and from which the total amount of funds borrowed represented more than 2% of the consolidated total assets of the Company as of the end of the most recently completed fiscal year.

\*4 A “large amount of monetary payments or other financial assets” means monetary payments or other financial assets, the total amount of which is 10 million yen or more within the most recent fiscal year.

\*5 A “relative” means a spouse of, and any family member who has relation within the second degree with, the individual.

\*6 “Important persons involved in operation” refers to directors, executive officers, and employees with operational execution responsibilities ranked as division manager or higher, or individuals with similar operational execution authority.

\*7 “Interrelationship of external officers” refers to a relationship whereby a person involved in operation of the Company, its subsidiaries and its affiliates serves as an external officer of another company, and a person involved in operation of the said company serves as an external officer of the Company.

End

## MARUI GROUP DIGEST 2016

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| April     | <ul style="list-style-type: none"> <li>■ Opened “Hakata Marui”, the first store in Kyushu</li> <li>■ Issued EPOS card’s first Hokkaido facility collaborative card, “Rera EPOS card” (Chitose City)</li> </ul>   |
| May       | <ul style="list-style-type: none"> <li>■ Participated in TOKYO RAINBOW PRIDE 2016</li> <li>■ Established a Nomination and Compensation Committee</li> </ul>  |
| June      | <ul style="list-style-type: none"> <li>■ Selected in the upper ranks in the retail sector in America’s “Institutional Investor” ranking of the Best IR Companies in Japan               <ul style="list-style-type: none"> <li>• No. 2 Ranking for Best IR Company on the Sell Side</li> <li>• Combined No. 2 Ranking for Best CEO</li> </ul> </li> </ul>  |
| July      | <ul style="list-style-type: none"> <li>■ Opened “maruinoshoes” in Sendai PARCO2</li> <li>■ Acquired “Platinum Kurumin” certification as a company that supports child-rearing</li> </ul>   |
| August    | <ul style="list-style-type: none"> <li>■ Set up an exhibit at “Comic Market 90”</li> <li>■ Showing of “YELL FOR THE BLUE SKY,” the first film for which the Company was part of the production committee</li> </ul>  |
| September | <ul style="list-style-type: none"> <li>■ Signed a business and capital alliance agreement with MONEY DESIGN Co., Ltd., a fintech venture company</li> <li>■ Awarded the Grand Prize at the “IKUMEN AWARD 2016”</li> </ul>  |
| October   | <ul style="list-style-type: none"> <li>■ Grand opening of “Kashiwa Marui” and “Kashiwa Modi”</li> <li>■ “maruinoshoes” opens in LaLaport Shonan Hiratsuka</li> <li>■ Credit card business awarded the 16th “Porter Prize”</li> <li>■ Issued the “ASPIA Akashi EPOS card”</li> </ul>  |
| November  | <ul style="list-style-type: none"> <li>■ Grand opening of “Shizuoka Marui” and “Shizuoka Modi”</li> <li>■ Issued “IDC OTSUKA EPOS Card”</li> </ul>   |
| December  | <ul style="list-style-type: none"> <li>■ Set up an exhibit at “EcoPro 2016”</li> <li>■ “2016 Grand Prize as a Company where it Easy to Combine Work and Child-Rearing,” Recognition Award</li> </ul>   |
| January   | <ul style="list-style-type: none"> <li>■ Issued the “MALLAGE KASHIWA EPOS card”</li> </ul>   |
| February  | <ul style="list-style-type: none"> <li>■ Opened “Wowma! Brand Square” at the Company’s specialty shop for fashion brands, “Wowma! for au,” a mail-order website</li> <li>■ Opened <i>Rakuchin Kirei Shoes</i> “Fit Studio” at the Kinshicho store, offering customers a new experience</li> <li>■ Received “Excellent Health and Productivity Management Corporation (White 500)” certification</li> </ul>   |
| March     | <ul style="list-style-type: none"> <li>■ Participated in the production committee for the film “GIN TAMA”</li> <li>■ Opened <i>Rakuchin Kirei Shoes</i> “Fit Studio” in AEON MALL Kisogawa</li> <li>■ Apple Pay starts accepting EPOS card</li> <li>■ Issued “Feeeal EPOS card” (Asahikawa City, Hokkaido) and “HOSHIGAOKA card EPOS” (Nagoya City, Aichi)</li> <li>■ Signed a partnership agreement with Japan Blind Football Association (JBFA)</li> </ul> |



(Attached Materials)

## Business Report

(For the fiscal year from April 1, 2016 to March 31, 2017)

### 1. Information on the Status of Marui Corporate Group

#### (1) Development of the Businesses of the Corporate Group and Financial Results

The Group brought about innovation through a shift in its business structure and achieved the goals of the previous mid-term management plan in the fiscal year ended March 31, 2016, one year ahead of the original schedule. Therefore, the Group has formulated a new five-year mid-term management plan with the fiscal year ending March 31, 2021 as the final year. The target indicators in the new mid-term management plan are 130 yen or more EPS (earnings per share), 10% or higher ROE (return on equity), and 4% or higher ROIC (return on invested capital).

Under such circumstances, while ROIC for the fiscal year under review has fallen below the previous fiscal year, EPS increased by 14% and 9.5 yen from the previous fiscal year to 80.2 yen and ROE increased by 0.7% from the previous fiscal year to 6.7% due to profit growth and capital policies.

Total group transactions for the fiscal year under review increased by 14% and 230.3 billion yen from the previous fiscal year to 1,933.7 billion yen primarily as a result of card shopping transactions in the FinTech business. Operating income increased by 6% from the previous fiscal year to 31.3 billion yen, which is an increase in operating income for eight consecutive fiscal years. In addition, net income attributable to owners of parent increased by 5% from the previous fiscal year to 18.7 billion yen, which is an increase in net income attributable to owners of parent for six consecutive fiscal years.

From the fiscal year under review, the Group has changed its segment categories, reorganizing the previous three business segments of “Retailing and Store Operation,” “Credit Card Services,” and “Retailing-related Services,” into the two core businesses of “Retailing,” led by stores, omni-channel retailing, and facility management and distribution, and “FinTech,” led by credit cards, financial services, and IT. In line with the above, year on year comparisons were carried out by reclassifying the figures in the previous fiscal year into the new segment categories.

(Consolidated financial results for the fiscal year ended March 31, 2017)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Year on Year	Increase (Decrease) from the previous fiscal year
EPS (Yen)	58.9	70.7	80.2	114%	9.5
ROE (%)	5.2	6.0	6.7	-	0.7
ROIC (%)	3.3	3.3	3.1	-	(0.2)
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)	(Billions of yen)
Total Group Transactions	1,469.1	1,703.4	1,933.7	114	230.3
Revenue	249.8	245.9	237.0	96	(8.8)
Gross Profit	159.4	160.0	166.0	104	5.9
[Gross Profit Margin (%)]	[63.8]	[65.1]	[70.0]	[-]	[4.9]
Selling, General and Administrative Expenses	131.4	130.4	134.7	103	4.3
Operating Income	28.0	29.6	31.3	106	1.6
Ordinary Income	28.0	29.2	31.1	107	2.0
Net Income Attributable to Owners of Parent	16.0	17.8	18.7	105	1.0

(English Translation)

## Retailing

In an environment where customer needs are changing from “goods” to “experiences,” the Group will shift from a department store-type business model under traditional consignment buying contracts to a shopping center (SC)-type business model under fixed-term lease contracts by the fiscal year ending March 31, 2019, in an effort to improve profits.

In April last year, the Group opened its first Kyushu store, Hakata Marui, and at its Kashiwa and Shizuoka stores where it renovated the entire buildings in the fall, it expanded its lifestyle category, centered on restaurants, following significant requests from customers, resulting in many customers visiting the stores regardless of gender and age.

As a result of the concerted efforts of renovation through the shift in business structure to creating SC-type stores under fixed-term lease contracts, with respect to its progress after the passage of three years, the fixed-term lease contract conversion ratio (fixed-term lease contract conversion floor area/floor area subject to conversion to fixed-term lease (0.2 million m<sup>2</sup>)) as of March 31, 2017 was 62% (42% increase from the previous fiscal year), and the Group achieved the current fiscal year’s plan of 60%.

While conversion to fixed-term lease contracts led to an increase in revenue improvement of 2.0 billion yen and revenue improvement in EC increased 0.3 billion yen, there was a temporary increase of idle space that occurred due to the closure of retail spaces during the course of renovation, etc., which had a negative effect of 2.6 billion yen, in addition to stagnant sales in retail spaces that were not converted to fixed-term lease contracts, etc., which had a negative effect of 2.6 billion yen for the fiscal year ended March 31, 2017. As a result, operating income in the retailing business for the fiscal year under review decreased by 27% from the previous fiscal year to 7.8 billion yen.

## FinTech

In the FinTech business, while new card memberships registered outside the Group fell below the previous fiscal year due to factors such as the issuance of affiliated cards being concentrated in the second half of the fiscal year, those inside the Group increased by 21 thousand members compared to the previous fiscal year due to the opening of Hakata Marui. As a result, the number of new card memberships was 741 thousand members, a 2% increase from the previous fiscal year.

Transaction volume increased by 17% from the previous fiscal year to 1,723.3 billion yen, and driven by gold cards, the shopping transaction balance was favorable, posting a 19% increase from the previous fiscal year. In particular, the utilization of revolving payments and installment payments increased due to the expansion of stores handling installment payments, etc., and as a result, the balance of revolving payments and installment payments increased by 51.0 billion yen, or 25%, from the previous fiscal year to 255.5 billion yen.

As a result, operating income in the FinTech business for the fiscal year under review increased by 17% to 27.1 billion yen, which is an increase in operating income for five consecutive fiscal years.

(Information on the status of the FinTech business for the fiscal year ended March 31, 2017)

	Fiscal year ended March 31, 2016 (10Thousands of persons)	Fiscal year ended March 31, 2017 (10Thousands of persons)	Year on Year (%)	Increase (Decrease) from the previous fiscal year (10Thousands of persons)
Number of New Card Memberships	73	74	102	1
[Of which, from outside the Group]	[17]	[16]	[94]	[(1)]
Number of Card Memberships	612	635	104	22
Platinum / Gold	132	156	118	24
	(Billions of yen)	(Billions of yen)	Year on Year (%)	(Billions of yen)
Card Shopping Transactions	1,165.6	1,390.6	119	225.0
[Transactions from outside the Group]	[1,054.0]	[1,274.7]	[121]	[220.7]
Cash Advance Transactions	142.6	136.3	96	(6.4)
Balance of Revolving Payments and Installment Payments	204.5	255.5	125	51.0
Balance of Operating Loans	134.1	140.6	105	6.5

(Segment Information)

(Millions of yen)

Category	Retailing	FinTech	Total	Adjustments	Consolidated
Revenue					
To Outside Customers	142,113	94,909	237,022	-	237,022
Inter-Segment Revenue or Transferred Revenue	5,975	2,192	8,168	(8,168)	-
Total	148,089	97,101	245,190	(8,168)	237,022
[Year on Year (%)]	[87.4]	[114.0]	[96.3]	[-]	[96.4]
Segment Profit	7,759	27,111	34,870	(3,616)	31,253
[Year on Year (%)]	[72.8]	[117.4]	[103.3]	[-]	[105.5]
Operating Margin (%)	5.2	27.9	-	-	13.2

(Detail of Total Group Transactions)

Category	Total Transactions (Millions of yen)	Composition Ratio (%)	Year on Year (%)
Product sales	71,818	3.7	80.4
Consignment sales	133,285	6.9	73.2
Rent revenues and others	97,149	5.0	234.1
Retailing-related services	24,074	1.3	83.1
Retailing	326,327	16.9	95.5
Card shopping	1,390,627	71.9	119.3
Cash advances	136,253	7.1	95.5
Financial services	187,872	9.7	119.8
IT and others	8,500	0.4	102.3
FinTech	1,723,254	89.1	116.9
Eliminations	(115,896)	(6.0)	-
Total	1,933,685	100.0	113.5

Note: Total transactions for retailing-related services include interior design and furnishing for retail stores, publicity and advertising, distribution/logistics for fashion goods, while IT and others includes IT systems services, and the management and maintenance of buildings and rent on real estate, etc.

## (2) Capital Investments

The capital investments of the Group were mainly for the renovation of sales floors at existing stores and the upgrading of information terminals. The total expenditures on capital investments during the fiscal year under review amounted to 15,696 million yen.

## (3) Fund Procurement

The Group raises funds with the highest priority given to ensuring financial stability, while making efforts to lengthen its funding period and diversifying its maturity dates as well as funding methods.

During the consolidated fiscal year under review, the Group raised funds of 100.0 billion yen in loans from financial institutions and 25.0 billion yen from the issuance of bonds in response to an increase in trade receivables of the FinTech business and the repayment of loans.

## (4) Issues to be Addressed

The Group is undertaking initiatives to realize its five-year medium-term management plan starting from this fiscal year and concluding in the fiscal year ending in March 31, 2021.

The retailing business continues to transition to SC-type stores under fixed term lease contracts, and the Company plans to improve earnings by converting to fixed-term rentals all floor space capable of being converted by the end of the fiscal year ending March 31, 2019. Through this transition, the Group is significantly altering the composition of its store categories by transitioning from the present focus on apparel to restaurants, services and sundries, and is steadily developing a store format that reflects a long-term trend marked by a shift from “goods to experiences.” “Hakata Marui,” a store opened in April last year based on this new store format that attracted a greater number of customers than planned, had customer traffic on the same scale as the Yurakucho store.

In omni-channel retailing, we have undertaken initiatives to develop a unique business model that combines the Company’s store, credit card and online strengths. Specifically, there is a store for trying-on women’s shoes that only displays samples for fittings on the floor, and we are developing stores with

sections devoted to “try-ons” that allow customers to freely experiment. Customers can place orders themselves using tablets at the stores and have the items delivered to their homes for free. By having customers register for online membership and become credit card members in order to make payments online, we are creating a business model that generates profits from three areas: sales at stores, lifetime value when customers register online, and lifetime value when customers become credit card members. Similar to the try-on store, the business model for the anime business, which started this fiscal year, is based on a three-in-one model that combines real stores, credit cards, and online shopping. Going forward, regardless of whether the business we are involved in focuses on goods or experiences, we plan to specialize in enterprise value linked businesses by integrating stores, credit cards and online shopping. Furthermore, with regard to e-commerce, we have been collaborating with KDDI since February this year and have expanded sales by operating the online fashion brand sales platform “Wowma! for au,” a mail-order website, and aim to increase our customer numbers through points of contact with au’s 38 million customers.

By developing SC-type stores under fixed-term lease contracts and an omni-channel model, we will make up for losses at poorly performing stores, etc. that cannot be converted to fixed-term rental contracts, and aim to achieve operating income of 18.0 billion yen or more stated in the Company’s initial plan in the fiscal year ending March 31, 2021.

In the FinTech business, the amount of transactions handled by the Group has grown by 17% annually and we have realized strong growth since we started issuing the EPOS card in the fiscal year ended March 31, 2007. This fiscal year, new credit card memberships have exceeded the previous year due to the opening of the Hakata Marui store, but “collaboration cards” did not achieve our initial target. Collaboration cards struggled due to delays opening new commercial facilities and changes in the operating environment for affiliate companies. We will continue to pursue business alliances in high-growth fields, such as e-commerce, services and contents-related areas, and make up shortfalls by expanding throughout the country by collaborating with commercial facilities that leverage the Group’s expertise and human resources.

Operating income at the FinTech business exceeded our initial plan this fiscal period, but we expect operating income in the fiscal year ending March 31, 2021 to be in line with our original plan of 40.0 billion yen or more, owing to a conservative view of future trends for cash advances and bad-debt expenses.

#### ■ Long-term changes in the environment and initiatives targeting new growth

After examining our management strategy for the next 10 years, the Company has been focusing on seven long-term trends. These are the “spread of e-commerce,” “shift in consumption from goods to experiences,” “emergence of the sharing economy,” “aging population and the low birth rate,” “growing demand from inbound tourism,” “shift to a cashless society” and “from savings to investment.” We have summarized our views below upon examining the type of opportunities and threats these long-term growth trends will create for the Company going forward, as well as the appropriate response.

In the retail business, based on the assumption that the department store retail format where real stores conduct sales, mainly of goods, continues in the future, we expect the next ten years to be marked by few opportunities and many threats. The only definite opportunity will be “growing demand from inbound tourism.” However, while there will be many threats, the most significant threat is likely to come from the “shift to e-commerce.” The shift to e-commerce in Japan is presently approximately 5%, but we believe there is a real possibility that after ten years this could reach approximately 20%, exceeding Europe, the U.S., and China. Specifically, in industries in which the fashion component, such as apparel and sundries, comprises a large proportion of sales, we expect the substitution ratio caused by the shift to e-commerce to be high compared to industries that focus on foods, and the impact will be

tremendous. Furthermore, we believe the decline in apparel sales caused by the “shift in consumption from goods to experiences” will continue over the long term.

Next is “emergence of the sharing economy”. It is believed that users of this economy are presently approximately 2%, but this is likely to increase to as much as approximately 10% in the next ten years. Stated differently, since “sharing” means not purchasing goods, this is a threat for retail. Furthermore, the population of the working generation, which is a determinant of consumption, has been declining each year because of “the aging population and the low birth rate.”

Our response to these threats are the transition to the SC-type stores under fixed-term lease contracts and the omni-channel model being developed under the present medium-term management plan. By transitioning from a department store format that mainly sells goods to an SC-type format, we will not only expand our restaurants category, which is not easily affected by the shift to e-commerce, but increase tenants offering services and experiences that cannot be easily substituted by e-commerce. We will also begin to strategically introduce omni-channel tenants to simultaneously develop e-commerce and real stores.

Initiatives are proceeding at the Company to facilitate the shift to an omni-channel model. We will expand the “try-on shoes” stores to include other items, and will begin to hold events, etc. for the three-in-one anime model. Meanwhile, with the “emergence of the sharing economy,” we will begin initiatives to commercialize both goods and space as a new business. Furthermore, in response to the declining population, we will begin work to expand our customer base and customer numbers by utilizing “customer diversity and inclusion” initiatives, which provide products, services and commercial facilities that can be enjoyed by all people, irrespective of age, physical features or age.

Next, in contrast to retail, the FinTech business is benefiting from many opportunities, and threats to retail will turn into opportunities. The most significant opportunity will be the “shift to a cashless society.” We believe that the shift to e-commerce, shift in consumption from goods to experiences, and the emergence of the sharing economy, etc. will be factors that encourage the shift to a cashless society. As society become more cashless, the credit card market has grown at annual rate of 7% over the previous ten years, this growth, combined with preparations for the 2020 Olympics and Paralympic Games, should continue going forward.

Furthermore, while the shift “from savings to investment” has not led to opportunities for conventional credit card businesses, it will create opportunities by redefining the FinTech business. That said, in terms of threats, there are concerns that the cash advance market could shrink as society becomes increasingly cashless. This, along with diverse payment methods created in line with the shift to a cashless society, will lead to the emergence of payment methods other than credit cards, and this could lead to the cannibalization of credit card market share.

The Company’s response to these developments was to transition from a house credit card to a general credit card, which was been underway since 2006, and to redefine our business from a card to a fintech business. By transforming to a general credit card, the EPOS card transitioned to a business capable of benefiting from the shift to a cashless society. Going forward, by redefining the business as a fintech business from a card business, new business opportunities will increase. At the same time, by seeking to develop diverse payment methods, etc. as part of its own fintech, rather than allowing this share of the market to be unilaterally cannibalized, we hope that linking new payment methods to credit card enables the Company to change threats into opportunities.

To summarize the Company’s response to opportunities and threats, retailing will confront several simultaneous threats, but by responding with a shift to SC-type stores under a fixed-term lease contracts and an omni-channel model, threats will turn into opportunities. Furthermore, we are implementing inclusive businesses as initiatives to appeal to all customers, as well as developing new businesses in preparation for new businesses that facilitate the arrival of the sharing economy. At the FinTech

business, in addition to opportunities from the expansion of the credit card market as society becomes increasingly cashless, we will realize continued strong growth by increasing memberships and positioning the EPOS card as a main card through our sales capabilities, absorbing risk associated with the shrinking of the cash advance market. Furthermore, by expanding our business fields in the fintech field, we will develop new businesses and strive to realize financial inclusion, centered on young people.

#### ■ Growth investment and shareholder returns

The Group will effectively utilize the cash flow generated from its business, and enforce growth investment and shareholder returns based on its mid-term management plan ending in the fiscal year ending March 31, 2021. In terms of growth investments, we plan to allocate 30.0 billion yen to new businesses other than existing businesses.

We have positioned three fields as investment fields. These are fintech, e-commerce and the sharing economy. We divided fintech and the sharing economy into two fields; for fintech, the fields are payments and asset management, and for the sharing economy they are goods and space. The purpose of investments is not just simply investment but rather to expand and generate innovation at core businesses through investment and collaboration.

As for dividends, the Group will aim to achieve both “high growth” and “high returns” by targeting a consolidated payout ratio of 40% or higher and exerting efforts to continuously improve dividend levels in tandem with long-term EPS growth.

Furthermore, as for acquisition of treasury stock, in comprehensive consideration of cash flow situation, etc., the Group will acquire treasury stock in a timely manner to improve capital efficiency and shareholders’ profit. Treasury stock acquired will be cancelled as a general rule.

The Group is committed to further improving corporate value by implementing group strategies based on the mid-term management plan as described above. Management, therefore, looks forward to the continuing support and encouragement of its shareholders.

#### (5) Assets and Profits and Losses

Category	78th Fiscal year ended March 31, 2014	79th Fiscal year ended March 31, 2015	80th Fiscal year ended March 31, 2016	81st Fiscal year ended March 31, 2017
Total Group transactions * (Millions of yen)	-	1,469,111	1,703,353	1,933,685
Net Sales (Millions of yen)	416,460	404,947	-	-
Revenue * (Millions of yen)	-	249,847	245,867	237,022
Ordinary income (Millions of yen)	27,698	28,002	29,163	31,139
Profit attributable to owners of parent (Millions of yen)	15,409	16,036	17,771	18,724
Earnings per share (Yen)	56.29	58.87	70.68	80.24
ROE (%)	5.0	5.2	6.0	6.7
Total assets (Millions of yen)	664,019	675,627	730,126	806,575
Net assets (Millions of yen)	315,889	307,255	282,101	274,339



- \* From the 80th fiscal year, the Group has introduced the “total Group transactions” as a new indicator of growth potential of the Group. Furthermore, in conjunction with the change of the accounting policy, the line item that was previously “net sales” has changed to “revenue.” In line with this change, the figures for the 79th fiscal year are those retroactively reflected the change of such accounting policy.



## (6) Major Subsidiaries of the Group

### i. Major Subsidiaries of the Group

Company Name	Capital Stock	Percentage of Ownership	Principal Business
	(Millions of yen)	(%)	
MARUI Co., Ltd.	100	100.0	Marui Store Business Operation, Original Sales and Private Brand Operation and Development, Online Shopping and Mail-order, Outside Specialty Store Business
Epos Card Co., Ltd.	100	100.0	Credit Card Business, Credit Loan Business
MRI SERVICER Co., Ltd.	500	100.0 [100.0]	Collection and Management of Receivables Business, Credit Check Business
AIM CREATE CO., LTD.	100	100.0	Proposal of Commercial Facilities Category, Design and Interior Decoration, Operation and Management, Operation of Modi stores, Planning and Making of Advertisement
MOVING CO., LTD.	100	100.0	Trucking Business, Forwarding Business
M&C SYSTEMS CO., LTD.	234	95.0	Software Development, Computer Operation
MARUI FACILITIES Co., Ltd.	100	100.0	Building Management Service Business, Security Service Business
MARUI HOME SERVICE Co., Ltd.	100	100.0	Real-Estate Rental Business

Notes: The figure in square brackets “[ ]” in the Percentage of Ownership column indicates the share of indirect ownership as an included number.

### ii. Status of Specified Wholly Owned Subsidiaries as of the End of the Fiscal Year under Review

Company Name	Address	Total Amount of Book Value	Total Assets of the Company
		(Millions of yen)	(Millions of yen)
MARUI Co., Ltd.	3-2, Nakano 4-chome, Nakano-ku, Tokyo	222,529	712,649
Epos Card Co., Ltd.		149,850	

## (7) Lines of Business of the Group

The Group’s lines of business are Retailing (rental and operational management of commercial facilities, etc. and over-the-counter and online sales of apparel, luxury and accessory goods, etc.), and FinTech (credit card services, consumer loans, and rent guarantees, etc.).

## (8) Major Business Hubs

### i. Head Office

Company Name	Location
MARUI GROUP CO., LTD. MARUI Co., Ltd. Epos Card Co., Ltd. MRI SERVICER Co., Ltd. AIM CREATE CO., LTD. M&C SYSTEMS CO., LTD. MARUI FACILITIES Co., Ltd. MARUI HOME SERVICE Co., Ltd.	Nakano-ku, Tokyo
MOVING CO., LTD.	Toda-shi, Saitama Prefecture

### ii. Stores

Prefecture	Store Name
Tokyo	Shinjuku, Ikebukuro Marui, Shibuya Marui and Modi, Kinshicho, Ueno Marui, Kitasenju Marui, Yurakucho Marui, Nakano Marui, Kichijoji, Machida Marui and Modi, Kokubunji Marui
Kanagawa	Marui City Yokohama, Kawasaki, Marui Family Mizonokuchi, Marui Family Ebina, Totsuka Modi
Saitama	Omiya Marui, Soka Marui, Marui Family Shiki, Kawagoe Modi
Chiba	Kashiwa Marui and Modi
Ibaraki	Mito
Shizuoka	Shizuoka Marui and Modi
Osaka	Namba Marui
Hyogo	Kobe Marui
Kyoto	Kyoto Marui
Fukuoka	Hakata Marui

## (9) Matters concerning Employees

Business Category	Number of Employees	Comparison with the Previous Fiscal Year End
	(Number of Person)	(Number of Person)
Retailing	4,241	341 (decrease)
FinTech	1,247	137 (increase)
Corporate (Common functions)	244	37 (increase)
Total	5,732	167 (decrease)

Notes:

1. The number of employees shown above does not include part-time employees. Average number of

- part-time employees during the fiscal year (calculated based on monthly work hours) is 1,755.
- Corporate (Common functions) refers to corporate management departments and others that cannot be included in any specific segment.

#### (10) Main Loan Lenders

Lenders	Outstanding Balance
	(Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	85,900
Syndicated loan	85,000
Sumitomo Mitsui Banking Corporation	47,000
Mitsubishi UFJ Trust and Banking Corporation	29,100
Mizuho Bank, Ltd.	22,300
Development Bank of Japan Inc.	18,000

Note: Syndicated loan is co-financing whose manager is The Bank of Tokyo-Mitsubishi UFJ, Ltd.

## 2. Matters concerning the Shares of the Group

(1) Total Number of Shares Authorized to be Issued: 1,400,000,000 shares

(2) Number of Shares Issued and Outstanding: 233,660,417 shares (including 4,202,450 shares of treasury stock)

(3) Number of Shareholders: 24,080 shareholders

#### (4) Principal Shareholders (Top 10)

Registered Name	Number of Shares Held	Percentage of Shareholding
	(thousand shares)	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,135	13.1
Japan Trustee Services Bank, Ltd. (Trust Account)	17,144	7.5
GOLDMAN, SACHS & CO. REG	6,185	2.7
Aoi Real Estate Company	6,019	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,808	2.5
Trust & Custody Services Bank, Ltd.(Securities Investment Trust Account)	5,460	2.4
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,179	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,814	1.7
Toho Co., Ltd.	3,779	1.6
Aoi Scholarship Foundation	3,234	1.4

Notes:

- The Company holds 4,202 thousand shares of treasury stock which is excluded from the above principal shareholders.
- Percentage of shareholding is calculated based on the total number of shares issued and outstanding, excluding the treasury stock of 4,202 thousand shares.
- The calculation for the percentage of shareholding includes 502 thousand shares held by the Officer Remuneration BIP Trust and Stock Benefit ESOP Trust

**(5) Other Significant Matters concerning Equity**

1. Acquisition of treasury stock through Tokyo Stock Exchange's owns share repurchase trading (ToSTNeT-3) and market buying

- Treasury stock acquired as authorized at the Board of Directors' Meeting held on May 12, 2016:  
 Type and total number of shares acquired: 9,936,400 shares of common stock  
 Total cost of acquisition: 14,999,950,400 yen  
 Period of acquisition: From May 13, 2016 to September 21, 2016
- Treasury stock acquired as authorized at the Board of Directors' Meeting held on November 4, 2016:  
 Type and total number of shares acquired: 3,029,900 shares of common stock  
 Total cost of acquisition: 4,999,914,000 yen  
 Period of acquisition: From November 7, 2016 to January 24, 2017

2. Cancellation of treasury stock

- Treasury stock cancelled as authorized at the Board of Directors' Meeting held on November 4, 2016:  
 Type and total number of shares cancelled: 45,000,000 shares of common stock  
 Date of cancellation: December 9, 2016

### 3. Matters concerning Officers of the Group

#### (1) Names of Directors and Audit & Supervisory Board Members of the Group

Name	Position	Position in Charge and Important Position of Other Organizations Concurrently Assumed
Hiroshi Aoi	President and Representative Director, Group Representative Executive Officer	
Koichiro Horiuchi	Director	President and Representative Director, FUJI KYUKO CO., LTD. External Audit & Supervisory Board Member, THE YAMANASHI CHUO BANK, LTD.
Etsuko Okajima	Director	Representative and CEO, ProNova Inc. External Director, Astellas Pharma Inc. External Director, Link and Motivation Inc.
Masao Nakamura	Director, Managing Executive Officer	Responsible for Retailing Business President and Representative Director, AIM CREATE CO., LTD.
Tomoo Ishii	Director, Managing Executive Officer	Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion
Hirotsugu Kato	Director, Senior Executive Officer	General Manager, Corporate Planning Division and IR Division In charge of ESG Promotion
Hideaki Fujizuka	Audit & Supervisory Board Member (Full time)	
Tetsuji Sunami	Audit & Supervisory Board Member (Full time)	
Tadashi Ooe	Audit & Supervisory Board Member	Attorney External Audit & Supervisory Board Member, Canon Inc. External Director, Jeco Co., Ltd. Outside Director, NISSAN CHEMICAL INDUSTRIES. LTD.
Takehiko Takagi	Audit & Supervisory Board Member	Tax Accountant External Audit & Supervisory Board Member, Totenko Co., Ltd. External Audit & Supervisory Board Member, KAWADA technologies, inc.

#### Notes:

1. Director, Mr. Motohiko Sato retired from his post at the expiration of his term of office at the close of the 80th Ordinary General Meeting of Shareholders held on June 2016.
2. Directors, Mr. Koichiro Horiuchi and Ms. Etsuko Okajima are External Directors. The Group has submitted a notification to Tokyo Stock Exchange, Inc. designating them as an independent director.
3. Audit & Supervisory Board Members, Mr. Tadashi Ooe and Mr. Takehiko Takagi are both External Audit & Supervisory Board Members. The Group has submitted a notification to Tokyo Stock Exchange, Inc., designating them as an independent audit & supervisory board member.
4. The Group has no special relations with entities in which Directors Mr. Koichiro Horiuchi and Ms. Etsuko Okajima and Audit & Supervisory Board Members Mr. Tadashi Ooe and Mr. Takehiko Takagi concurrently assume office.
5. Director, Ms. Etsuko Okajima's name on the family register is Ms. Etsuko Mino.
6. Audit & Supervisory Board Member, Mr. Tadashi Ooe is a qualified attorney and well-versed in corporate law.
7. Audit & Supervisory Board Member, Mr. Takehiko Takagi is a certified public tax accountant and

has an appreciable extent of knowledge in finance and accounting.

8. There were changes in directors' positions, duties and important concurrent offices as of April 1, 2017.

Name	Previous	Present
Tomoo Ishii	Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion	Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion President and Representative Director, MOVING CO., LTD.
Hirotsugu Kato	Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Division In charge of ESG Promotion	Director and Senior Executive Officer General Manager, IR Division In charge of Corporate Planning and ESG Promotion

## (2) Remuneration, etc. to Directors and Audit & Supervisory Board Members

Category	Number of Persons subject to Payment	Total Amount of Remuneration
		(Millions of yen)
Director (External Director)	7 (2)	210 (28)
Audit & Supervisory Board Member (External Audit & Supervisory Board Member)	4 (2)	49 (15)
Total	11	260

Notes:

1. Basic remuneration for Directors with the resolution at the General Meeting of Shareholders has a maximum limit of 300 million yen per year (remuneration for Directors does not include salary portion payable to Directors who concurrently serve as employees of the Company.). (Resolution Date of the General Meeting of Shareholders: June 27, 2012)  
In addition, remuneration for Directors (other than External Directors) from the performance-linked bonus has a maximum limit of 100 million yen per year (remuneration for Directors does not include bonus portions payable to Directors who concurrently serve as employees of the Company), and remuneration for Directors (other than External Directors) by performance-linked stock compensation has a maximum limit of 300 million yen for the three fiscal years from the fiscal year ended March 31, 2017 to the fiscal year ending March 31, 2019 and each three fiscal years thereafter. (Resolution Date of the General Meeting of Shareholders: June 29, 2016)
2. Basic remuneration for Audit & Supervisory Board Member with the resolution at the General Meeting of Shareholders has the ceiling amount of 6 million yen per month. (Resolution Date of the General Meeting of Shareholders: April 28, 1987)
3. The above remuneration and other amounts include 15 million yen of payment for the performance-linked bonus and 16 million yen of expenses for the current fiscal year of the performance-linked stock compensation to five Directors (other than External Directors).

## (3) Policy Regarding Decision on Compensation of Directors and Audit & Supervisory Board

### Members

- The amount of compensation paid to individual Directors is decided by the Nomination and Compensation Committee and set within the limit approved at general meeting of shareholders.
- The Nomination and Compensation Committee consists of three (3) or more members, two (2) of

which are, in principle, External Directors, and has been set to improve the transparency and objectivity of deliberation process related to compensation plans for Directors.

- Compensation for Directors has been set at a level that will serve as an adequate motivation for Directors to properly perform their duties of making management decisions and providing supervisory functions.
- Compensation for Directors includes fixed compensation as well as performance-linked compensation. The portion of compensation linked to performance is meant to provide incentive for pursuing sustainable growth for the Company. However, external directors will only receive fixed compensation based on their position to ensure that they maintain an independent standpoint.
- Compensation for Audit & Supervisory Board Members consists only of fixed compensation and is decided through discussion among the Audit & Supervisory Board and set within the limit approved at a general meeting of shareholders.

#### (4) Information on External Officers

##### i. Principal Activities of External Officers

Position	Name	Principal Activities of External Officers
Directors	Koichiro Horiuchi	Attended all 10 meetings of the Board of Directors held during the fiscal year under review. Raised questions and made comments, mainly from the perspective of an experienced manager, and, as necessary, expressed his opinions in a timely and appropriate manner.
	Etsuko Okajima	Attended all 10 meetings of the Board of Directors held in the fiscal year under review. Raised questions and made comments, mainly from the perspective of an experienced manager, and, as necessary, expressed her opinions in a timely and appropriate manner.
Audit & Supervisory Board Members	Tadashi Ooe	Attended all 10 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. Expressed his opinions in a timely and appropriate manner based mainly on his professional knowledge as an attorney. In addition, held meetings periodically with the Representative Director; exchanged opinions regarding risks confronting the Company, major issues related to audit of the Company, and other matters; and is working to deepen mutual understanding and trust.
	Takehiko Takagi	Attended all 10 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. Expressed his opinions in a timely and appropriate manner based mainly on his professional knowledge as a certified public tax accountant. In addition, held meetings periodically with the Representative Director; exchanged opinions regarding risks confronting the Company, major issues related to auditing of the Company, and other matters; and is working to deepen mutual understanding and trust.

##### ii. Outline of the Content of Liability Limitation Contracts

The Company concludes contracts with each of External Directors and External Audit & Supervisory Board Members to limit their liability for damages, as provided under Article 423-1 of the Companies Act. Based on these contracts, a maximum limit is placed on the amount of liabilities which is equivalent to the minimum amount of such liabilities as determined by law.

#### **4. Matters concerning Accounting Auditors**

**(1) Name of Accounting Auditors of the Company** KPMG AZSA LLC

**(2) Remuneration, etc. to the Accounting Auditors during the Fiscal Year under Review**

1. Remuneration paid for services rendered as accounting auditors for the fiscal year under review:  
97 million yen
2. Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditors: 146 million yen

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total amounts of remuneration, etc. paid to the accounting auditor is stated in 1 and 2 as the amount of remuneration, etc. for the fiscal year under review.

3. Reason for the Audit & Supervisory Board's consent of the remuneration, etc. to the accounting auditor:

In addition to obtaining necessary documents and receiving reports from Directors, related departments of the Company and the accounting auditor, based on the status of implementation of audit of the previous fiscal year, the Audit & Supervisory Board has considered that the remuneration is appropriate to maintain and improve the quality of audit and gave consent to the remuneration as a result of confirmation of time required for audit and the unit rate of the remuneration specified in the audit plan submitted by the accounting auditor.

**(3) Content of Non-Auditing Activities**

The Company and its subsidiaries call upon the accounting auditor to conduct work related to the provision of letters of comfort in connection with corporate bond issuance.

**(4) Policy Regarding the Dismissal or Non-Reappointment of the Accounting Auditor**

If the Audit & Supervisory Board deems that the accounting auditor falls under any item of Article 340, Paragraph 1 of the Companies Act, it will dismiss the accounting auditor with unanimous consent of Audit & Supervisory Board Members, as necessary. In such case, an Audit & Supervisory Board Member who is delegated by the Audit & Supervisory Board will report the fact that the Audit & Supervisory Board dismissed the accounting auditor and the reason therefor at an ordinary general meeting of shareholders to be held for the first time after the dismissal of the accounting auditor.

In addition to the above case, if the Audit & Supervisory Board deems that the accounting auditor is unable to conduct proper audit due to an event that impairs qualification or independence of the accounting auditor, it will decide on details of a proposal regarding dismissal or non-reappointment of the accounting auditor.

#### **5. Company's Systems and Policies**

**(1) System to Ensure That the Execution of Duties by Directors Complies with Laws and Ordinances and the Articles of Incorporation, and System to Ensure That the Business Operations of the Company, as well as of the Corporate Group Consisting of the Company and Its Subsidiaries (the Group), is Duly Executed, and Status of Operation of Those Systems.**

○ Systems

The Group will proceed with arrangement for the internal control system from the viewpoint of carrying out the Group operation and promote efficient operation with healthy and a high level of



transparency.

- i. System which ensures that execution of duties by Directors comply with laws and regulations and the Articles of Incorporation
  - a. Directors shall discharge legally and duly duties in accordance with the Directors'/ Audit & Supervisory Board Members' Internal Regulations and the Code of Conduct of the Group.
  - b. The Board of Directors shall hold meetings in principle ten (10) times a year and supervise the execution of duties by Directors.
  - c. Audit & Supervisory Board Members shall audit independently the execution of business by Directors and Executive Officers in accordance with the Regulations of the Audit & Supervisory Boards.
  - d. Highly independent External Directors and External Audit & Supervisory Board Members shall be elected and the objectivity and transparency of operation shall be enhanced.
- ii. System for maintaining and managing information regarding execution of business by Directors
  - a. The Company shall arrange the regulations for controlling documents, pursuant to which minutes of the Board of Directors and other important documents related to the execution of business by Directors shall be maintained.
- iii. Regulations related to controlling risk of loss and other system
  - a. Though 6 committees established to control high-risk areas in business operations (Public Relations IR Committee, Internal Control Committee, Environment CSR Promotion Committee, Personal Information Protection Promotion Committee, Safety Control Committee and Insider Trading Prevention Committee), the Company shall strive for speedy operational improvement and the prevention of accidents. As a coordinating function of all committees, the Compliance Promotion Board, with the Representative Director as the chairperson, is set up for the Group's risk management.
  - b. The General Affairs Department and Audit Department shall cooperate in promoting internal control. Through documentation and the monitoring of the operation of each group company, in terms of predictable risks and countermeasures, they shall work to minimize operational risks.
- iv. System to ensure that Directors can execute their duties efficiently
  - a. In accordance with the Group's authorization rules, the duties of Directors and Executive Officers shall be explicitly defined, and the Group's Directors and Executive Officers shall perform their duties in an efficient and swift manner.
- v. System to ensure that financial reports are made properly
  - a. The corporate-wide policy and procedures to ensure appropriate financial reporting shall be presented and the proper arrangement and operation shall be secured.
  - b. A system for evaluating risks arising from inappropriate statements with respect to important items of financial report and for reducing risks shall be established.
  - c. A system for monitoring the internal control system with respect to financial reports shall be properly arranged to confirm the conditions and status of operation.
- vi. System to ensure that subsidiaries' Directors and the Group's employees execute business in compliance with laws and regulations and the Articles of Incorporation
  - a. The Group's Code of Conduct shall be fully understood, to promote sound corporate activities grounded on high ethical standards for the Group.
  - b. In order to ensure full compliance with laws and ordinances and company rules across the entire Group, operational manuals in every category shall be prepared and internal training is encouraged.
  - c. The Marui Group Hot Line (Internal Reporting System) shall be set up, which allows direct contact with

outside lawyers, to prevent problems from occurring and for the early detection of problems.

- d. The Group shall conduct internal audits to grasp the internal control status, and improve compliance with laws, regulations and company rules.
- vii. Other systems to ensure the appropriateness of business operations of the Group
  - a. The documentation of the internal control system of each group company shall be continuously reviewed.
  - b. Through the Compliance Promotion Board and the 6 Committees, the Group shall confirm the latest control status of each Group company, and maintain an appropriate system.
  - c. Reporting system for the important decisions of subsidiaries to the Company shall be determined in accordance with the authorization rules of the Group.
  - d. The cooperation of Audit & Supervisory Board Members from each group company and the Internal Control Department shall be strengthened to further promote the establishment of an audit system for ensuring proper transactions and accounting treatments.
  - e. The Group shall refuse any unwarranted demands and disassociate from anti-social bodies, which threaten social order and safety, and strengthen the ties with external specialists, such as the police and lawyers, to establish system to eradicate anti-social bodies.
- viii. Matters relating to employees if Audit & Supervisory Board Members request their appointment as assistants, issues of independence of such employees from Directors and how to ensure the effectiveness of instructions to such employees
  - a. Based on the request of Audit & Supervisory Board Members, audit staff with sufficient skills and knowledge shall be assigned to conduct requested duties.
  - b. Audit & Supervisory Board Members shall be allowed to instruct audit staff to assist with their audit work, and no Directors shall interfere with such instruction.
- ix. System to report to Audit & Supervisory Board Members from Directors or employees, system to ensure the fair treatment of reporters
  - a. The internal audit system shall be reinforced and supporting function for Audit & Supervisory Board Members shall be strengthened.
  - b. The Directors and employees of each group company shall make report to Audit & Supervisory Board Members as soon as possible when Directors and employees know any undue conduct, any fact which might infringe seriously any company in the Group or any act violating any laws, regulations or the Articles of Incorporation.
  - c. It shall be confirmed that no unfair treatment has been applied on the grounds of reporting to Audit & Supervisory Board Members.
- x. Matters relating to the prepayment of expenses incurred through the execution of duties by Audit & Supervisory Board Members and reimbursement procedures and policies on processing expenses and liabilities incurred through the execution of duties by Audit & Supervisory Board Members
  - a. When Audit & Supervisory Board Members claim for expenses incurred during the execution of duties, such expenses shall be reimbursed, unless they are deemed unnecessary.
- xi. Other system to ensure that efficient audit is carried out by Audit & Supervisory Board Members
  - a. The Board of Directors shall seriously cooperate with any request made by Audit & Supervisory Board Members in connection with discharging their duties smoothly.
  - b. Representative Directors and Audit & Supervisory Board Members shall have a meeting regularly and mutually confirm the status of executing business or discharging duties.
  - c. Audit & Supervisory Board Members may attend the Board of Directors' and other important management meetings as necessary to grasp the process under which important decision-making is

processed and the status of executing business.

- d. Audit & Supervisory Board Members may receive the provision of report or information from Directors and employees as necessary and inspect materials and records.
- e. By appointing the Company's Audit & Supervisory Board Members as the same of its principal subsidiaries, information sharing and accurate confirmation of status can be realized.

○ **Status of Operation of the Systems**

i. Overall internal control system

- a. The Group recognizes and improves the status of the Group's overall internal control system through internal audit jointly made by Audit & Supervisory Board Members and internal audit departments of each group company.
- b. The Group promotes highly effective internal control by documenting business content and anticipated risks of, and measures therefor to be taken by, each group company and monitoring the status of implementation of such measures through self-assessment and internal audit.
- c. As for internal control related to financial reporting pursuant to the Financial Instruments and Exchange Act, the Internal Control Committee develops, operates and evaluates such internal control by commission from the Board of Directors.

ii. Compliance system

- a. The Group seeks to fully disseminate its Code of Conduct to its personnel and promote sound corporate activities based on high ethical standards.
- b. In order to ensure compliance with laws and regulations and the Group's internal regulations, the Group develops various manuals and promotes operation of those manuals as well as provides education for its personnel. In the fiscal year under review, the Group provided training to its personnel regarding "personal information" and "harassment" as focused subjects.
- c. For the purpose of prevention and correction of violation of laws and regulations and misconduct, the Group has set up the Marui Group Hot Line (an internal reporting system) to allow its personnel to directly report to outside lawyers, and confirmed that the system has properly operated.

iii. Risk management system

- a. The Group promotes efficient control of risks through the Public Relations IR Committee, Internal Control Committee, Environment CSR Promotion Committee, Personal Information Protection Promotion Committee, Safety Control Committee and Insider Trading Prevention Committee, which were set up to manage high-risk areas for business operation.
- b. The Group holds meetings of the Compliance Promotion Board which supervises activities of the committees and recognizes the status of risk control of each group company. In the fiscal year under review the Group held meetings of the Compliance Promotion Board twice.

iv. Directors' execution of their duties

- a. The Group ensures that Directors execute their duties lawfully and properly in accordance with the Group's internal regulations such as the Code of Conduct of the Group and Regulations for Officers.
- b. The Group appoints two (2) External Directors who have extensive experience and expertise outside the Group and have satisfied the Group's Criteria for Independence of External Directors and Audit & Supervisory Board Members to reinforce the supervisory functions of the Board of Directors and improve the transparency of management.
- c. The Board of Directors conducts proper deliberations pursuant to the Group's authorization rules and engages in fulfilling discussions on individual subjects such as the Group's strategies. In the fiscal year under review, the Board of Directors held its meetings ten (10) times.
- d. The Group has set up the Management Committee that is comprised of Executive Officers appointed by the Board of Directors and seeks to accelerate operational decision-making by commissioning such committee to make important management decisions regarding execution of duties within the scope of the Group's authorization rules. In the fiscal year under review, the meetings of the Management Committee were held 21 times.

- v. Audit & Supervisory Board Members' execution of their duties
  - a. Audit & Supervisory Board Members exchange information at any time by holding regular meetings with Representative Director and confirm the status of operational execution. In the fiscal year under review, the regular meetings were held four (4) times.
  - b. Audit & Supervisory Board Members attend meetings of the Board of Directors, the Management Committee, etc. and understand decision making process and the status of operational execution.
  - c. Audit & Supervisory Board Members exchange information and opinions with External Directors, accounting auditors and internal audit departments on a regular basis.
  - d. Audit & Supervisory Board Members concurrently assume office of auditors at nine (9) subsidiaries and confirm the status of operational execution of each of such subsidiaries by attending meetings of the Board of Directors of such subsidiaries and holding meeting of the Group's Audit & Supervisory Board Members Liaison Committee each month.
  - e. The Group has established a system where Audit & Supervisory Board Members can execute their duties smoothly by ways such as assigning two (2) employees who work for Audit & Supervisory Board Members to serve as the secretariat for Audit & Supervisory Board Members.

## **(2) Basic Policy toward Controlling the Company**

- i. Basic policy toward any person(s) who should have control in determining the Company's policy regarding finance and business

With respect to the person who shall have control in determining the Company's policy regarding finance and business, the Company believes that the person would be one who secures and enhances corporate value and common interest of shareholders of the Company.

Furthermore, it is imperative that the Company should be managed stably upon fully understanding the Company's corporate philosophy and management resources on a basis of long- and mid-term for the purpose of enhancing corporate value and common interest of shareholders of the Company.

At present, the Company has exerted its best efforts to operate its business amid extremely severe competition in the retail industry to secure and enhance corporate value and common interest of shareholders of the Company. However, although the capital market in Japan is said to be legally adjusted and arranged to a certain extent, it is highly possible that a large scale of shares of a listed company might, in the Company's judgment, purchased unilaterally without having sufficient negotiation, or process for an agreement with the targeted company in the Japanese capital market.

It goes without saying that as far as the Company is a listed company, it is the principle that a purchase and sale of the Company's shares should be conducted at the complete discretion of shareholders and investors. Even if an acquisition of a large scale of shares is intended to be conducted, the Company believes that the judgment on whether or not to allow such acquisition to proceed should be left ultimately to shareholders. Accordingly, the Company shall not negate such acquisition if it contributes to the enhancement of corporate value and common interest of shareholders of the Company.

However, there might exist an acquisition of a large scale of shares which does not contribute to the enhancement of corporate value and common interest of shareholders of a targeted company, such as an acquisition after which, judging from the purpose of the acquisition, the targeted company may have unrecoverable damage instead of aiming for rational management with sincerity, an acquisition which might in practice force shareholders to sell their shares, or an acquisition with respect to which a sufficient time and required information have not been provided to shareholders and the board of directors of the targeted company to enable them to examine the terms and conditions of the acquisition or the board of directors to make an alternative proposal.

The Company deems any of the aforesaid purchasers inappropriate as a person who should have control

in determining the Company's policy regarding finance and business.

ii. Details of the measures contributing to realization of the Basic Policy

(a) Measures by which corporate value and common interest of shareholders of the Company is secured and enhanced

The Group is a corporate group supporting “all people's life style having young mind” through three (3) segments, namely retailing and store operations, credit card services and retailing-related services based on the corporate philosophies that are “continue evolving to better aid our customers” and “equate the development of our people with the development of our company.” Through business operation, with an emphasis on being useful to the shareholders, customers, business partners and people in the local communities, the Company will target to be a corporate group to be trusted furthermore by these parties.

The detailed approach by the Company is shown in above-mentioned (1) Development of the Businesses of the Corporate Group and Financial Results (page 17-20) and (4) Issues to be Addressed (page 20-23) in 1. Information on the Status of Marui Corporate Group

(b) Measures for social responsibility

The Company intends to continue to be a corporate group to be trusted by shareholders, customers, business partners, people in the local communities and the employees. The Group has promoted the conduct of various social contribution activities such as the establishment of safe and secure sales system and compliance with laws and ordinances including protection of personal information and preservation of environment so as to discharge actively corporate social responsibilities. The Company will further enhance the corporate value of the Company by virtue of responding to increasingly sophisticated demands for social responsibilities.

(c) Measures for enforcing corporate governance

The Company considers that healthy and fair management is placed as the first priority; the corporate governance in principle facilitates stably to enhance the corporate value and common interests of shareholders on a long-term basis. As part of such enhancement, the Company has shortened the terms of office of Directors as well as appointment of multiple External Directors. Going forward, the Company will further strengthen the corporate governance.

iii. Measures to prevent inappropriate person from controlling the Company

The Company deemed the measures stated in ii. above as its principle and will seek for maximizing corporate value and common interest of shareholders of the Company, but an acquisition of a large scale of shares which will not contribute to corporate value and common interest of shareholders of the Company might be conducted. The Board of Directors of the Company at its meeting held on May 13, 2014 resolved upon the renewal of the “measures against conduct for acquisition of a large scale of shares of the Company (anti-takeover measures)” without substantial amendments (amended plan to be called the “Plan”), which was further approved by shareholders at the 78th Ordinary General Meeting of Shareholders of the Company held on June 26, 2014.

In the event that an acquisition of a large scale of shares is conducted, for the purpose of enabling shareholders to make appropriate judgment or the management of the Company or the Independent Committee of the Company to negotiate or discuss with the Purchaser, etc., the Plan purports to secure necessary and sufficient information and time to be provided by the Purchaser, etc., so that corporate

value and common interest of shareholders of the Company is secured and enhanced.

The Plan is applicable in the following cases: (a) purchases of shares, etc. of the Company resulting in the acquirer to hold 20% or more; or (b) a tender offer resulting in the acquirer to hold 20% or more of the Company's shares, etc. together with a number of percentages of shares, etc. of the Company's shares, etc. held by the specially related person(s) (the "Purchases, etc.").

In the event that the Purchases, etc. is to be conducted, a person conducting the Purchases, etc. (the "Purchaser, etc.") shall in advance submit documents stating information necessary to examine the contents of the Purchases, etc. as well as stating compliance with the terms and conditions of the Plan to the Board of Directors of the Company. Then, information provided by the Purchaser, etc., an opinion of the Board of Directors and materials on which the opinion was based and an alternative proposal prepared by the Board of Directors shall be submitted to the Independent Committee composed by independent External Directors and External Audit & Supervisory Board Members, which proceeds to investigate and evaluate the same. The Independent Committee shall evaluate or investigate the content of the Purchases, etc., examine the alternative proposal submitted by the Board of Directors, directly or indirectly negotiate with the Purchasers, etc., and make disclosures, etc. to shareholders, whenever necessary upon receiving advice from independent third parties (including financial adviser, certified public accountants, lawyers, consultants, other professionals).

In the event that the Purchasers, etc. do not comply with the procedures stipulated in the Plan, or the Independent Committee deems the Purchases, etc. to fall under any of the requirements of the Plan such as the case in which the Purchases, etc. might explicitly infringe corporate value and common interest of shareholders of the Company, the Independent Committee shall make a recommendation to the Board of Directors to carry out gratis allotment of stock acquisition rights.

The Board of Directors as an organization under the Companies Act shall adopt a resolution whether or not gratis allotment of stock acquisition rights should be carried out upon respecting the recommendation of the Independent Committee to the fullest extent. In the event that the Company adopts a resolution to carry out gratis allotment of stock acquisition rights upon respecting the recommendation of the Independent Committee to make gratis allotment of stock acquisition rights, the Company shall convene the General Meeting of Shareholders and confirm the intention of shareholders (excluding the case in which the Purchasers, etc. have not complied with the procedures stipulated in the Plan).

The Plan is in effect from the close of the 78th Ordinary General Meeting of Shareholders held on June 26, 2014 to the close of the General Meeting of Shareholders to be held in June 2017. However, even if prior to the end of the effective period, in the event that the abolition of the Plan is approved by a majority of shares with voting rights represented at the General Meeting of Shareholder of the Company or by a resolution of the Board of Directors composed by Directors elected at the General Meeting of Shareholders of the Company, the Plan shall be abolished at that time.

At the time of amendment of the Plan, since gratis allotment of stock acquisition rights is not carried out, rights and interest of shareholders are not directly actually affected. On the other hand, in the event that gratis allotment of stock acquisition rights is carried out, if shareholders did not exercise stock acquisition rights nor made payment of cash equivalent to the exercise price, the values of shares of the Company held by the shareholders would be diluted as a result of exercise of stock acquisition rights by other shareholders (excluding the case in which the Company delivers shares of the Company to shareholders in exchange for acquiring stock acquisition rights from shareholders other than unqualified persons). Furthermore, even if gratis allotment of stock acquisition rights has once been approved to be carried out, in the event that the Company suspends to carry out gratis allotment of stock acquisition rights or determines to acquire stock acquisition rights free of charge from allotted shareholders in accordance with the terms and conditions of the Plan, the value of each share is not diluted. Accordingly, shareholders who sold or purchased shares in anticipation of shares of the Company diluted would be subject to loss corresponding to the fluctuation of market price of the Company's shares.



For further details of the Plan please refer to the “Measures (Anti-takeover Measures) Concerning Large-Scale Purchase Action of Shares of the Company” (only in Japanese) dated May 13, 2014. ([http://www.0101maruigroup.co.jp/pdf/settlement/14\\_0513/14\\_0513\\_2.pdf](http://www.0101maruigroup.co.jp/pdf/settlement/14_0513/14_0513_2.pdf))

iv. Judgment and reason thereof of the Board of Directors of the Company on the detailed measures

The measures stated in Paragraphs ii. and iii. above were introduced for the purpose of securing and enhancing corporate value and common interest of shareholders of the Company, in conformity with the basic policy of the Company. In particular, the Plan has been introduced upon approval at the General Meeting of Shareholders and been provided with reasonable and objective requirements, and it also seriously regards the judgment by the Independent Committee constituted by independent External Director and Audit & Supervisory Board Member. The Independent Committee may obtain advice from professional third parties. In addition, the term of office of Directors is one year and shareholders are able to express their opinions on the Plan through the election of Directors each year. Furthermore, the Plan may be abolished at any time upon the General Meeting of Shareholders or the Board of Directors’ Meeting. With all these factors mentioned above, the fairness and objectivity of the Plan is pledged, and therefore the Plan does not infringe corporate value and common interest of shareholders of the Company nor serve to maintain the positions of Directors.

(Reference)

The Plan is in effect until the close of the 81st Ordinary General Meeting of Shareholders scheduled to be held in June 26, 2017. The Company resolved to abolish the Plan at the end of the effective period by resolution of a Board of Directors meeting held on May 11, 2017.

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Treatment of rounding numbers displayed in this report

- Listed amounts: Rounded to the nearest hundred million units or otherwise rounded down
- Number of shares: Rounded down
- Ratios, etc.: Rounded to the nearest unit

# Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

| Item                                 | Amount         | Item                                                         | Amount         |
|--------------------------------------|----------------|--------------------------------------------------------------|----------------|
| <b><u>Assets</u></b>                 |                | <b><u>Liabilities</u></b>                                    |                |
| <b>Current assets</b>                | <b>558,799</b> | <b>Current liabilities</b>                                   | <b>145,051</b> |
| Cash and deposits                    | 36,257         | Accounts payable-trade                                       | 15,850         |
| Notes and accounts receivable-trade  | 4,840          | Short-term loans payable                                     | 50,827         |
| Accounts receivable-installment      | 348,191        | Current portion of bonds                                     | 20,000         |
| Operating loans                      | 140,569        | Commercial papers                                            | 5,000          |
| Merchandise                          | 10,437         | Income taxes payable                                         | 7,214          |
| Deferred tax assets                  | 6,934          | Provision for bonuses                                        | 3,671          |
| Other                                | 20,920         | Provision for point card certificates                        | 9,181          |
| Allowance for doubtful accounts      | (9,352)        | Reserve for loss from redemption of gift certificates        | 158            |
|                                      |                | Other                                                        | 33,150         |
| <b>Noncurrent assets</b>             | <b>247,776</b> | <b>Noncurrent liabilities</b>                                | <b>387,184</b> |
| <b>Property, plant and equipment</b> | <b>178,654</b> | Bonds payable                                                | 85,000         |
| Buildings and structures             | 67,242         | Long-term loans payable                                      | 273,500        |
| Land                                 | 103,540        | Deferred tax liabilities                                     | 4,003          |
| Construction in progress             | 195            | Provision for loss on interest repayment                     | 11,487         |
| Other                                | 7,675          | Provision for loss on guarantees                             | 197            |
|                                      |                | Provision for stock benefits                                 | 179            |
| <b>Intangible assets</b>             | <b>6,295</b>   | Asset retirement obligations                                 | 887            |
| Software                             | 4,925          | Other                                                        | 11,928         |
| Other                                | 1,369          | <b>Total liabilities</b>                                     | <b>532,236</b> |
| <b>Investments and other assets</b>  | <b>62,826</b>  | <b><u>Net Assets</u></b>                                     |                |
| Investment securities                | 18,850         | <b>Shareholders' equity</b>                                  | <b>274,918</b> |
| Guarantee deposits                   | 34,031         | <b>Capital stock</b>                                         | <b>35,920</b>  |
| Deferred tax assets                  | 6,870          | <b>Capital surplus</b>                                       | <b>91,307</b>  |
| Other                                | 3,073          | <b>Retained earnings</b>                                     | <b>155,079</b> |
|                                      |                | <b>Treasury stock</b>                                        | <b>(7,389)</b> |
|                                      |                | <b>Accumulated other comprehensive income</b>                | <b>(1,034)</b> |
|                                      |                | <b>Valuation difference on available-for-sale securities</b> | <b>(1,034)</b> |
|                                      |                | <b>Subscription rights to shares</b>                         | <b>2</b>       |
|                                      |                | <b>Non-controlling interests</b>                             | <b>453</b>     |
|                                      |                | <b>Total net assets</b>                                      | <b>274,339</b> |
| <b>Total assets</b>                  | <b>806,575</b> | <b>Total liabilities and net assets</b>                      | <b>806,575</b> |



# Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

| Item                                                 | Amount  |                |
|------------------------------------------------------|---------|----------------|
| <b>Revenue</b>                                       |         | <b>237,022</b> |
| Cost of sales                                        |         | 71,057         |
| Gross profit                                         |         | 165,964        |
| Selling, general and administrative expenses         |         | 134,711        |
| <b>Operating income</b>                              |         | <b>31,253</b>  |
| <b>Non-operating income</b>                          |         |                |
| Interest income                                      | 103     |                |
| Dividends income                                     | 338     |                |
| Gain on bad debts recovered                          | 1,231   |                |
| Other                                                | 369     | 2,042          |
| <b>Non-operating expenses</b>                        |         |                |
| Interest expenses                                    | 1,682   |                |
| Financing expenses                                   | 187     |                |
| Other                                                | 285     | 2,156          |
| <b>Ordinary income</b>                               |         | <b>31,139</b>  |
| <b>Extraordinary income</b>                          |         |                |
| Gain on sales of noncurrent assets                   | 13,659  |                |
| Gain on sales of investment securities               | 208     | 13,867         |
| <b>Extraordinary loss</b>                            |         |                |
| Loss on retirement of noncurrent assets              | 2,918   |                |
| Loss on closing of stores                            | 1,310   |                |
| Impairment loss                                      | 291     |                |
| Loss on sales of investment securities               | 330     |                |
| Loss on interest repayment                           | 377     |                |
| Provision for loss on interest repayment             | 11,487  |                |
| Other                                                | 248     | 16,963         |
| <b>Income before income taxes</b>                    |         | <b>28,043</b>  |
| Income taxes-current                                 | 10,420  |                |
| Income taxes-deferred                                | (1,126) | 9,293          |
| <b>Net income</b>                                    |         | <b>18,749</b>  |
| Net income attributable to non-controlling interests |         | 24             |
| <b>Net income attributable to owners of parent</b>   |         | <b>18,724</b>  |

# Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock  | Total shareholders' equity |
| <b>Balance as of April 1, 2016</b>                   | <b>35,920</b>        | <b>91,307</b>   | <b>210,237</b>    | <b>(54,238)</b> | <b>283,226</b>             |
| <b>Changes in the fiscal year:</b>                   |                      |                 |                   |                 |                            |
| Dividends                                            |                      |                 | (6,386)           |                 | (6,386)                    |
| Net income attributable to owners of parent          |                      |                 | 18,724            |                 | 18,724                     |
| Acquisition of treasury stock                        |                      |                 |                   | (20,698)        | (20,698)                   |
| Disposition of treasury stock                        |                      | (1)             |                   | 53              | 51                         |
| Retirement of treasury stock                         |                      | (67,494)        |                   | 67,494          | —                          |
| Transfer to capital surplus from retained earnings   |                      | 67,495          | (67,495)          |                 | —                          |
| Changes in items other than shareholders' equity-net |                      |                 |                   |                 |                            |
| <b>Total changes in the fiscal year</b>              | <b>—</b>             | <b>—</b>        | <b>(55,157)</b>   | <b>46,849</b>   | <b>(8,308)</b>             |
| <b>Balance as of March 31, 2017</b>                  | <b>35,920</b>        | <b>91,307</b>   | <b>155,079</b>    | <b>(7,389)</b>  | <b>274,918</b>             |

(Millions of yen)

|                                                      | Accumulated other comprehensive income                |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                               |                           |                  |
| <b>Balance as of April 1, 2016</b>                   | <b>(1,616)</b>                                        | <b>(1,616)</b>                               | <b>53</b>                     | <b>437</b>                | <b>282,101</b>   |
| <b>Changes in the fiscal year:</b>                   |                                                       |                                              |                               |                           |                  |
| Dividends                                            |                                                       |                                              |                               |                           | (6,386)          |
| Net income attributable to owners of parent          |                                                       |                                              |                               |                           | 18,724           |
| Acquisition of treasury stock                        |                                                       |                                              |                               |                           | (20,698)         |
| Disposition of treasury stock                        |                                                       |                                              |                               |                           | 51               |
| Retirement of treasury stock                         |                                                       |                                              |                               |                           | —                |
| Transfer to capital surplus from retained earnings   |                                                       |                                              |                               |                           | —                |
| Changes in items other than shareholders' equity-net | 581                                                   | 581                                          | (51)                          | 16                        | 546              |
| <b>Total changes in the fiscal year</b>              | <b>581</b>                                            | <b>581</b>                                   | <b>(51)</b>                   | <b>16</b>                 | <b>(7,761)</b>   |
| <b>Balance as of March 31, 2017</b>                  | <b>(1,034)</b>                                        | <b>(1,034)</b>                               | <b>2</b>                      | <b>453</b>                | <b>274,339</b>   |

## Notes to Consolidated Financial Statements

### 1. Significant Matters on the Basis for the Preparation of the Consolidated Financial Statements

#### (1) Scope of consolidation

##### i) Number of consolidated subsidiaries: 9

Names of principal consolidated subsidiaries:

MARUI Co., Ltd., Epos Card Co., Ltd., MRI SERVICER Co., Ltd., AIM CREATE CO., LTD., MOVING CO., LTD., M&C SYSTEMS CO., LTD., MARUI FACILITIES Co., Ltd., MARUI HOME SERVICE Co., Ltd.

##### ii) Names of non-consolidated subsidiaries:

MARUI (Shanghai) Co., Ltd., Epos Small Amount and Short Term Insurance Co., Ltd., MARUI KIT CENTER CO., LTD. Kitasenju Urban Development Co., Ltd., Totsuka Commercial Buildings Management Co., Ltd., Shiki Urban Development Co., Ltd.

Reasons for excluding non-consolidated subsidiaries from the scope of consolidation

The six non-consolidated subsidiaries above are excluded from the scope of consolidation because each of the sums of their total assets, revenue, net income (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) has no significant impact on the Company's consolidated financial statements.

#### (2) Application of the equity method

The Company does not apply an equity method for the above six non-consolidated subsidiaries and the following four affiliates: MIZONOKUCHISHINTOSHI Co., Ltd., Nakano Suncuore Co., Ltd., Yurakucho Ekimae Development Co., Ltd., Mito Urban Development Co., Ltd., because their respective net income (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) have no significant impact on the consolidated financial statements.

#### (3) Summary of significant accounting policies

##### i) Basis and method for valuation of significant assets

###### (a) Inventories

Merchandise is valued at cost using the monthly weighted average method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability).

###### (b) Securities

Available-for-sale securities for which fair values are available are valued at the quoted market price prevailing at the end of each consolidated fiscal year (with any unrealized gains or losses reported as a separate component of net assets at a net-of-tax amount and cost of sales determined by the moving-average method). Available-for-sale securities for which fair values are not available are stated at cost using the moving-average method.

##### ii) Method of depreciation and amortization of significant depreciable assets

###### (a) Property, plant and equipment (excluding lease assets)

Property, plant and equipment are depreciated using the straight-line method.

###### (b) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method, however, software for internal use is amortized using the straight-line method over the useful life estimated by the Company (not exceeding five years).

###### (c) Lease assets

Lease assets under financial lease contracts that do not transfer ownership of leased property to the lessee are depreciated using the straight-line method over the lease term with a residual value of zero.

##### iii) Basis for recognizing significant allowances and provisions

###### (a) Allowance for doubtful accounts

The estimated uncollectible amounts are determined based on the historical rate of bad-debt losses for general receivables and on the case-by-case analysis of recoverability for receivables with

- default possibility.
- (b) Provision for bonuses  
The portion of estimated bonus payments that is incurred during the current consolidated fiscal year is recognized.
- (c) Provision for point card certificates  
Based on the balance of points awarded to card members outstanding at the end of the current consolidated fiscal year, the amount expected to be used is recognized.
- (d) Reserve for loss from redemption of gift certificates  
With regard to gift and other certificates that have been recognized as revenue after passage of a certain length of time after their issuance, the amount estimated to be exchanged in the future is recognized.
- (e) Provision for loss on interest repayment  
The amount of consumer loan interest estimated to be repaid at the end of the current consolidated fiscal year is recognized.
- (f) Provision for loss on guarantees  
With regard to the guaranteed obligations relating to consumer loans extended by financial institutions, the amount of loss estimated to have been incurred is recognized.
- (g) Provision for stock benefits  
To prepare for provision of the Company's stock benefits to officers and employees pursuant to the stock allotment regulations, provisions are recorded based on the estimated amount of stock benefit obligations as of the end of the fiscal year under review.
- iv) Other significant matters for the preparation of consolidated financial statements
  - (a) Basis for recognizing revenues and expenses  
Financial charges earned on installment sales and consumer loan interest income are recognized on an accrual basis by the method of charging on the declining balance of loans.
  - (b) Accounting treatment of consumption taxes  
National and local consumption taxes are accounted for by the tax-excluded method.

(Additional Information)

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 of March 28, 2016) has been applied from the consolidated fiscal year under review.

## 2. Notes to Consolidated Balance Sheet

|                                                                                                           |                     |
|-----------------------------------------------------------------------------------------------------------|---------------------|
| (1) Accumulated depreciation of property, plant and equipment                                             | 216,277 million yen |
| (2) Guarantee liabilities                                                                                 |                     |
| Loan guarantees for personal loans offered by financial institutions                                      | 25,428 million yen  |
| (3) Balance of securitized receivables                                                                    | 64,290 million yen  |
| (4) Accumulated reduction entry excluded national subsidy from acquisition costs of tangible fixed assets | 66 million yen      |

### 3. Notes to Consolidated Statement of Income

#### (1) Impairment loss

The Group recognized the amount of impairment loss on the following asset groups.

(Unit: Millions of yen)

| (Unit: Millions of Yen) |                              |                          |        |
|-------------------------|------------------------------|--------------------------|--------|
| Purpose                 | Location                     | Type                     | Amount |
| Stores                  | Kawasaki                     | Buildings and structures | 278    |
|                         | Kawasaki-shi, Kanagawa, etc. | Other                    | 12     |
| Total                   |                              |                          | 291    |

Assets are grouped with stores in the Group as the basic unit representing the minimum unit responsible for generating cash flows and rental properties are grouped on the basis of properties. These carrying amounts of the asset groups above have been written down to the recoverable amount and the amount of the write-down has been reported as impairment loss under extraordinary losses.

Furthermore, the recoverable amount by asset group has been evaluated by its net sale value or value in use. For stores that continue to have a negative amount of income produced through operating activities, the value in use has been evaluated as zero because cash flow cannot be expected. For stores, etc., subject to closure or the disposal of equipment, the net sale value has been evaluated as zero.

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

Although claims for interest repayments on credit card cash advances decreased compared to the previous fiscal year, the provision for loss on interest repayment was recalculated and the necessary amount was recognized in consideration of current trends in claims for interest repayments.

### 4. Notes to Consolidated Statement of Changes in Net Assets

#### (1) Type and number of shares issued

| Share Class  | Number of Shares as of April 1, 2016 | Increase in Shares in the Fiscal Year | Decrease in Shares in the Fiscal Year | Number of Shares as of March 31, 2017 |
|--------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Common stock | 278,660,417 shares                   | -                                     | 45,000,000 shares                     | 233,660,417 shares                    |

Note: The decrease in shares was due to the retirement of treasury stocks.

#### (2) Dividends

##### i) Cash dividends paid

| Resolution                                                | Share Class  | Total Amount of Dividend (Millions of yen) | Dividend per Share (Yen) | Record Date        | Effective Date   |
|-----------------------------------------------------------|--------------|--------------------------------------------|--------------------------|--------------------|------------------|
| Ordinary General Meeting of Shareholders on June 29, 2016 | Common stock | 2,666                                      | 11                       | March 31, 2016     | June 30, 2016    |
| Board of Directors Meeting on November 4, 2016            | Common stock | 3,719                                      | 16                       | September 30, 2016 | December 5, 2016 |

Note: Total amount of dividend resolved by the Board of Directors Meeting on November 4, 2016 includes 8 million yen of dividends from the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

- ii) Dividends for which the record date falls in the current consolidated fiscal year, but the effective date falls in the following consolidated fiscal year.

The item regarding dividend on common stock is being proposed as follows:

| Resolution                                                | Share Class  | Total Amount of Dividend<br>(Millions of yen) | Resource for Dividend | Dividend per Share (Yen) | Record Date    | Effective Date |
|-----------------------------------------------------------|--------------|-----------------------------------------------|-----------------------|--------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders on June 26, 2017 | Common stock | 3,900                                         | Retained earnings     | 17                       | March 31, 2017 | June 27, 2017  |

Note: Total amount of dividend to be resolved by the Ordinary General Meeting of Shareholders on June 26, 2017 includes 8 million yen of dividends from the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

- (3) The class and the number of shares underlying subscription rights to shares (excluding subscription rights to shares of which the commencement date of their exercise period has not arrived) at the end of the current consolidated fiscal year.

Common stock 1,400 shares

## 5. Notes to Financial Instruments

### (1) Matters concerning the status of financial instruments

The Group raises funds primarily through loans from financial institutions and bond issuance. Temporary surplus funds are held in highly safe cash and bank deposits.

We strive to lower the customer credit risks relating to installment sales receivables and operating loans in accordance with our rules on extending credit. All of the investment securities are stocks, and the fair values of listed stocks are checked on a quarterly basis. Guarantee money deposited is mainly in connection with lease agreements for stores.

Loans are used as working capital. Interest rate swap transactions are used for a part of long-term loans payable in order to reduce interest volatility risks. According to the Company's policy, we utilize derivative transactions solely for the purpose described above and not for speculative purposes.

### (2) Fair value, etc. of financial instruments

Carrying amount in the consolidated balance sheets, fair value and net unrealized gain/loss of financial instruments as of March 31, 2017 are shown in the table below.

(Millions of yen)

|                                                                        | Consolidated Balance Sheets<br>Carrying Amount | Fair Value | Unrealized Gain/Loss |
|------------------------------------------------------------------------|------------------------------------------------|------------|----------------------|
| (1) Cash and deposits                                                  | 36,257                                         | 36,257     | -                    |
| (2) Notes and accounts receivable-trade                                | 4,840                                          | 4,840      | -                    |
| (3) Accounts receivable-installment<br>Allowance for doubtful accounts | 348,191<br>(6,236)                             |            |                      |
|                                                                        | 341,955                                        | 385,860    | 43,904               |
| (4) Operating loans<br>Allowance for doubtful accounts                 | 140,569<br>(2,349)                             |            |                      |
|                                                                        | 138,219                                        | 157,324    | 19,105               |
| (5) Investment securities<br>Other securities                          | 17,429                                         | 17,429     | -                    |
| (6) Guarantee deposits                                                 | 6,993                                          | 6,902      | (90)                 |
| Total assets                                                           | 545,695                                        | 608,615    | 62,919               |
| (1) Accounts payable-trade                                             | 15,850                                         | 15,850     | -                    |
| (2) Short-term loans payable                                           | 50,827                                         | 50,827     | -                    |
| (3) Current portion of bonds                                           | 20,000                                         | 20,000     | -                    |
| (4) Commercial papers                                                  | 5,000                                          | 5,000      | -                    |
| (5) Income taxes payable                                               | 7,214                                          | 7,214      | -                    |
| (6) Bonds payable                                                      | 85,000                                         | 85,049     | 49                   |
| (7) Long-term loans payable                                            | 273,500                                        | 272,556    | (943)                |
| (8) Derivative transactions                                            | -                                              | -          | -                    |
| Total liabilities                                                      | 457,391                                        | 456,498    | (893)                |

Notes: 1. Method of determining the fair value of financial instruments, and matters concerning securities and derivative transactions.

#### Assets

##### (1) Cash and deposits and (2) Notes and accounts receivable-trade

For those items that are settled within short periods of time, the carrying amount is used as fair value because their fair value approximates their carrying amounts.

##### (3) Accounts receivable-installment and (4) Operating loans

Fair value of these items is determined at their present value by discounting, at the risk free rate, their future cash flows that are adjusted for their credit risks identified in the credit control process. With respect to receivables with default possibility, the unrecoverable amount

is estimated based on the present value of their estimated future cash flows. Their fair value thus is very close to the balance sheets amount at the end of the consolidated fiscal year under review less the estimated unrecoverable amount. This amount is therefore used as the fair value.

(5) Investment securities

Investment securities are measured at their quoted prices on the stock exchange.

(6) Guarantee deposits

Fair value of guarantee deposits is determined at the present value of their future cash flows, discounted at a rate that equals the risk free rate, adjusted for credit risks.

Guarantee deposits that are expected to be repaid within one year are included.

Liabilities

(1) Accounts payable-trade, (2) Short-term loans payable, (3) Current portion of bonds, (4)

Commercial papers, and (5) Income taxes payable

These items are stated at their carrying amounts as they are settled within a short period of time and their fair values approximate their carrying amounts.

(6) Bonds payable

Each bond is measured at the present value of the sum of the principal amount and interest payments, discounted at a rate that takes into account the remaining period of the bond and credit risks.

(7) Long-term loans payable

Long-term loans payable with variable rates are stated at their carrying amounts as such loans reflect the market interest rate in a short period of time and their carrying amounts approximate fair value. Some of these loans are subject to the special treatment for interest rate swaps (See item (8) below). The sum of the principal amount and interest payments that is treated in combination with such an interest rate swap is discounted at a reasonably estimated interest rate that would be applicable to other similar loans.

Those with a fixed interest rate are measured by discounting the sum of the principal amount and interest payments at an interest rate assumed to be applied if the same loans were newly executed.

(8) Derivative transactions

The interest rate swaps that are subject to the special treatment are treated in combination with long-term loans payable that are designated as the hedged items. Their fair value is thus presented as part of the long-term loans payable (See item (7) above).

2. As it is extremely difficult to determine the fair value of non-publicly traded stocks (in the amount of 1,421 million yen on the consolidated balance sheets) for which no market prices are available and the future cash flows cannot be estimated, they are not included in item (5) Investment securities above.

As it is also extremely difficult to determine the fair value of part of the lease deposits (in the amount of 27,796 million yen on the consolidated balance sheets) for which no market prices are available and the future cash flows cannot be estimated, they are not included in item (6) Guarantee deposits.



## 6. Notes to Real Estate for Rent and Others

### (1) Matters concerning the status of real estate for rent and others

Certain subsidiaries of the Company own commercial properties (including land) for rent in Tokyo and other areas.

### (2) Matters concerning the fair value of real estate for rent and others

(Millions of yen)

| Consolidated Balance Sheets Carrying Amount | Fair Value |
|---------------------------------------------|------------|
| 86,249                                      | 159,321    |

Notes:

1. The amount shown in the consolidated balance sheets equals the cost less accumulated depreciation and accumulated impairment loss.
2. Fair value at the end of the consolidated fiscal year under review is an amount based primarily on real-estate appraisals including index-based adjustments by licensed outside real estate appraisers.

## 7. Notes to Per Share Information

- |                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,196.23 yen |
| (2) Net income per share | 80.24 yen    |

## 8. Notes to Significant Subsequent Events

Not applicable.

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Amounts in theses consolidated financial statements have been rounded down to the nearest unit. Ratio etc. are rounded off to the nearest digit.

# Non-Consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
<b><u>Assets</u></b>		<b><u>Liabilities</u></b>	
<b>Current assets</b>	<b>307,562</b>	<b>Current liabilities</b>	<b>139,599</b>
Cash and deposits	25,129	Short-term loans payable	50,700
Deferred tax assets	92	Current portion of bonds	20,000
Short-term loans receivable from subsidiaries and affiliates	280,193	Short-term loans payable to subsidiaries and affiliates	62,217
Other	2,171	Commercial papers	5,000
Allowance for doubtful accounts	(24)	Accounts payable-other	379
		Accrued expenses	369
<b>Noncurrent assets</b>	<b>405,087</b>	Income taxes payable	83
<b>Property, plant and equipment</b>	<b>1,378</b>	Deposits received	208
Buildings	14	Provision for bonuses	228
Structures	1	Other	413
Vehicles	0	<b>Noncurrent liabilities</b>	<b>358,633</b>
Furniture and fixtures	1,361	Bonds payable	85,000
		Long-term loans payable	273,500
<b>Intangible assets</b>	<b>33</b>	Provision for stock benefits	66
		Other	67
<b>Investments and other assets</b>	<b>403,675</b>	<b>Total liabilities</b>	<b>498,232</b>
Investment securities	17,710		
Stocks of subsidiaries and affiliates	377,746	<b><u>Net Assets</u></b>	
Investments in capital of subsidiaries and affiliates	132	<b>Shareholders' equity</b>	<b>215,492</b>
Deferred tax assets	7,748	<b>Capital stock</b>	<b>35,920</b>
Other	337	<b>Capital surplus</b>	<b>91,307</b>
		Legal capital surplus	91,307
		<b>Retained earnings</b>	<b>95,653</b>
		Legal retained earnings	8,980
		Other retained earnings	86,673
		Retained earnings brought forward	86,673
		<b>Treasury stock</b>	<b>(7,389)</b>
		<b>Valuation and translation adjustments</b>	<b>(1,077)</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>(1,077)</b>
		<b>Subscription rights to shares</b>	<b>2</b>
		<b>Total net assets</b>	<b>214,417</b>
<b>Total assets</b>	<b>712,649</b>	<b>Total liabilities and net assets</b>	<b>712,649</b>

# Non-Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
<b>Operating revenue</b>		<b>13,684</b>
Operating expenses		5,077
<b>Operating income</b>		<b>8,607</b>
<b>Non-operating income</b>		
Interest income	2,056	
Dividends income	336	
Other	19	2,412
<b>Non-operating expenses</b>		
Interest expenses	1,612	
Financing expenses	187	
Other	132	1,932
<b>Ordinary income</b>		<b>9,087</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	208	208
<b>Extraordinary loss</b>		
Loss on sales of investment securities	330	
Other	23	354
<b>Income before income taxes</b>		<b>8,941</b>
Income taxes-current	154	
Income taxes-deferred	(71)	83
<b>Net income</b>		<b>8,858</b>

**Non-Consolidated Statement of Changes in Net Assets**  
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
<b>Balance as of April 1, 2016</b>	35,920	91,307	-	91,307	8,980	151,696	160,676
<b>Changes in the fiscal year:</b>							
Dividends						(2,666)	(2,666)
Dividends (interim)						(3,719)	(3,719)
Net income						8,858	8,858
Acquisition of treasury stock							
Disposition of treasury stock			(1)	(1)			
Retirement of treasury stock			(67,494)	(67,494)			
Transfer to capital surplus from retained earnings			67,495	67,495		(67,495)	(67,495)
Change in items other than shareholders' equity-net							
<b>Total changes in the fiscal year</b>	-	-	-	-	-	(65,022)	(65,022)
<b>Balance as of March 31, 2017</b>	35,920	91,307	-	91,307	8,980	86,673	95,653

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
<b>Balance as of April 1, 2016</b>	(54,238)	233,666	(1,623)	(1,623)	53	232,096
<b>Changes in the fiscal year:</b>						
Dividends		(2,666)				(2,666)
Dividends (interim)		(3,719)				(3,719)
Net income		8,858				8,858
Acquisition of treasury stock	(20,698)	(20,698)				(20,698)
Disposition of treasury stock	53	51				51
Retirement of treasury stock	67,494	-				-
Transfer to capital surplus from retained earnings		-				-
Change in items other than shareholders' equity-net			546	546	(51)	494
<b>Total changes in the fiscal year</b>	<b>46,849</b>	<b>(18,173)</b>	<b>546</b>	<b>546</b>	<b>(51)</b>	<b>(17,679)</b>
<b>Balance as of March 31, 2017</b>	<b>(7,389)</b>	<b>215,492</b>	<b>(1,077)</b>	<b>(1,077)</b>	<b>2</b>	<b>214,417</b>

## Notes to Non-Consolidated Financial Statements

### 1. Notes on Matters concerning Significant Accounting Policies

#### (1) Basis and method for valuation of assets

##### Securities

Stocks in subsidiaries and affiliates are stated at cost using the moving average method.

Available-for-sale securities for which fair values are available are valued at the quoted market price prevailing at the end of each fiscal year (with any unrealized gains or losses reported as a separate component of net assets at a net-of-tax amount and cost of sales determined by the moving-average method). Available-for-sale securities for which fair values are not available are stated at cost using the moving-average method.

#### (2) Method of depreciation and amortization of noncurrent assets

##### (a) Property, plant and equipment

Property, plant and equipment are depreciated using the straight-line method.

##### (b) Intangible assets

Intangible assets are amortized using the straight-line method. Software for internal use, however, is amortized using the straight-line method over the useful life estimated by the Company (not exceeding five years).

#### (3) Basis for recognizing allowances and provisions

##### (a) Allowance for doubtful accounts

The estimated uncollectible amounts are determined on the case-by-case analysis of recoverability for receivables with default possibility.

##### (b) Provision for bonuses

The portion of estimated bonus payments that is incurred during the current fiscal year is recognized.

##### (c) Provision for stock benefits

To prepare for provision of the Company's stock benefits to officers and employees pursuant to the stock allotment regulations, provisions are recorded based on the estimated amount of stock benefit obligations as of the end of the fiscal year under review.

#### (4) Other significant matters for the preparation of financial statements

National and local consumption taxes are accounted for by the tax-excluded method.

#### (Additional Information)

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 of March 28, 2016) has been applied from the fiscal year under review.

### 2. Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	833 million yen
(2) Guarantee liabilities	
Guarantee liabilities in respect to the amount of payables of the consolidated subsidiary, Epos Card Co., Ltd. to their business partner	10,174 million yen
(3) Receivables and payables to subsidiaries and affiliates	
Short-term receivables	280,209 million yen
Short-term payables	62,217 million yen

### 3. Notes to Non-Consolidated Statement of Income

#### Transaction with subsidiaries and affiliates

##### Operating transactions

Operating revenues 13,684 million yen

Operating expenses 809 million yen

Non-operating transactions 2,083 million yen

#### 4. Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of shares of treasury stock

Share Class	Number of Shares as of April 1, 2016	Increase in Shares in the Fiscal Year	Decrease in Shares in the Fiscal Year	Number of Shares as of March 31, 2017
Common stock	36,270,334 shares	13,469,778 shares	45,035,362 shares	4,704,750 shares

Notes:

1. Shares of common stock held as treasury stock increased by 13,469,778 shares due to the purchase of treasury stock (12,966,300 shares), the acquisition of treasury stocks for Officer Remuneration BIP Trust and Stock Benefit ESOP Trust (502,300 shares), and the purchase of shares in response to purchase demands for less than one unit (1,178 shares).
2. Shares of common stock held as treasury stock decreased by 45,035,362 shares due to the cancelation of treasury stocks held (45,000,000 shares), the exercise of stock options (35,300 shares), and the sale of fractional shares (62 shares).
3. The number of shares of common stock as of March 31, 2017 includes 502,300 shares of the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

#### 5. Notes to Tax Effect Accounting

Principal components of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Impairment loss of investment securities in subsidiaries and affiliates for restructuring	7,238 million yen
Other	3,109 million yen
Sub-total	10,347 million yen
Valuation allowance	(2,507) million yen
Total	7,840 million yen

## 6. Notes to Transactions with Related Parties

Subsidiaries, affiliates and other related parties

Type	Name	Business Contents	Voting Rights held by the Company (%)	Relationship	
				Concurrent Posts of Directors and Audit & Supervisory Board Members	Business Relationship
Subsidiaries	MARUI Co., Ltd.	Marui Store Business, Private Brand Management and Development, Mail-order Business, Outlet Business	(Ownership) Direct 100.0	1 person	Business management
	Epos Card Co., Ltd.	Credit Card Business, Credit Loan Business	(Ownership) Direct 100.0	2 persons	Business management

Type	Name	Transactions	Amount of Transactions (Millions of yen)	Account Item	Balance as of March 31, 2017 (Millions of yen)
Subsidiaries	MARUI Co., Ltd.	Borrowing of funds *Note1	40,062	Short-term loans payable to subsidiaries and affiliates	48,725
		Business management fee *Note2	1,494	-	-
	Epos Card Co., Ltd.	Lending of funds *Note1	273,046	Short-term loans receivable from subsidiaries and affiliates	279,028
		Business management fee *Note2	2,548	-	-
		Receipt of interests	2,047	-	-

Terms of transactions and policy for deciding transaction terms

Notes:

1. These loans are intended to centralize control of the intra-Group funds by the cash management system. The interest rate is reasonably determined based on the market interest rate. The transaction amounts shown in the table above are average outstanding balances.
2. These represent fees for accounting and personnel management related services provided and are determined on a reasonable basis.

## 7. Notes to Per-Share Information

(1) Net assets per share	936.49 yen
(2) Net income per share	37.96 yen

## 8. Notes to Significant Subsequent Events

Not applicable.

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Amounts in these non-consolidated financial statements have been rounded down to the nearest unit. Ratio etc. are rounded off to the nearest digit.