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Securities Code: 8252

The status of corporate governance at MARUI GROUP CO., LTD., is as follows.

I. Basic Policy on Corporate Governance, Capital Structure, Company Details, and Other Basic Information

1. Basic Policy on Corporate Governance

MARUI GROUP CO., LTD., based on its corporate philosophy which calls on it to “continue evolving to better aid our customers” and “equate the development of our people with the development of our company,” will support employees as they strive to aid customers and thereby create a virtuous cycle through which the development of people drives the development of the Company. In this manner, we are pursuing medium-to-long-term improvements in corporate value. Accordingly, the Company positions strengthening corporate governance as a top management priority and is promoting management that is sound, highly transparent, and capable of efficiently generating profits.

【Reasons for not adopting the principles of Japan’s Corporate Governance Code】 **Updated**

Principle 1.4: Cross-Shareholdings (Disclosure of Results of Assessments)

The Company does not disclose the results of assessments on the rationality of individual cross-shareholdings due to the confidentiality of transactions with counterparties.

Policies regarding cross-shareholdings and the progress of cross-shareholding reduction can be found in “Principle 1.4: Cross-Shareholdings” under “ **【Disclosure based on the principles of Japan’s Corporate Governance Code】** .”

【Disclosure based on the principles of Japan’s Corporate Governance Code】 **Updated**

The Company observes the principles of Japan’s Corporate Governance Code. Information on the Company’s corporate governance systems and initiatives can be found in the MARUI GROUP Corporate Governance Guidelines. In addition, details on compliance with the principles of Japan’s Corporate Governance Code can be found in the table at the end of this report (Japanese version only).

The MARUI GROUP Corporate Governance Guidelines are available on the Company’s corporate website. (<http://www.0101maruigroup.co.jp/en/ci/governance.html>)

Principle 1.3: Basic Strategy for Capital Policy

The Company implements appropriate capital measures based on changes in its business structure and an accurate understanding of the Company’s capital costs (shareholders’ equity costs and weighted average cost of capital). The Company is to conduct appropriate capital measures based on changes in its business structure and on capital costs

(shareholders' equity costs and weighted average cost of capital). In the pursuit of improvements in corporate value, core operating cash flow is to be allocated in a balanced manner to growth investments and shareholder returns. Return on equity is to be positioned as an important management indicator for which targets will be set. At the same time, the Company shall endeavor to improve return on invested capital through earnings growth while developing a capital structure in which return on invested capital consistently exceeds capital costs (weighted average cost of capital) by transitioning to the optimal capital structure based on its business structure. Prior to enacting capital measures that result in changes in controlling interests or significant dilution of the stock base, the Board of Directors must first fully evaluate the necessity and rationale of these measures. After this evaluation, the shareholders are to be provided with full explanations of these measures in accordance with the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan as well as the regulations of the Tokyo Stock Exchange, and related procedures are to be conducted appropriately and through suitable means.

The Company will target high growth coupled with high returns by pursuing ongoing increases in dividends through long-term growth in earnings per share.

A consolidated payout ratio of more than 40% will be targeted, and the Company will seek to raise this ratio to 55% in a phased manner leading up to the fiscal year ending March 31, 2024, as it institutes ongoing increases in dividend payments over the long term.

After considering a comprehensive range of factors including cash flows, treasury stock acquisitions are conducted when the timing has been deemed appropriate for improving capital efficiency and increasing shareholder value as the Company targets a total return ratio of approximately 70%. Acquired shares of treasury stock are, in principle, to be canceled.

The target level for the consolidated payout ratio and the total return ratio will be reassessed regularly and revised as necessary.

Principle 1.4: Cross-Shareholdings

In principle, the Company will not engage in cross-shareholdings except for cases in which such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value. Shares for which the meaning of holding has been diminished may be sold in a phased manner after considering the circumstances surrounding the counterparty.

Each year, the returns from each cross-shareholding are verified in either July or August. The extent to which holdings have been reduced is also confirmed at this time.

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

Note: Comparisons are made with December 31, 2015, as the MARUI GROUP Corporate Governance Guidelines were established on November 11, 2015.

Voting rights attached to shares held through cross-shareholdings will be exercised based on thorough evaluation of each proposal and whether or not the proposal will contribute to improvements in the medium-to-long-term corporate value of the Company. Consideration will also be paid to the management policies of the counterparty.

Supplementary Principles 1.4.1 and 1.4.2

The Company will not engage in transactions with companies that hold shares of its stock if these transactions lack

sufficient economic rationale. Should a company holding shares of stock in the Company express intent to sell these shares, the Company will not impede those sales.

Principle 1.7: Related Party Transactions

With regard to related party transactions, the Company has defined the following measures as means of preventing damage to corporate value and the common interests of the shareholders of the Company.

If a director plans to conduct a transaction that competes with the Company or represents a conflict of interests, approval must be received from the Board of Directors in advance and a report is to be issued to the Board of Directors immediately upon conclusion of the transaction.

For other related party transactions, the appropriateness of conditions and decision-making procedures for important transactions will be determined through discussion by the Board of Directors.

Principle 2.3: Sustainability Issues, Including Social and Environmental Matters

MARUI GROUP practices co-creation sustainability management with the goal of transcending all dichotomies to build a flourishing and inclusive society that offers happiness to all. To facilitate these efforts, the Sustainability Board was established as an advisory body to the Board of Directors in May 2019. This committee meets twice a year and provides reports and advice on Groupwide sustainability strategies and initiatives to the Board of Directors.

Members of the Sustainability Board comprise executive officers selected by the Board of Directors and other individuals deemed appropriate to serve as members by the Board of Directors based on the goals of the board.

In addition, the Environment and CSR Committee was established as a part of the Sustainability Board for carrying out duties pertaining to the management of relevant risks and other matters based on the instructions of the board. With these organizations in place, the Company is stepping up governance measures related to climate change, making decisions based on comprehensive discussion of the MARUI GROUP Environmental Policy and important matters pertaining to climate change when formulating business strategies or investment and financing plans.

For more information on MARUI GROUP's sustainability management, please refer to the Company's *Co-Creation Management Report 2018* and *VISION BOOK 2050*.

Co-Creation Management Report 2018

http://www.0101maruigroup.co.jp/en/ir/pdf/i_report/2018/i_report2018_ena3.pdf

VISION BOOK 2050

http://www.0101maruigroup.co.jp/en/sustainability/pdf/s_report/2018/s_report2018_a3.pdf

Principle 2.4: Ensuring Diversity, Including Active Participation of Women

MARUI GROUP believes that, when its approximately 5,500 unique employees are accepting toward one another and able to merge their values while focusing on social change and the needs of society, the resulting marriage of differing insights will no doubt generate innovation. MARUI GROUP is thus pursuing diversity with regard to individual talents, gender, and age.

In addition, three themes for promoting diversity have been established to guide initiatives for creating an environment in which every employee is able to exercise their individuality and feel empowered in their work.

Corporate culture encouraging acceptance and respect toward individuality

- Official Groupwide project teams
- Medium-Term Management Visionary Committee

- Intra-Group profession changes

Systems supporting individual achievements

- Frameworks
- Work style reforms (reduction of overtime)
- Work-life balance support systems

Management reforms for leveraging the promotion of diversity

- Communication reforms
- Opportunities for all employees to participate in management
- Culture of self-transformation

In the fiscal year ended March 31, 2014, MARUI GROUP defined women's empowerment indexes to serve as key performance indicators for measuring progress in empowering female employees. Targets to be achieved by the fiscal year ending March 31, 2021, were set from the perspectives of awareness and corporate culture reforms as well as empowerment of female employees.

- Awareness and Corporate Culture Reforms

	Recognition of contributions of female employees	Ratio of female employees pursuing upper-level positions	Ratio of applicable male employees taking childcare leave
FY2014	37%	41%	14%
FY2019	98%	69%	97%
FY2021 (Targets)	100%	80%	100%

- Empowerment of Female Employees

	Ratio of female employees returning to work full time after taking childcare leave	Number of female leaders	Number of female managers	Ratio of female managers
FY2014	36%	545	24	7%
FY2019	74%	654	46	12%
FY2021 (Targets)	90%	900	55	17%

Note: Female leaders refer to leaders in section manager, supervisor, or equivalent positions.

Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

The Company does not have a corporate pension fund.

Note: To assist stable asset building by employees, the Company has introduced a defined contribution corporate pension plan (life planning system).

Principle 3.1: Full disclosure

i) Corporate philosophy and management plans

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

The Company has established a five-year medium-term management plan with the fiscal year ending March 31, 2021, as its final year. The basic policies of this plan are as follows.

1. Improvement of corporate value through integrated Group operation
2. Creation of new businesses through transformation of Group businesses
3. Development of optimal capital structure and further improvement of productivity

ii) Basic policies related to Corporate Governance

The Company's basic policy on corporate governance can be found in section I-1. (Basic Policy on Corporate Governance) of this report. In addition, the Company has compiled other basic policies for corporate governance in the MARUI GROUP Corporate Governance Guidelines, which are available on the Company's website.

MARUI GROUP Corporate Governance Guidelines

<http://www.0101maruigroup.co.jp/en/ci/governance.html>

iii) Policies and procedures for use by the Board of Directors in deciding compensation of senior management members, directors, and Audit & Supervisory Board members

The amount of compensation paid to individual directors is decided by the Nominating and Compensation Committee and set within the limit approved at the ordinary general meeting of shareholders. The amount of compensation paid to individual executive officers is decided by the Nominating and Compensation Committee.

The Nominating and Compensation Committee has been established to improve the transparency and objectivity of the deliberation process related to compensation systems for directors and executive officers.

Director compensation is 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 and executive officers includes fixed basic 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 basic compensation based on their position to ensure that they maintain an independent standpoint.

Compensation for Audit & Supervisory Board members consist only of fixed basic compensation and is decided through discussion among the Audit & Supervisory Board and set within the limit approved at the ordinary general meeting of shareholders.

iv) Policies and procedures for appointment and nomination of directors and Audit & Supervisory Board members

by the Board of Directors

Director candidates are selected regardless of gender, age, or nationality, with selection decisions based on consideration of the personalities and views of potential candidates. In this manner, the Company selects individuals that are capable of fulfilling the duties and responsibilities of directors and thereby contributing to medium-to-long-term improvements in the corporate value of the Company. Similarly, Audit & Supervisory Board member candidates are selected regardless of gender, age, or nationality, with selection decisions based on consideration of the personalities and views of potential candidates. In this manner, the Company selects individuals that are capable of fulfilling the duties and responsibilities of Audit & Supervisory Board members and thereby contributing to the establishment of an impartial system for supervising the Company's management. Candidates for positions as external directors and external Audit & Supervisory Board members must fulfill the requirements set forth by the Companies Act of Japan as well as the Company's own Criteria for Independence of External Directors and Audit & Supervisory Board Members.

Candidates for positions as internal directors and internal Audit & Supervisory Board members are selected after discussion by the Management Committee and the Board of Directors based on recommendations by directors and personal and human resources evaluations by the Nominating and Compensation Committee.

Candidates for positions as external directors and external Audit & Supervisory Board members are chosen for having the necessary insight, skills, and experience required by the Company's Board of Directors, and selection decisions are only made after discussion by the Management Committee and the Board of Directors. Prior to the selection of director candidates, the candidates must be discussed by the Nominating and Compensation Committee.

Audit & Supervisory Board member candidates must be approved by the Audit & Supervisory Board.

v) Explanations with respect to the appointment and nomination of individual senior management members, directors, and Audit & Supervisory Board members by the Board of Directors

Reasons for nomination of directors and Audit & Supervisory Board members

[Directors]

Hiroshi Aoi

Hiroshi Aoi has properly overseen the Board of Directors as the chairman and duly performed his supervisory functions with regard to important management decision making and operational execution as the president and representative director of the Company since 2005. He has ample business experience and knowledge as a corporate manager and has overseen overall the overall operation of the Group and performed his duties properly as the Group representative executive officer. Based on the above reasons, the Company believes that he can fully perform his functions for facilitating the medium-to-long-term improvement of the corporate value of the Company. Therefore, the Company has nominated him as a director candidate.

Masao Nakamura

Masao Nakamura has business experience in corporate planning, business development, store planning, and other divisions and has performed his supervisory functions properly with regard to important management decision making and operational execution as a director of the Company since 2008. He has overseen the FinTech business as well as corporate planning, real estate, and customer success divisions and performed his duties properly as a senior

managing executive officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for facilitating the medium-to-long-term improvement of the corporate value of the Company. Therefore, the Company has nominated him as a director candidate.

Hirotsugu Kato

Hirotsugu Kato has business experience in corporate planning, finance, and investor relations divisions, and has performed his supervisory functions properly with regard to important management decision making and operational execution as a director of the Company since 2016. He has overseen finance, investment research, sustainability, and ESG divisions and performed his duties properly as a managing executive officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for facilitating the medium-to-long-term improvement of the corporate value of the Company. Therefore, the Company has nominated him as a director candidate.

Masahisa Aoki

Masahisa Aoki has business experience in distribution, store, and direct marketing planning divisions. He has overseen the store, direct marketing, and anime businesses and performed his duties properly as a senior executive officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for facilitating the medium-to-long-term improvement of the corporate value of the Company. Therefore, the Company has nominated him as a director candidate.

Yuko Ito

Yuko Ito has business experience in construction and space production planning divisions. She has overseen Groupwide design strategies and construction divisions and performed her duties properly as an executive officer of the Company. Based on the above reasons, the Company believes that she can fully perform her functions for facilitating the medium-to-long-term improvement of the corporate value of the Company. Therefore, the Company has nominated her as a director candidate.

[Audit & Supervisory Board members]

Hideaki Fujizuka

Hideaki Fujizuka has held important positions at The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), and at Olympus Corporation through which he has accumulated extensive business experience. He also possesses a wealth of insight into finance, accounting, and risk management. The Company has nominated him as an Audit & Supervisory Board member candidate with the expectation that he will be able to continue to utilize his insight to perform impartial audits of the Company.

Nariaki Fuse

Nariaki Fuse has accumulated a breadth of experience in the Group's information system operations and has acquired management experience as a senior executive officer of the Company, and he is therefore highly knowledgeable on the Group's various businesses. Based on the above reasons, the Company believes that he can contribute to

impartial audits as an Audit & Supervisory Board member. Therefore, the Company has nominated him as an Audit & Supervisory Board member candidate.

Information on the reasons for appointment of external directors Etsuko Okajima, Yoshitaka Taguchi, and Masahiro Muroi and external Audit & Supervisory Board members Tadashi Ooe and Takehiko Takagi can be found under Relationship between External Directors and the Company (2) and Relationship between External Audit & Supervisory Board Members and the Company (2) in section II-1. (System of Business Management Organization for Management Decision Making, Operational Execution, and Auditing and Other Corporate Governance Systems) of this report.

Supplementary Principle 4.1.1: Scope of delegation of authority to management from the Board of Directors

The Board of Directors is to work toward sustainable improvements in corporate value. To this end, it shall exert its supervisory function by realizing highly effective corporate governance and appropriately exercise its authority by making the most ideal decisions based on impartial judgment.

The Board of Directors shall make important management decisions and supervise operational execution in accordance with relevant laws, the articles of incorporation, and internal regulations.

The Board of Directors shall formulate management strategies and plans based on the corporate philosophy and an accurate understanding of the Company's capital costs (shareholders' equity costs and weighted average cost of capital) and disclose related information. The progress of these management strategies and plans is to be confirmed and analyzed annually. When deemed necessary, revisions shall be instituted with regard to areas such as business structures or plans for allocating management resources to new business investments, capital investments, or investments in human resource development.

For operational execution decisions not requiring the judgment of the Board of Directors based on relevant laws, the articles of incorporation, and internal regulations, the Board of Directors shall delegate decision-making authority to the Management Committee and executive officers.

The Company shall take steps to ensure that the rate of attendance by directors and Audit & Supervisory Board members at meetings of the Board of Directors is over 80%.

Supplementary Principle 4.1.3: Succession plans

The Board of Directors shall be involved in the formulation and implementation of programs for discovering and cultivating future leaders to fill senior management positions such as president and representative director as one facet of developing succession plans for the president and representative director. Based on the corporate philosophy and management strategies, the Board of Directors shall oversee the content of such programs as well as plans for future cultivation of participants through assignments and promotions after completion of the program.

[Future Leader Development Program]

MARUI GROUP is implementing a future leader development program under the guidance of the external institutions and external directors to discover and cultivate future leaders with the potential to support MARUI GROUP's management a decade from now and to foster approximately 200 leader candidates, including a successor to the president.

In the fiscal year ended March 31, 2019, an internal training program was instituted that comprised discussions with guest speakers, self-study, and courses for acquiring finance, corporate value, legal, corporate governance, business strategy, leadership, and other crucial management skills.

After the completion of the program, participants will be approved for ongoing development and monitoring through secondment to affiliates and placement in strategy and planning divisions.

Supplementary Principle 4.2.1: Roles and duties of the Board of Directors (compensation of management)

The amount of compensation paid to individual directors is to be decided by the Nominating and Compensation Committee and set within the limit approved at the ordinary general meeting of shareholders. These amounts are to be determined based on a comprehensive evaluation of factors including the responsibility of each director for the management of the Group and the progress of the Group's medium-term management plan. The amount of compensation paid to individual executive officers is to be decided by the Nominating and Compensation Committee.

Director compensation is to be 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 and executive officers includes fixed basic compensation as well as performance-linked bonuses, which are based on the performance of the Company in a given fiscal year to function as a short-term incentive, and performance-linked stock-based compensation, which is based on the medium-to-long-term performance of the Company to function as a medium-to-long-term incentive. 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 basic compensation based on their position to ensure that they maintain an independent standpoint.

Compensation for Audit & Supervisory Board members will consist only of fixed basic compensation and is to be decided through discussion among the Audit & Supervisory Board and set within the limit approved at the ordinary general meeting of shareholders.

Supplementary Principles 4.3.2 and 4.3.3: Selection of candidates for positions as managers ranked lower than president and representative director, and dismissal of individuals in these positions

The Board of Directors shall flexibly make decisions regarding the selection of candidates for positions as directors, Audit & Supervisory Board members, and managers ranked lower than president and representative director, and the dismissal of individuals in these positions based on transparent and impartial discussions by the Nominating and Compensation Committee members, who comprise a majority of external directors, and on the performance of the Company. The Board of Directors shall select candidate directors, Audit & Supervisory Board members, and managers ranked lower than president and representative director that are capable of fulfilling the duties and responsibilities of their positions. These candidates are to be selected regardless of gender, age, or nationality, with selection decisions based on consideration of the personalities and views of potential candidates. Candidates for positions as directors and managers ranked lower than president and representative director shall be selected based on their potential to contribute to medium-to-long-term improvements in the corporate value of the Company. Audit & Supervisory Board member candidates shall be selected based on their potential to contribute to the establishment of an impartial system for supervising the Company's management.

Principle 4.8: Effective use of external directors (independent directors)

In principle, one-third of directors should be external directors that have been designated as independent directors, as stipulated by the Tokyo Stock Exchange in order to incorporate a wealth of outside experience and specialized insight into management, strengthen supervisory functions for the Board of Directors, and improve the transparency of management.

Principle 4.9: Independence standards and qualifications for external directors (independent directors)

The Company aims to ensure the appropriate levels of objectivity and transparency necessary for effective corporate governance. For this reason, it has established criteria for determining the independence of external directors, external Audit & Supervisory Board members, and candidates for these two positions. For details, please refer to the “Other Matters regarding Independent Directors and Auditors” section of this report.

Supplementary Principle 4.10.1: Utilization of voluntarily established organizations

The Nominating and Compensation Committee will be put in place to improve the transparency and objectivity of the deliberation process related to the nomination of directors and executive officers bearing special titles and to compensation systems for directors and executive officers.

The Nominating and Compensation Committee is to consist of at least three members, two or more of whom should, in principle, be external directors.

Members of the Nominating and Compensation Committee are to be appointed through resolution by the Board of Directors.

The Nominating and Compensation Committee shall discuss the following matters regarding the nomination of directors and executive officers based on consultations by the Board of Directors.

1. Matters related to the selection of director candidates to be presented at the ordinary general meeting of shareholders
2. Matters related to the selection of executive officers bearing special titles
3. Other matters for which the Board of Directors may seek counsel

The Nominating and Compensation Committee shall be delegated authority from the Board of Directors to discuss the following matters and make decisions regarding the compensation paid to directors and executive officers, with compensation of directors being contained within the confines of the compensation systems and limits approved at the ordinary general meeting of shareholders.

1. Matters related to the compensation of individual directors and executive officers
2. Matters related to changes in compensation systems for directors and executive officers
3. Other matters for which the Board of Directors may seek counsel or delegate authority

Supplementary Principle 4.11.1: Policies regarding the composition of the Board of Directors and the Audit & Supervisory Board

The Board of Directors is to be composed of directors from a diverse range of backgrounds with differing specialties and experience and of various genders and nationalities. Based on the number of directors pursuant to the articles of incorporation, an optimal number of directors is to be maintained to ensure that the Board of Directors is able to function with the highest possible level of effectiveness and efficiency from the following perspectives.

1. Securing a level of diversity necessary to guarantee appropriate management decision making and supervision
2. Facilitating lively discussions at meetings of the Board of Directors centered on external directors (independent directors)

In principle, one-third of directors should be external directors (independent directors) in order to incorporate a wealth of outside experience and specialized insight into management, strengthen supervisory functions for the Board of Directors, and improve the transparency of management.

Audit & Supervisory Board members to be appointed shall possess the prerequisite experience and skills and have insight with regard to areas such as finance, accounting, and legal affairs. At least one Audit & Supervisory Board

member shall possess specialties related to finance and accounting. Based on the number of Audit & Supervisory Board members pursuant to the articles of incorporation, the Audit & Supervisory Board is to be composed of a majority of external Audit & Supervisory Board members.

Supplementary Principle 4.11.2: Concurrent positions held by directors and Audit & Supervisory Board members

Directors and Audit & Supervisory Board members are not to allow concurrent positions as officers at other companies to interfere with the performance of their duties at the Company, and all major concurrent positions are to be disclosed each year.

Supplementary Principle 4.11.3: Analyzes and Evaluations of Effectiveness of the Board of Directors

The MARUI GROUP Corporate Governance Guidelines stipulate that, in order to improve the functionality of the Board of Directors, the Board's effectiveness is to be analyzed and evaluated once a year, in principle. Accordingly, the effectiveness of the Board of Directors was evaluated in the fiscal year ended March 31, 2019.

Evaluation Process

All directors and Audit & Supervisory Board members completed a self-evaluation survey of the effectiveness of the Board of Directors that comprised 41 questions in six categories looking at such aspects as the scale and composition of the Board of Directors, operating procedures, decision-making processes, roles and responsibilities, and support systems and compensation for directors and Audit & Supervisory Board members. Based on the results of this survey, information on the current evaluation of the Board of Directors, the areas requiring improvement, and future initiatives was shared and confirmed at a meeting of the Board of Directors.

Overview of Results

MARUI GROUP is instituting a future leader development program that also functions as a succession plan for the president. Moreover, the Board of Directors was judged to feature an appropriate balance of internal and external directors and of specialties, experience, and insight. It was therefore determined that the Board of Directors was sufficiently effective. Areas requiring improvement were identified including insufficient discussion regarding medium-to-long-term business strategies at meetings of the Board of Directors as well as a lack of participation in and oversight of the future leader development program launched in the fiscal year ended March 31, 2018, as a succession plan for the president.

In addition, the ratio of medium-to-long-term incentives (stock-based compensation) to total officer compensation found to be lower than in the fiscal year ended March 31, 2018, and the need to better orient compensation systems toward medium-to-long-term improvements in corporate value remained. In this regard, the Company drafted a compensation plan that clarified the link between the Company's stock price and officer compensation. The plan entailed increasing the portion of total compensation represented by medium-to-long-term incentives and introducing indicators related to ESG factors to facilitate the improvement of medium-to-long-term corporate value. This plan was submitted to an ongoing process of discussion and examination by the Board of Directors that began in the fiscal year ended March 31, 2018. In the fiscal year ending March 31, 2020, the Company will revise its officer compensation systems to make them more conducive to the practice of co-creation sustainability management. Going forward, MARUI GROUP will continue to examine means of further refining officer compensation systems to better share the interests of shareholders.

[Future Initiatives]

To realize the necessary improvements with regard to discussions at Board of Directors' meetings, MARUI GROUP has

defined priority fields for strategic discussion (corporate value improvement strategies, digitization, human resource development), based on which the discussion themes for the fiscal year ending March 31, 2020, were decided. By facilitating strategic discussion on priority fields oriented toward improvements in corporate value, the Company will promote co-creation sustainability management.

The fiscal year ending March 31, 2020, will be the third year of the future leader development program that also functions as a succession plan for the president. Further enhancements will be made to the curriculum for the program as well as to related assignment and promotion plans. In addition, opportunities and frameworks for ongoing monitoring of future management candidates will be established.

Going forward, the Company will keep enhancing its corporate governance systems to further improve the effectiveness of the Board of Directors.

Supplementary Principle 4.14.2: Policies for training directors and Audit & Supervisory Board members

The Board of Directors has established internal systems for providing directors, Audit & Supervisory Board members, and executive officers with the training and information necessary for properly fulfilling their roles and performing their duties.

Upon being appointed to their position, new directors, Audit & Supervisory Board members, and executive officers undergo training on laws, finances, corporate governance, risk management, and other matters.

Upon being appointed to their position, new external directors and external Audit & Supervisory Board members are provided with opportunities to receive information related to the Company, such as that regarding its corporate philosophy, corporate culture, business activities, finances, organizational characteristics, and other matters.

After being appointed to their position, directors, Audit & Supervisory Board members, and executive officers are provided with ongoing training opportunities based on their duties, skills, and experience, and the Company makes necessary arrangements for the pursuit of education opportunities outside the Company and covers any necessary expenses.

Principle 5.1: Policies for constructive dialogue with shareholders

The Company practices constructive communication with shareholders in order to realize medium-to-long-term improvements in corporate value.

The Company actively improves upon its investor relations activities in order to facilitate understanding with regard to its corporate philosophy, management strategies, business performance, and other matters.

Communications with shareholders are advanced through effective coordination between the CFO and the executive officer in charge of investor relations and overseen by the president and representative director.

Requests for individual meetings by shareholders are catered to as appropriate and as rationally feasible based on the details of the request and the purpose of the meeting with the Investor Relations Division serving as the primary venue for issues such requests.

In order to facilitate constructive communication with shareholders, the Investor Relations Division and other relevant divisions coordinate their efforts, periodically exchanging information and sharing opinions based on specialized insight.

The invaluable opinions and requests received from shareholders through communication activities are reflected in meetings of the Board of Directors when appropriate.

The Company will periodically research the distribution of its shareholder base. The findings will be used to

enhance communication with shareholders by utilizing the communication method that is most ideal for each different shareholder type.

In communicating with shareholders, the Company will comply with relevant laws and regulations and manage insider information in an appropriate manner.

Principle 5.2: Establishing and Disclosing Business Strategies and Business Plans

The Company shall formulate management strategies and plans based on the corporate philosophy and an accurate understanding of the Company's capital costs (shareholders' equity costs and weighted average cost of capital) and disclose related information. The progress of these management strategies and plans is to be confirmed and analyzed annually. When deemed necessary, revisions shall be instituted with regard to areas such as business structures or plans for allocating management resources to new business investments, capital investments, or investments in human resource development.

2. Capital Structure

Ratio of shares held by foreign institutions and individuals	Between 20% and 30%
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【Major Shareholders】 Updated

Name	Number of shares	Percent of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,194,600	15.69
Japan Trustee Services Bank, Ltd. (Trust Account)	17,825,800	8.18
Aoi Real Estate Co., Ltd.	6,019,606	2.76
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,808,184	2.66
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,284,800	1.97
TOHO CO., LTD.	3,779,300	1.73
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,699,800	1.70
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,274,300	1.50
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,237,835	1.49
STATE STREET BANK WEST CLIENT – TREATY 505234	2,992,300	1.37

Has controlling shareholders (excluding parent company)	—
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Has parent company	No
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Supplementary Information

1. The Company holds 5,712,000 shares of treasury stock. Percentage of total shares issued is calculated excluding treasury stock.

2. Percentage of total shares issued is calculated excluding treasury stock and including 502,000 shares held under the Board Incentive Plan Trust scheme and the Employee Stock Ownership Plan Trust scheme.

3. Company Details

Stock exchange, section	Tokyo Stock Exchange, First Section
Fiscal year-end	March 31
Industry	Retail
Number of employees at end of previous fiscal year (consolidated)	More than 1,000
Net sales in previous fiscal year (consolidated)	More than ¥100 billion, less than ¥1 trillion
Number of consolidated subsidiaries at end of previous fiscal year	Less than 10

4. Guidelines for Measures to Protect Minority Shareholders in the Event of Transactions with Controlling Shareholders

5. Other Conditions That May Materially Affect Corporate Governance

N/A

II. System of Business Management Organization for Management Decision Making, Operational Execution, and Auditing and Other Corporate Governance Systems

1. Organizational Structures and Operation

Organizational structure	Company with Company Auditors
--------------------------	-------------------------------

【Board of Directors】

Number of directors pursuant to articles of incorporation	15
Term of directors pursuant to articles of incorporation	1 year
Chairman of Board of Directors	President
Number of directors	8
Has external directors	Yes
Number of external directors	3
Number of external directors who are also independent directors	3

Relationship between External Directors and the Company (1) **Updated**

Name	Association	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Etsuko Okajima	Comes from other company								△			
Yoshitaka Taguchi	Comes from other company								○			
Masahiro Muroi	Comes from other company								△			

* Multiple choice items regarding relationship with the Company

*○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

*● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

a. A person involved in operation of the Company, its subsidiaries, or its affiliates

b. A person involved in operation or a non-executive director of the parent company of the Company

c. A person involved in operation of a subsidiary of the parent company of the Company

d. An entity or a person involved in operation of an entity that has a significant business relationship with the Company

e. An entity or a person involved in operation of an entity with which the Company has a significant business

relationship

- f. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or an Audit & Supervisory Board member
- g. A major shareholder of the Company or a person involved in operation of an entity that is a major shareholder of the Company
- h. A person involved in operation of an entity with which the Company has a significant business relationship who does not qualify under d., e., or f. above (only applies to individual in question)
- i. A person involved in operation of an entity at which a person involved in operation of the Company, its subsidiaries, or its affiliates serves as an external director or an Audit & Supervisory Board member (only applies to individual in question)
- j. A person involved in operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to individual in question)
- k. Other

Relationship between External Directors and the Company (2) **Updated**

Name	Independent director	Supplementary information regarding status of independence	Reason for appointment
Etsuko Okajima	○	<p>Ms. Etsuko Okajima is also president & CEO of ProNova Inc. This company possesses significant insight into diversity and was therefore contracted by the Company to provide assistance with training on supporting the contributions of female employees in the fiscal years ended March 31, 2015 and 2016. In both of these years, the amounts paid to ProNova for these purposes did not exceed ¥4 million. Regardless of this past transactional relationship, Ms. Okajima meets the Company's Criteria for Independence of External Directors and Audit & Supervisory Board Members, and this past relationship has no impact on her actual independence from the Company's management.</p>	<p>Ms. Etsuko Okajima has experience and extensive knowledge of corporate management and is well versed in diversity. She has performed her duties as an external director of the Company properly from an objective, independent position. As the Company believes that she can continue to contribute to the reinforcement of the supervisory function for the management of the Company, the Company has appointed her as an external director. It was also judged that she has an objective standpoint as an external director of the Company who does not present the risk of conflicts of interest with general shareholders. Notification has therefore been submitted to the Tokyo Stock Exchange designating her as an independent director.</p>

Yoshitaka Taguchi	○	<p>Mr. Yoshitaka Taguchi is a representative director of Seino Transportation Co., Ltd., and of Seino Super Express Co., Ltd. The Company conducts transactions with both of these companies. In the fiscal year ended March 31, 2019, the payments received by subsidiaries from both of these companies for contracting of in-store delivery services amounted to ¥24 million, representing 0.001% of the Company's consolidated revenue. Regardless of this relationship, Mr. Taguchi meets the Company's Criteria for Independence of External Directors and Audit & Supervisory Board Members, and this relationship has no impact on his actual independence from the Company's management.</p>	<p>Mr. Yoshitaka Taguchi has accumulated a wealth of experience and a breadth of insight through his extensive background in corporate management. The Company has appointed him as an external director as it was judged that he would be able to continue contributing to the supervision of overall management from an independent and objective standpoint. It was also judged that he offers an objective viewpoint as an external director of the Company and does not present the risk of conflicts of interest with general shareholders. Notification has therefore been submitted to the Tokyo Stock Exchange designating him as an independent director.</p>
Masahiro Muroi	○	<p>Mr. Masahiro Muroi previously served as a director at Nomura Research Institute, Ltd., which has a business relationship with the Company. However, he resigned from this position in June 2017. In the fiscal year ended March 31, 2017, the year prior to his resignation, the Company made payments to Nomura Research Institute totaling ¥8 million. Regardless of this relationship, Mr. Muroi meets the Company's Criteria for Independence of External Directors and Audit & Supervisory Board Members, and this relationship has no impact on his actual independence from the Company's management.</p>	<p>Mr. Masahiro Muroi has extensive knowledge of advanced and digital technologies in addition to experience as a corporate manager that includes his spearheading of corporate governance reforms. As the Company believes that he can contribute to the reinforcement of the supervisory function for the management of the Company with regard to the future advancement of growth strategies through its current innovation activities, the Company has appointed him as an external director. It was also judged that he has an objective standpoint as an external director of the Company who does not present the risk of conflicts of interest with general shareholders. Notification has therefore been submitted to the Tokyo Stock Exchange designating him as an independent director.</p>

Has committees equivalent to nominating committee or compensation committee

Yes

Voluntarily Established Committees, Committee Members, and Position of Committee Chairman

	Committee name	Total members	Full-time members	Internal directors	External directors	External specialists	Other	Committee chairman
Voluntarily established committee equivalent to a nominating committee	Nominating and Compensation Committee	3	0	1 (Hiroshi Aoi)	2 (Etsuko Okajima) (Yoshitaka Taguchi)	0	0	No
Voluntarily established committee equivalent to a compensation committee	Nominating and Compensation Committee	3	0	1 (Hiroshi Aoi)	2 (Etsuko Okajima) (Yoshitaka Taguchi)	0	0	No

Supplementary Information

The Nominating and Compensation Committee will be put in place to improve the transparency and objectivity of the deliberation process related to the nomination of directors and executive officers bearing special titles and to compensation systems for directors and executive officers.

The Nominating and Compensation Committee is to consist of at least three members, two or more of whom should, in principle, be external directors.

Members of the Nominating and Compensation Committee are to be appointed through resolution by the Board of Directors.

The Nominating and Compensation Committee shall discuss the following matters regarding the nomination of directors and executive officers bearing special titles based on consultations by the Board of Directors.

1. Matters related to the selection of director candidates to be presented at the ordinary general meeting of shareholders
2. Matters related to the selection of executive officers bearing special titles
3. Other matters for which the Board of Directors may seek counsel

The Nominating and Compensation Committee shall be delegated authority from the Board of Directors to discuss the following matters and make decisions regarding the compensation paid to directors and executive officers, with compensation of directors being contained within the confines of the compensation systems and limits approved at the ordinary general meeting of shareholders.

1. Matters related to the compensation of individual directors and executive officers
2. Matters related to changes in compensation systems for directors and executives officers
3. Other matters for which the Board of Directors may seek counsel or delegate authority

【Audit & Supervisory Board】

Has Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board members pursuant to articles of incorporation	5
Number of Audit & Supervisory Board members	4

Coordination between Audit & Supervisory Board Members, Accounting Auditor, and Internal Auditing Organizations

- Audit & Supervisory Board members hold meetings with the accounting auditor as necessary to confirm the status of each other's duties and the details of the Company's financial results.
- Audit & Supervisory Board members formulate policies related to governance risks for each fiscal year. The Audit Department provides support to the Audit & Supervisory Board members, quickly responding to their needs, and conducts internal audits based on its own yearly auditing plans. In addition, regular meetings to which Audit & Supervisory Board members of subsidiaries attend are held monthly, in principle, to confirm the status of governance throughout the Group and share information.

Has external Audit & Supervisory Board members	Yes
Number of external Audit & Supervisory Board members	2
Number of external Audit & Supervisory Board members who are also independent auditors	2

Relationship between External Audit & Supervisory Board Members and the Company (1)

Name	Association	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tadashi Ooe	Attorney											
Takehiko Takagi	Licensed tax accountant											

* Multiple choice items regarding relationship with the Company

*○ indicates that the individual is now or was recently applicable under the item.

△ indicates that the individual was applicable under the item in the past.

* ● indicates that a close relative of the individual is now or was recently applicable under the item.

▲ indicates that a close relative of the individual was applicable under the item in the past.

- a. A person involved in operation of the Company, its subsidiaries, or its affiliates
- b. A non-executive director or an accounting advisor of the Company, its subsidiaries, or its affiliates
- c. A person involved in operation or a non-executive director of the parent company of the Company
- d. An Audit & Supervisory Board member of the parent company of the Company
- e. A person involved in operation of a subsidiary of the parent company of the Company
- f. An entity or a person involved in operation of an entity that has a significant business relationship with the Company
- g. An entity or a person involved in operation of an entity with which the Company has a significant business relationship
- h. A consultant, an accounting specialist, or a legal specialist receiving large amounts of monetary payments or other financial assets from the Company, its subsidiaries, or its affiliates that are separate from the compensation paid for services as a director or an Audit & Supervisory Board member
- i. A major shareholder of the Company or a person involved in operation of an entity that is a major shareholder of the Company
- j. A person involved in operation of an entity with which the Company has a significant business relationship who does not qualify under f., g., or h. above (only applies to individual in question)
- k. A person involved in operation of an entity at which a person involved in operation of the Company, its subsidiaries, or its affiliates serves as an external director or an Audit & Supervisory Board member (only applies to individual in question)
- l. A person involved in operation of an entity that receives large amounts of donations from the Company, its subsidiaries, or its affiliates (only applies to individual in question)
- m. Other

Relationship between External Audit & Supervisory Board Members and the Company (2)

Name	Independent auditor	Supplementary information regarding status of independence	Reason for appointment
Tadashi Ooe	○	-----	Mr. Tadashi Ooe has accumulated a wealth of legal experience and insight gained during his long career as an attorney. In the past, he has effectively carried out his duties as an external Audit & Supervisory Board member of the Company. Mr. Ooe was therefore appointed as an external Audit & Supervisory Board member so that he may continue these duties. Furthermore, Mr. Ooe was designated as an independent auditor because it was judged that he has an objective standpoint as an external Audit & Supervisory Board member of the Company that does not present the risk of conflicts of interest with general shareholders. Notification has therefore been submitted to the Tokyo Stock Exchange designating him as an independent auditor.
Takehiko Takagi	○	-----	Mr. Takehiko Takagi possesses the qualifications of a licensed tax accountant and has accumulated a wealth of specialized insight and experience related to accounting. In the past, he has effectively carried out his duties as an external Audit & Supervisory Board member of the Company. Mr. Takagi was therefore appointed as an external Audit & Supervisory Board member so that he may continue these duties. Furthermore, Mr. Takagi was designated as an independent auditor because it was judged that he has an objective standpoint as an external Audit & Supervisory Board member of the Company that does not present the risk of conflicts of interest with general shareholders. Notification has therefore been submitted to the Tokyo Stock Exchange designating him as an independent auditor.

【Independent Directors and Auditors】

Number of independent directors and auditors

5

Other Matters regarding Independent Directors and Auditors

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 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 that possesses direct or indirect holdings equating to 10% or more of the total voting rights of the Company, its subsidiaries, or its affiliates.
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 (more than ¥10 million) 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 (more than ¥10 million) 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 years.
10. The individual must not be a relative (one's spouse or second-degree relatives) of an individual that qualifies under items 2. to 8. (only applicable to relatives of important persons involved in operation*4 for all items except items 6. and 8.).
11. The individual must not be a person involved in operation of another company at which a person involved in operation of the Company, its subsidiaries, or its affiliates serves as an external director or Audit & Supervisory Board member.

Notes:

*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:

1. 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 more than ¥10 million and represented more than 2% of the total consolidated net sales(consolidated revenue) or transaction revenues of the supplier group in the most recently completed fiscal year.

2. A supplier group with which liabilities of the Company, its subsidiaries, or its affiliates are associated and for which the applicable liabilities equated to more than ¥10 million 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:

1. 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 more than ¥10 million and represented more than 2% of the consolidated revenues of the Company in the most recently completed fiscal year.

2. A customer group possessing liabilities that are associated with the Company, its subsidiaries, or its affiliates and that equated to more than ¥10 million and represented more than 2% of the consolidated total assets of the Company as of the end of the most recently completed fiscal year.

3. 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 “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.

【Incentive Systems】

Incentives provided to directors

Performance-linked compensation systems

Supplementary Information [Updated](#)

Please refer to the “Disclosed Policies for Deciding Compensation Amounts and Calculation Methods” section of this report.

Individuals able to receive stock options

Supplementary Information

【Director Compensation】

Disclosure of compensation of individual directors

Certain details regarding the compensation of individual directors disclosed

Supplementary Information **Updated**

In the fiscal year ended March 31, 2019, the total amount of compensation paid to directors was ¥225 million and the total amount paid to Audit & Supervisory Board members was ¥50 million, for a combined total of ¥276 million.

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

	Number of recipients	Basic compensation	Performance-linked bonuses	Performance-linked stock-based compensation	Total compensation
Directors (Of whom, external directors)	8 (4)	190 (33)	17 (—)	17 (—)	225 (33)
Audit & Supervisory Board members (Of whom, external Audit & Supervisory Board members)	5 (2)	50 (15)	— (—)	— (—)	50 (15)
Total (Of whom, external directors / Audit & Supervisory Board members)	13	241	17	17	276

Note: On March 31, 2019, the number of directors was seven and the number of Audit & Supervisory Board members was four. However, the above number of recipients includes one external director and one Audit & Supervisory Board member that retired following the end of their terms upon the conclusion of the Ordinary General Meeting of Shareholders held in June 2018.

Has policies for deciding compensation amounts and calculation methods **Updated**

Yes

Disclosed Policies for Deciding Compensation Amounts and Calculation Methods

[Compensation System for Directors]

Compensation for directors (excluding external directors and directors that do not reside in Japan) comprises fixed basic compensation as well as performance-linked bonuses, which are based on the performance of the Company in a given fiscal year to function as a short-term incentive, and performance-linked stock-based compensation (Board Incentive Plan Trust scheme), which is based on the medium-to-long-term performance of the Company to function as a medium-to-long-term incentive. Benchmarks for compensation levels and the ratio of performance-linked

compensation are set based on the officer compensation levels of companies of a similar scale to MARUI GROUP as determined using data from officer compensation surveys conducted by external research firms. The Company's compensation levels are checked against these benchmarks each year. External directors and Audit & Supervisory Board members will only receive fixed basic compensation based on their position to ensure that they maintain an independent standpoint.

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

Ratio up to the fiscal year ended March 31, 2019

Basic compensation: Performance-linked bonuses: Performance-linked stock-based compensation = 8 : 1 : 1

Ratio from the fiscal year ending March 31, 2020

Basic compensation: Performance-linked bonuses: Performance-linked stock-based compensation = 6 : 1 : 3

Methods, Organizations, and Procedures for Deciding Compensation

(i) Role and Activities of the Nominating and Compensation Committee

The role of the Nominating and Compensation Committee is described in "Supplementary Principle 4.10.1: Utilization of voluntarily established organizations."

In the fiscal year ended March 31, 2019, the Nominating and Compensation Committee met four times to discuss and make decisions regarding the following matters.

- Compensation for external directors newly appointed in the fiscal year ended March 31, 2019, and other officers (meetings held in April and June 2018)
- Amounts of officer compensation for the fiscal year ending March 31, 2020 (February and March 2019)

Discussions were held and decisions were made in May 2019 regarding performance-linked compensation for the fiscal year ending March 31, 2020.

(ii) Activities of the Board of Directors Related to Deciding Compensation

Discussions regarding the revision of officer compensation systems took place at a meeting of the Board of Directors held in February 2019, and the final proposal for the revisions to officer compensation systems submitted at the Ordinary General Meeting of Shareholders held on June 20, 2019, was discussed and approved at a meeting of the Board of Directors held in May 2019.

Performance-Linked Compensation

(i) Performance-Linked Bonuses

Performance-linked bonuses are decided in accordance with the duties of each director and with the goal of increasing motivation for improving performance on a single fiscal year basis. Performance-linked coefficients are set based on the degree of accomplishment of targets for performance indicators in a given fiscal year, and these coefficients are

multiplied by the standard amount of compensation defined for each rank.

- In the fiscal year ended March 31, 2019, consolidated operating income was set as the target indicator for performance-linked bonuses, and the performance-linked coefficient was adjusted within a range of 90% to 110% based on the degree of accomplishment of the disclosed target for this indicator to decide performance-linked bonus amounts.

- For the fiscal year ending March 31, 2020, earnings per share was set as the target indicator for performance-linked bonuses to better share value with shareholders, and the performance-linked coefficient will be adjusted within a range of 0% to 200% based on the degree of accomplishment of the disclosed target for this indicator to decide performance-linked bonus amounts.

Calculation Method for Performance-Linked Bonuses

Performance-linked bonuses = Rank-based standard amount × Performance-linked coefficient

• Target Indicators and Performance-Linked Coefficients

	Target indicator	Target	Performance (excluding extraordinary factors)	Performance-linked coefficient
Fiscal year ended March 31, 2019	Consolidated operating income	¥41.0 billion	¥41.2 billion (¥40.3 billion*)	98%*
Fiscal year ending March 31, 2020	Earnings per share	¥127.20	—	0%–200%

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

Limit for Performance-Linked Bonuses

- At the Ordinary General Meeting of Shareholders held on June 26, 2016, the upper limit for performance-linked bonuses (excluding bonuses paid to directors that are also employees of the Company or Group companies) to directors (excluding external directors) in a given fiscal year was set at ¥100 million.

(ii) Performance-Linked Stock-Based Compensation

In the fiscal year ended March 31, 2017, MARUI GROUP introduced performance-linked stock-based compensation (Board Incentive Plan Trust scheme) to increase motivation to contribute to improved medium-to-long-term performance and corporate value for the Company. Performance-linked stock-based compensation employs a scheme in which a trust fund established through payments by the Company is used to issue shares of the Company's stock to directors.

- Over the three-year period beginning with the fiscal year ended March 31, 2017, and ending with the fiscal year ended March 31, 2019, directors were awarded points based on their rank at a set time each year. These points were then adjusted via a performance-linked coefficient within the range of 0% to 100% determined based on the Company's performance (earnings per share, return on equity, and return on invested capital) in the fiscal year ended March 31,

2019. Shares of the Company's stock were then allocated to each director in reflection of their aggregate total of points post-adjustment.

• Over the two-year period beginning with the fiscal year ending March 31, 2020, and ending with the fiscal year ending March 31, 2021, directors will be awarded points based on their rank at a set time each year. These points will then be adjusted via a performance-linked coefficient within the range of 0% to 110% determined based on the Company's performance (return on equity, return on invested capital, and earnings per share) and ESG indicators (selected based on third-party surveys to facilitate the promotion of co-creation sustainability management) in the fiscal year ending March 31, 2021. Shares of the Company's stock will then be allocated to each director in reflection of their aggregate total of points post-adjustment.

Calculation Method for Allocation of Shares

Shares allocated = Aggregate points awarded based on rank × (Financial performance-linked coefficient + Non-financial performance-linked coefficient)

• Target Indicators and Performance-Linked Coefficients

	Target indicator		Target	Performance	Performance-linked coefficient
Fiscal year ended March 31, 2019	Financial indicators	EPS	¥100 or more	¥115.99	100% if three targets accomplished
		ROE	8.0% or more	9.1%	
		ROIC	3.6% or more	3.7%	
Fiscal year ending March 31, 2021	Financial indicators	EPS	¥130 or more	—	100% if three targets accomplished 70% if two targets accomplished 30% if one target accomplished 0% if no targets accomplished
		ROE	10.0% or more		
		ROIC	4.0% or more		
	Non-financial indicators	ESG indicators	Inclusion in DJSI World*		0% or 10%

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

Limit for Performance-Linked Stock-Based Compensation

Upper Limit for Fund Contributions from the Company

- At the Ordinary General Meeting of Shareholders held on June 26, 2016, the upper limit for fund contributions from the Company under the performance-linked stock-based compensation scheme was set at ¥300 million for the three-year period beginning with the fiscal year ended March 31, 2017, and ending with the fiscal year ended March 31, 2019.
- At the Ordinary General Meeting of Shareholders held on June 20, 2019, it was determined that the upper limit for fund contributions from the Company under the performance-linked stock-based compensation scheme from the fiscal year ending March 31, 2020, would be ¥200 million multiplied by the number of years in the given allocation scheme period. Accordingly, the upper limit for the two-year period beginning with the fiscal year ending March 31, 2020, and ending with the fiscal year ending March 31, 2021, will be ¥400 million.

Upper Limit for Shares of the Company's Stock Acquired by Directors

- At the Ordinary General Meeting of Shareholders held on June 26, 2016, the upper limit for shares of the Company's stock acquired by directors was set at 60,000 points (equivalent to 60,000 shares) for the three-year period beginning with the fiscal year ended March 31, 2017, and ending with the fiscal year ended March 31, 2019.
- At the Ordinary General Meeting of Shareholders held on June 20, 2019, it was determined that the upper limit for shares of the Company's stock acquired by directors from the fiscal year ending March 31, 2020, would be 10,000 points (equivalent to 10,000 shares) multiplied by the number of years in the given allocation scheme period. Accordingly, the upper limit for the two-year period beginning with the fiscal year ending March 31, 2020, and ending with the fiscal year ending March 31, 2021, will be 20,000 points (equivalent to 20,000 shares).

Allocation of Shares of the Company's Stock to Directors

- Directors that fulfill the requirements for allocations of shares will receive allocations of shares of the Company's stock in an amount equivalent to the allocated points, in principle, in June or later after the conclusion of the final year of the allocation scheme period. At this time, applicable directors will receive a number of shares of the Company's stock based on the allocated points, the remaining shares of the Company's stock will be appraised by the trust fund, and the applicable directors will receive monetary payments in an amount equivalent to the appraised liquidation value of shares. However, shares allocated under the first allocation scheme period will be subject to a one-year transfer restriction period beginning with the date of issuance during which the shares are prohibited from being transferred, used as collateral, or disposed of through other means.
- Should it be decided to extend the allocation scheme period and maintain the trust fund, the number of years of the extension shall be the number of years remaining in the Company's current medium-term management plan. Should a new allocation scheme period be established with a duration of two years, shares allocated under this period will also be subject to a one-year transfer restriction period beginning with the date of issuance.

Clawback Provisions

- MARUI GROUP has instituted provisions that will enable it to seize the beneficiary rights of shares of the Company's

stock to be allocated (malus) or to demand restitution in the form of monetary payments equivalent to the value of allocated shares (clawback) should an applicable director be found to have engaged in serious misconduct or legal violations.

Other Compensation Limits

- At the Ordinary General Meeting of Shareholders held on June 27, 2012, the upper limit for basic compensation (excluding salaries paid to directors that are also employees of the Company or Group companies) to directors (excluding external directors) was set at ¥300 million.
- At the Ordinary General Meeting of Shareholders held on April 28, 1987, the upper limit for monthly compensation of Audit & Supervisory Board members was set at ¥6 million. The amount of monthly compensation paid to individual Audit & Supervisory Board members will be decided through discussion by the Audit & Supervisory Board, in line with the upper limit set at the Ordinary General Meeting of Shareholders.

Total Compensation by Officer Classification and Compensation Type, and Number of Recipients (Fiscal Year Ended March 31, 2019)

Officer classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Numbers of recipients
		Basic compensation	Performance-linked bonuses	Performance-linked stock-based compensation	
Directors (excluding external directors)	191	156	17	17	4
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	35	35	—	—	3
External directors and Audit & Supervisory Board members	49	49	—	—	6

Notes:

1. On March 31, 2019, the number of directors (excluding external directors) was four, the number of Audit & Supervisory Board members (excluding external Audit & Supervisory Board members) was two, and the number of external directors and external Audit & Supervisory Board members was five. However, the above number of recipients in the table includes one external director and one Audit & Supervisory Board member that retired following the end of their terms upon the conclusion of the Ordinary General Meeting of Shareholders held in June 2018.
2. Performance-linked bonuses and performance-linked stock-based compensation in the fiscal year ended March 31, 2019, have been recorded as expenses.

Total Compensation on a Consolidated Basis by Officer (Fiscal Year Ended March 31, 2019)

Name	Total compensation on a consolidated basis (Millions of yen)	Officer classification	Affiliated company	Total compensation on a consolidated basis by type (Millions of yen)		
				Basic compensation	Performance-linked bonuses	Performance-linked stock-based compensation
Hiroshi Aoi	103	Director	MARUI GROUP CO., LTD.	84	9	9

Note: Only individuals that received total compensation on a consolidated basis exceeding ¥100 million are listed.

【Support Systems for External Directors and Audit & Supervisory Board Members】

The Corporate Planning Division, General Affairs Department, and the Audit Department are responsible for supporting external directors and Audit & Supervisory Board members. In addition, materials related to meetings of the Board of Directors are distributed to these individuals ahead of time, briefings on the content of these materials are provided, and other steps are taken to ensure these individuals are provided with the necessary information.

2. Matters concerning Operational Execution, Audits, Supervision, Nomination, Compensation, and Other Functions (Overview of Current Corporate Governance System)

The Company has appointed eight directors, three of whom are external directors. The term of directors is set a one year to ensure the transparency of operational execution and clarify responsibility for management. In principle, the Board of Directors meets 10 times a year to deliberate on a comprehensive range of issues and supervise the operational execution of individual directors. The authority of Group directors and executive officers is clearly defined in the Group's approval guidelines. In addition, subsidiaries are required to report to the Company with regard to important decisions, and the Company manages the business operations of subsidiaries as a holding company to ensure appropriateness. Furthermore, the Company employs the Company with Company Auditors system described in the Companies Act of Japan. The Company's Audit & Supervisory Board consists of four Audit & Supervisory Board members, two of whom are external Audit & Supervisory Board members. A substitute external Audit & Supervisory Board member was appointed at the ordinary general meeting of shareholders for the fiscal year ended March 31, 2017 who will serve in place of other external Audit & Supervisory Board members should they become unable to fulfill their duties.

Information regarding the Compensation Committee can be found under the Board of Directors heading of section II-1 of this report.

3. Reason for Selecting Current Corporate Governance System

The current corporate governance system was selected to facilitate lively discussion centered on the external directors (independent directors) and to strengthen the supervisory function for the Board of Directors. The Company chooses individuals with abundant experience and wide-ranging insight to serve as external directors so that they may contribute

to enhancing the objectivity and transparency of management from an independent standpoint.

III. Initiatives concerning Shareholders and Other Stakeholders

1. Measures to Ensure Interactive Ordinary General Meetings of Shareholders and the Smooth Exercise of Voting Rights

	Supplementary information
Early dispatch of notices of convocation of ordinary general meetings of shareholders	Notices of convocation of ordinary general meetings of shareholders are dispatched three weeks prior to the meeting.
Electronic methods of exercising voting rights	Electronic methods of exercising voting rights were introduced at the ordinary general meeting of shareholders held in June 2006.
Participation in platforms for electronic voting rights exercise and other initiatives to enhance voting rights exercise options for institutional investors	The Company began participating in a platform for electronic voting rights exercise with the ordinary general meeting of shareholders held in June 2011.
Provision of abbreviated English-language notices of convocation of ordinary general meetings of shareholders	The Company has been providing abbreviated English-language notices of convocation of ordinary general meetings of shareholders since the ordinary general meeting of shareholders held in June 2012.

2. Investor Relations Activities

	Supplementary information	Explanations are provided directly from Company representative
Establishment and release of disclosure policy	The MARUI GROUP Disclosure Policy is available for viewing on the Company's website.	
Regular explanatory forums for analysts and institutional investors	Financial results briefings, MARUI GROUP IR DAY (business segment medium-term management plan progress explanatory forums and co-creation sustainability explanatory forums), and other forums are held quarterly.	Yes

Regular explanatory forums for overseas investors	The Company has representatives visit overseas institutional investors and is always receptive toward visits to the Company from overseas investors. In addition, the Company regularly participates in conferences held by security companies.	Yes
Investor relations materials provided via Company website	Investor relations information: www.0101maruigroup.co.jp/en/ Information is provided on financial results, key performance indicators, monthly operating performance, stock prices, ordinary general meetings of shareholders, and shareholder benefits while various reports, co-creation management reports, electronic public notices, the MARUI GROUP Disclosure Policy, VISION BOOK 2050, and new releases are also made available along with an IR calendar (some information is available in Japanese only).	
Division (representative) responsible for investor relations	Investor Relations Division	

3. Activities concerning Respect for Stakeholders' Positions

	Supplementary information
Internal regulations requiring respect for stakeholders' positions	Regulations are defined in the MARUI Group Code of Conduct.
Environmental preservation, CSR, and other activities	The Group has established the Sustainability Board as well as the Environment and CSR Committee, positioned as a part of the board, to promote environmental preservation and social contribution activities on a Groupwide basis. Details on these activities have been compiled in <i>VISION BOOK 2050</i> and disclosed on the Company's corporate website. (<i>VISION BOOK 2050</i> : http://www.0101maruigroup.co.jp/en/sustainability/pdf/s_report/2018/s_report2018_a3.pdf)

Policies for disclosing information
to stakeholders

The Company complies with all relevant laws and regulations and conducts timely and appropriate information disclosure to ensure that its management is both impartial and highly transparent.

The Corporate Planning Division, the Investor Relations Division, the General Affairs Department, and the Financial Department are the entities responsible for information disclosure.

Both financial and pre-financial information will be actively disclosed if deemed valuable to shareholders and other stakeholders seeking to deepen their understanding of the Company.

Information is disclosed through venues that are easy to access for shareholders and other stakeholders.

IV. Internal Control Systems

1. Basic Policies for Internal Control Systems and Implementation Status Updated

As described in the “Company Systems and Implementation Status” section below, MARUI GROUP promotes sound, transparent, and efficient management from a Group management perspective.

The Board of Directors oversees the establishment and implementation of internal control systems to ensure that they function effectively with regard to compliance, reliability of financial reporting, risk management, and other matters.

[Company Systems and Implementation Status]

Systems to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, system to ensure that the business operations of the Company and the Group consisting of the Company and its subsidiaries (the Group) are duly executed, and status of implementation of those systems

[Systems]

The Group will proceed with the establishment of internal control systems from the perspective of Group management and promote sound, transparent, and efficient management.

1) System to ensure that execution of duties by directors complies with laws and regulations and the articles of incorporation

Directors shall perform their duties in a legally compliance and appropriate manner in accordance with officer regulations and the MARUI GROUP Code of Conduct.

The Board of Directors shall hold meetings, in principle, 10 times a year and supervise the execution of duties by directors.

Audit & Supervisory Board members shall audit independently the execution of duties by directors and executive officers in accordance with the regulations of the Audit & Supervisory Board.

Multiple highly independent external directors and external Audit & Supervisory Board members shall be appointed to enhance objectivity and transparency of management.

2) System for maintaining and managing information regarding execution of business by directors

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 duties by directors shall be maintained.

3) Regulations related to controlling risks of loss and other systems

The Company shall maintain seven committees to manage high-risk areas: the Public Relations IR Committee, the Internal Control Committee, the Environment CSR Promotion Committee, the Personal Information Protection Promotion Committee, the Information Security Committee, the Safety Control Committee, and the Insider Trading Prevention Committee. Through these committees, swift improvements to workflow processes are to be pursued while steps are taken to prevent the actualization of risks. Also, the Compliance Promotion Board, which is to be chaired by the president, shall be put in place to oversee these committees and promote risks management across the Group.

Moreover, the Company shall adhere to the MARUI GROUP Information Security Policy, which sets specific

policies for developing systems and formulating measures to ensure the security of information assets, and the MARUI GROUP Tax Policy, which clearly delineates guidelines for compliance with tax laws and minimization of tax risks.

(<http://www.0101maruigroup.co.jp/en/ci/governance.html>)

Through coordination between the General Affairs Division and the Audit Department, which are responsible for promoting internal control, information on the operations of Group companies, potential risk, and risk countermeasures is to be documented and monitored to minimize management risks and improve the effectiveness of internal control.

4) System to ensure that directors can execute their duties efficiently

In accordance with rules regarding authorization, the duties of directors and executive officers shall be explicitly defined, and directors and executive officers shall perform their duties in an efficient and swift manner.

5) System to ensure the reliability of financial reports

Companywide policies and procedures to ensure reliable financial reporting shall be formulated and the necessary systems shall be implemented and operated.

A system shall be established for evaluating risks arising from inappropriate statements with respect to important items of financial reports and for reducing risks.

A system for monitoring the internal control system with respect to financial reports shall be established to confirm the conditions and status of operation.

6) System to ensure that subsidiary directors and Group employees execute their duties in compliance with laws and regulations and the articles of incorporation

The MARUI GROUP Code of Conduct shall be fully disseminated to promote sound corporate activities grounded on high ethical standards.

In order to ensure full compliance with laws and regulations and internal rules across the entire Group, operational manuals in every category shall be prepared and internal training shall be conducted.

The MARUI GROUP Hot Line (internal reporting system), which allows direct contact with outside lawyers, has been set up to prevent problems from occurring and to facilitate the early detection of problems.

The Company shall conduct internal audits to maintain an understanding of the internal control status in order to improve compliance with laws, regulations, and internal rules.

7) Other systems for ensuring the appropriateness of business operations of the Group

Internal control systems of Group companies shall be documented and continuously reviewed.

Through the Compliance Promotion Board and the six committees, the Group shall confirm the latest information of the status of control at Group companies to maintain appropriate systems.

Systems established for reporting on important decisions made by subsidiaries to the Company in accordance with rules regarding authorization.

Coordination will be pursued with the Audit & Supervisory Board members and internal audit divisions of Group companies in order to establish auditing systems for ensuring proper transactions and accounting procedures.

The Group shall refuse any unwarranted demands and disassociate from anti-social organizations that threaten social order and safety and shall strengthen its ties with external specialists, such as the police and lawyers, to establish system to eradicate anti-social organizations.

- 8) Matters relating to employees of Audit & Supervisory Board members request their appointment as assistants, issues of independence of such employees from directors, and means of ensuring the effectiveness of instructions to such employees

Based on the requests of Audit & Supervisory Board members, audit staff with sufficient skills and knowledge shall be assigned to conduct requested duties.

Audit & Supervisory Board members shall be allowed to instruct audit staff to assist with their audit work, and directors shall not interfere with such instruction.

- 9) Systems for reports to Audit & Supervisory Board members by directors or employees and systems for preventing disadvantageous treatment of reporters

The internal audit system shall be reinforced and support functions for Audit & Supervisory Board members shall be strengthened.

Directors and employees of Group companies shall promptly report to Audit & Supervisory Board members should they become aware of any misconduct, any fact that may be seriously damaging to any Group company, or any act that is in violation of laws, regulations, or the articles of incorporation.

It shall be confirmed that reporters have not suffered disadvantageous treatment as a result of reporting to Audit & Supervisory Board members.

- 10) Matters relating to the prepayment of expenses incurred during the execution of duties by Audit & Supervisory Board members and reimbursement procedures and policies on processing expenses and liabilities incurred during the execution of duties by Audit & Supervisory Board members

When Audit & Supervisory Board members request reimbursement for expenses incurred during the execution of their duties, such expenses shall be reimbursed, unless they are deemed unnecessary.

- 11) Other systems for ensuring that effective audits by Audit & Supervisory Board members

The Board of Directors shall earnestly cooperate with any request made by Audit & Supervisory Board members to ensure that they are able to perform their duties smoothly.

Representative directors and Audit & Supervisory Board members shall meet regularly and mutually confirm the status of the execution of their duties.

Audit & Supervisory Board members may attend meetings of the Board of Directors and other important management meetings as necessary to maintain an understanding of the processes leading up to the making of important decisions and of the status of the execution of duties.

Audit & Supervisory Board members may receive reports or information from directors and employees as necessary and inspect materials and records.

The Audit & Supervisory Board members of the Company may serve concurrently as Audit & Supervisory Board members of major subsidiaries in order to effectively share information and accurately confirm the status of the execution of duties.

[Implementation Status in the Fiscal Year Ended March 31, 2018]

- 1) Overall internal control system

The Group monitors the status of the overall internal control system through internal audits conducted jointly by the Audit & Supervisory Board members and the internal audit divisions of Group companies and pursues improvements

in this system.

The Group documents information on the operations of Group companies, potential risks, and risk countermeasures. By monitoring the status of implementation of such measures through self-assessments and internal audits, the Group promotes highly effective internal control.

Various regulations have been developed at Group companies to clarify operating procedures and rules from an internal control perspective, and the regulations are reviewed and revised as necessary.

In regard to 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 based on the authority delegated from the Board of Directors.

2) Compliance system

The Group seeks to fully disseminate its MARUI GROUP Code of Conduct to its employees and promote sound corporate activities based on high ethical standards. In the fiscal year ended March 31, 2018, the Group revised the MARUI GROUP Code of Conduct by integrating initiatives and policies that have been implemented thus far. The revised code clearly indicates MARUI GROUP's commitment to contributions to local communities and society, respect for human rights, the elimination of inappropriate transactional conduct, and the protection and management of information.

In order to ensure compliance with laws and regulations and internal rules, the Group develops various manuals and promotes implementation of those manuals while also providing education to its employees. In the fiscal year ended March 31, 2018, the Group conducted employee training on the important themes of personal information and harassment in addition to practical training tailored to each business area.

For the purpose of preventing violation of laws and regulations and misconduct and implementing corrective actions, the Group has set up the MARUI GROUP Hot Line (internal reporting system) to allow employees to directly report to outside lawyers, and confirmed that the system was properly operated.

3) Risk management system

The Group promotes efficient control of risks through the five committees established to manage high-risk areas: the Public Relations IR Committee, the Internal Control Committee, the Information Security Committee, the Safety Control Committee, and the Insider Trading Prevention Committee.

The Group holds meetings of the Compliance Promotion Board, which supervises activities of the committees, to monitor the status of risk control at Group companies. In the fiscal year ended March 31, 2018, meetings of the Compliance Promotion Board were held twice.

4) Execution of duties by directors

The Group ensures that directors execute their duties in a legally compliance and appropriate manner in accordance with officer regulations, the MARUI GROUP Code of Conduct, and other internal rules.

The Group appoints three external directors with extensive experience and expertise from outside the Group that have satisfied the Company'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.

The Board of Directors conducts proper deliberations pursuant to rules regarding authorization and engages in extensive discussions on individual subjects such as the Group's strategies. In the fiscal year ended March 31, 2018,

the Board of Directors met 10 times.

The Management Committee, which comprises executive officers appointed by the Board of Directors, has been established to expedite management decisions by making important decisions pertaining to operational execution within the scope of authority defined in rules regarding authorization. In the fiscal year ended March 31, 2018, the Management Committee met 17 times.

5) Execution of duties by Audit & Supervisory Board members

Audit & Supervisory Board members exchange information when necessary by holding regular meetings with the president and confirm the status of operational execution. In the fiscal year ended March 31, 2018, such meetings were held four times.

Audit & Supervisory Board members attend meetings of the Board of Directors and the Management Committee as well as other important meetings and to maintain an understanding of the decision-making process and the status of operational execution.

Audit & Supervisory Board members exchange information and opinions with external directors, accounting auditors, and internal audit divisions on a regular basis.

Audit & Supervisory Board members hold concurrent positions as Audit & Supervisory Board members at eight subsidiaries and confirm the status of operational execution at those subsidiaries by attending meetings of their boards of directors and holding monthly meetings of the Group's Audit & Supervisory Board Members Liaison Committee.

A system has been established to ensure that Audit & Supervisory Board members can execute their duties smoothly through means such as assigning two audit staff members to support Audit & Supervisory Board members.

2. Basic Policies for Eliminating Antisocial Forces and Implementation Status

The Company refuses to respond to any illegitimate demands from antisocial forces and forbids any connections with such forces. Systems for eliminating antisocial forces are being developed while stepping up coordination with the police, lawyers, and other specialized external institutions.

V. Others

1. Takeover Defense Measures

Has instituted takeover defense measures	No
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Supplementary Information

The introduction of measures to prevent large-scale acquisitions of the Company's stock (takeover defense measures) was approved at the 72nd Ordinary General Meeting of Shareholders held on June 27, 2008. Later, at the 75th Ordinary General Meeting of Shareholders held on June 29, 2011, and again at the 78th Ordinary General Meeting of Shareholders held on June 26, 2014, the Company received approval to renew these measures and to reflect certain revisions to the measures. The period for the revised measures was established as up until the 81st Ordinary General Meeting of Shareholders to be held on June 26, 2017. However, at a meeting of the Board of Directors held on May 11, 2017, it was resolved that the plan would not be renewed when its period expires.

2. Other Matters regarding Corporate Governance Systems

Overview of Systems for Timely Disclosure

1. Divisions Responsible for Information Disclosure

The Corporate Planning Division, the Investor Relations Division, the General Affairs Department, and the Financial Department shall be the entities responsible for information disclosure.

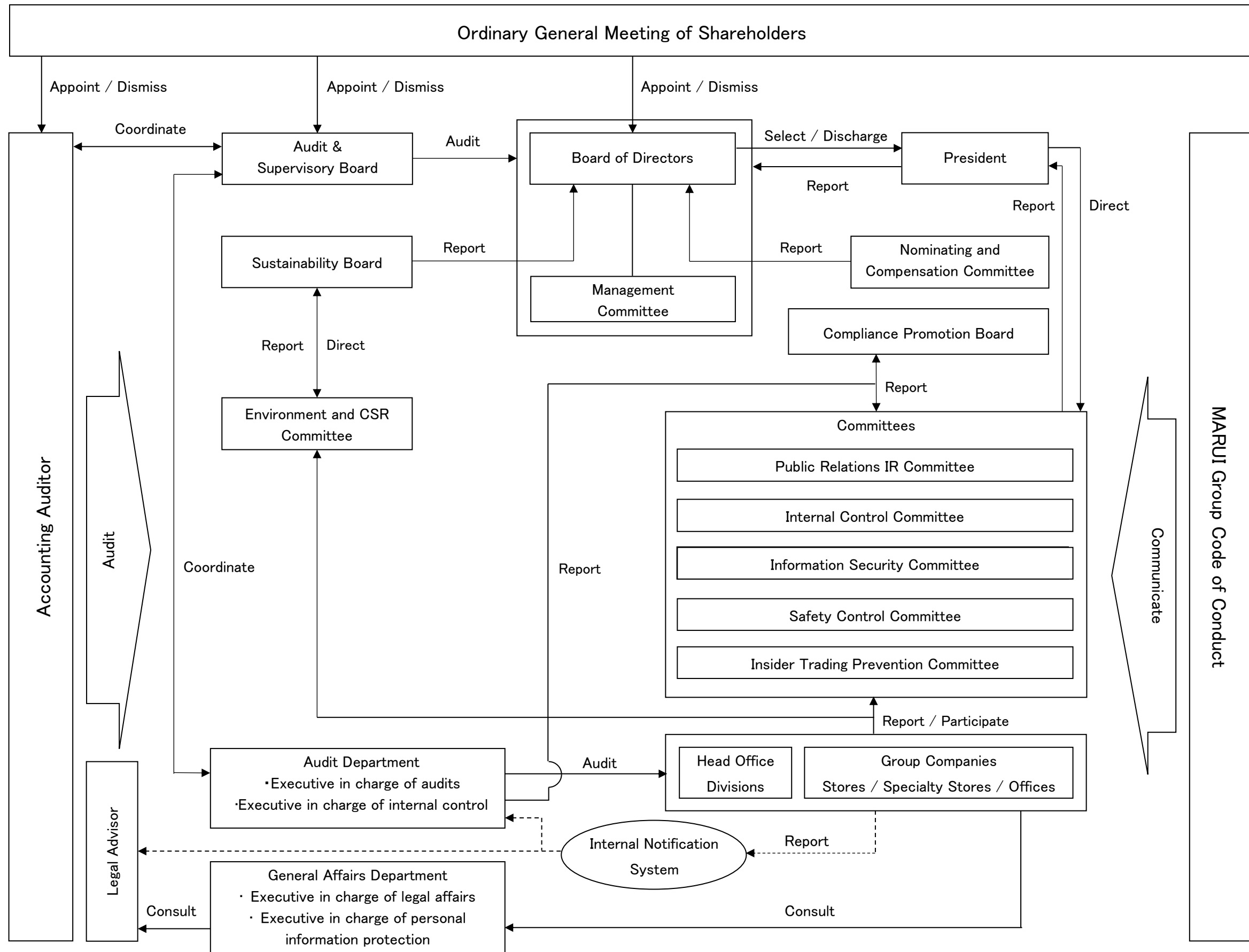
2. Information Collection System

Information regarding the proceedings within the Company and Group companies is reported at meetings of the Board of Directors to facilitate the sharing of information.

Information that is deemed necessary for disclosure based on timely disclosure regulations is tracked through coordination between the relevant divisions and the divisions responsible for information disclosure.

3. Decision-Making Body for Measures Related to Information Disclosure

For decisions made by the Board of Directors that require timely disclosure, the Board of Directors will decide the details, timing, and method of disclosure and the representative responsible for information disclosure will perform the necessary procedures to ensure prompt disclosure.



Japan’s Corporate Governance Code Compliance Table

MARUI GROUP CO., LTD.

MARUI GROUP CO., LTD., complies with the following principles of Japan’s Corporate Governance Code and discloses information in this regard in the MARUI GROUP Corporate Governance Guidelines.

Japan’s Corporate Governance Code			Articles of MARUI GROUP Corporate Governance Guidelines in which status of compliance is disclosed	Status of compliance	
General principles	Principles	Supplementary principles		Comply	Explain
Section 1 Securing the Rights and Equal Treatment of Shareholders	1.1 Securing the Rights of Shareholders		Chapter 3, Article 20 Protection of Shareholder Rights	●	
		1.1.1	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
		1.1.2	Chapter 2, Article 4 Duties of Directors	●	
		1.1.3	Chapter 3, Article 20 Protection of Shareholder Rights Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
	1.2 Exercise of Shareholder Rights at General Shareholder Meetings		Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
		1.2.1	Chapter 4, Article 27 Information Disclosure	●	
		1.2.2	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
		1.2.3	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
		1.2.4	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
		1.2.5	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
	1.3 Basic Strategy for Capital Policy		Chapter 3, Article 23 Basic Policies for Capital Measures Chapter 3, Article 24 Shareholder Returns	●	
	1.4 Cross-Shareholdings		Chapter 3, Article 25 Cross-Shareholdings		●
		1.4.1	Chapter 3, Article 25 Cross-Shareholdings	●	
		1.4.2	Chapter 3, Article 25 Cross-Shareholdings	●	
	1.5 Anti-Takeover Measures		No applicable item		
		1.5.1	–		
	1.6 Capital Policy that May Harm Shareholder Interests		Chapter 3, Article 23 Basic Policies for Capital Measures	●	
	1.7 Related Party Transactions		Chapter 3, Article 26 Related Party Transactions	●	
Section 2 Appropriate Cooperation with Stakeholders Other Than Shareholders	2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid-to Long-Term		Chapter 1, Article 1 Purpose	●	
	2.2 Code of Conduct		Chapter 1, Article 2 Code of Conduct	●	
		2.2.1	Chapter 1, Article 2 Code of Conduct	●	
	2.3 Sustainability Issues, Including Social and Environmental Matters		Chapter 1, Article 2 Code of Conduct	●	
		2.3.1	Chapter 1, Article 2 Code of Conduct	●	
	2.4 Ensuring Diversity, Including Active Participation of Women		Chapter 1, Article 2 Code of Conduct Chapter 2, Article 14 Executive Officers	●	
	2.5 Whistleblowing		Chapter 4, Article 28 Internal Reporting System	●	
		2.5.1	Chapter 4, Article 28 Internal Reporting System	●	
	2.6 Roles of Corporate Pension Funds as Asset Owners		No applicable item		
Section 3 Ensuring Appropriate Information Disclosure and Transparency	3.1 Full Disclosure		Chapter 2, Article 4 Duties of Directors	●	
		i)	Chapter 1, Article 1 Purpose	●	
		ii)	Chapter 1, Article 1 Purpose	●	
		iii)	Chapter 2, Article 10 Nominating and Compensation Committee Chapter 2, Article 16 Compensation of Directors, Audit & Supervisory Board Members, and Executive Officers	●	
		iv)	Chapter 2, Article 10 Nominating and Compensation Committee Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	

Japan's Corporate Governance Code			Articles of MARUI GROUP Corporate Governance Guidelines in which status of compliance is disclosed	Status of compliance	
General principles	Principles	Supplementary principles		Comply	Explain
Section 3 Ensuring Appropriate Information Disclosure and Transparency		v)	Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		3.1.1	Chapter 4, Article 27 Information Disclosure	●	
		3.1.2	Chapter 3, Article 22 Ordinary General Meeting of Shareholders	●	
	3.2 External Auditors		Chapter 2, Article 8 Duties of Audit & Supervisory Board Members Chapter 2, Article 18 Independent Auditing Firm	●	
		3.2.1	Chapter 2, Article 8 Duties of Audit & Supervisory Board Members Chapter 2, Article 18 Independent Auditing Firm	●	
		3.2.2	Chapter 2, Article 18 Independent Auditing Firm	●	
Section 4 Responsibilities of the Board	4.1 Roles and Responsibilities of the Board (1)		Chapter 1, Article 1 Purpose Chapter 2, Article 4 Duties of Directors	●	
		4.1.1	Chapter 2, Article 4 Duties of Directors	●	
		4.1.2	Chapter 2, Article 4 Duties of Directors	●	
		4.1.3	Chapter 2, Article 4 Duties of Directors	●	
	4.2 Roles and Responsibilities of the Board (2)		Chapter 2, Article 16 Compensation of Directors, Audit & Supervisory Board Members, and Executive Officers	●	
		4.2.1	Chapter 2, Article 16 Compensation of Directors, Audit & Supervisory Board Members, and Executive Officers	●	
	4.3 Roles and Responsibilities of the Board (3)		Chapter 2, Article 10 Nominating and Compensation Committee Chapter 2, Article 19 Risk Management System Chapter 3, Article 26 Related Party Transactions Chapter 4, Article 27 Information Disclosure	●	
		4.3.1	Chapter 2, Article 10 Nominating and Compensation Committee Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		4.3.2	Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		4.3.3	Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		4.3.4	Chapter 2, Article 19 Risk Management System	●	
	4.4 Roles and Responsibilities of <i>Kansayaku</i> and the <i>Kansayaku</i> Board		Chapter 2, Article 8 Duties of Audit & Supervisory Board Members Chapter 2, Article 13 Audit & Supervisory Board Members	●	
		4.4.1	Chapter 2, Article 8 Duties of Audit & Supervisory Board Members Chapter 2, Article 12 Directors	●	
	4.5 Fiduciary Responsibilities of Directors and <i>Kansayaku</i>		Chapter 2, Article 12 Directors Chapter 2, Article 13 Audit & Supervisory Board Members	●	
	4.6 Business Execution and Oversight of the Management		Chapter 2, Article 5 Composition of the Board of Directors	●	
	4.7 Roles and Responsibilities of Independent Directors		Chapter 2, Article 12 Directors	●	
	4.8 Effective Use of Independent Directors		Chapter 2, Article 5 Composition of the Board of Directors	●	
		4.8.1	Chapter 2, Article 12 Directors	●	
		4.8.2	Chapter 2, Article 12 Directors	●	
	4.9 Independence Standards and Qualification for Independent Directors		Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions Supplementary Material 1, Criteria for Independence of External Directors and Audit & Supervisory Board Members	●	

Japan's Corporate Governance Code			Articles of MARUI GROUP Corporate Governance Guidelines in which status of compliance is disclosed	Status of compliance	
General principles	Principles	Supplementary principles		Comply	Explain
Section 4 Responsibilities of the Board	4.10 Use of Optional Approach		Chapter 2, Article 3 Organizational Structure Chapter 2, Article 10 Nominating and Compensation Committee	●	
		4.10.1	Chapter 2, Article 3 Organizational Structure Chapter 2, Article 10 Nominating and Compensation Committee	●	
	4.11 Preconditions for Board and <i>Kansayaku</i> Board Effectiveness		Chapter 2, Article 5 Composition of the Board of Directors Chapter 2, Article 7 Evaluation of the Board of Directors Chapter 2, Article 9 Composition of the Audit & Supervisory Board Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		4.11.1	Chapter 2, Article 5 Composition of the Board of Directors Chapter 2, Article 10 Nominating and Compensation Committee Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
		4.11.2	Chapter 2, Article 12 Directors Chapter 2, Article 13 Audit & Supervisory Board Members	●	
		4.11.3	Chapter 2, Article 7 Evaluation of the Board of Directors Chapter 2, Article 15 Selection of Candidates for Positions as Directors, Audit & Supervisory Board Members, and Managers Ranked Lower Than President and Representative Director, and Dismissal of Individuals in These Positions	●	
	4.12 Active Board Deliberations		Chapter 2, Article 5 Composition of the Board of Directors Chapter 2, Article 12 Directors	●	
		4.12.1	Chapter 2, Article 6 Proceedings of the Board of Directors	●	
	4.13 Information Gathering and Support Structure		Chapter 2, Article 6 Proceedings of the Board of Directors Chapter 2, Article 12 Directors Chapter 2, Article 13 Audit & Supervisory Board Members	●	
		4.13.1	Chapter 2, Article 12 Directors Chapter 2, Article 13 Audit & Supervisory Board Members	●	
		4.13.2	Chapter 2, Article 12 Directors Chapter 2, Article 13 Audit & Supervisory Board Members	●	
		4.13.3	Chapter 2, Article 6 Proceedings of the Board of Directors Chapter 2, Article 12 Directors	●	
	4.14 Director and <i>Kansayaku</i> Training		Chapter 2, Article 17 Training Policies	●	
		4.14.1	Chapter 2, Article 17 Training Policies	●	
		4.14.2	Chapter 2, Article 17 Training Policies	●	
Section 5 Dialogue with Shareholders	5.1 Policy for Constructive Dialogue with Shareholders		Chapter 3, Article 21 Communication with Shareholders	●	
		5.1.1	Chapter 3, Article 21 Communication with Shareholders	●	
		5.1.2	Chapter 3, Article 21 Communication with Shareholders	●	
		5.1.3	Chapter 3, Article 21 Communication with Shareholders	●	
	5.2 Establishing and Disclosing Business Strategies and Business Plans		Chapter 2, Article 4 Duties of Directors Chapter 3, Article 23 Basic Policies for Capital Measures Chapter 4, Article 27 Information Disclosure	●	