

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

Stock Exchange Code: 8252

June 7, 2016

3-2, Nakano 4-chome, Nakano-ku, Tokyo
MARUI GROUP CO., LTD.
Hiroshi Aoi
President and Representative Director

Notice of Convocation of the 80th Ordinary General Meeting of Shareholders

Dear Shareholders:

We offer our deepest sympathy for the people affected by the 2016 Kumamoto Earthquake, and sincerely hope for the earliest possible recovery.

You are cordially invited to attend the 80th Ordinary General Meeting of Shareholders of MARUI GROUP CO., LTD. (the “Company”).

If you are unable to attend the aforesaid meeting, you can exercise your votes through either of the methods stated below. The Company respectfully requests you to view the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting rights on or before 7:00 p.m. (JST) June 28, 2016 (Tuesday).

GUIDANCE ON THE WAY TO EXERCISE THE VOTING RIGHTS:

[For those attending the General Meeting of Shareholders]

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

[For those exercising voting rights by mail]

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

[For those exercising voting rights via the Internet]

Please access the website for the exercise of voting rights (<http://www.evotep.jp/>), using the log-in ID and temporary password which are shown on the Voting Rights Exercise Form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the screen by the deadline stated above.

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

PARTICULARS

- 1. Date and Time of the Meeting:** Wednesday, June 29, 2016 at 10:00 a.m.
(Reception commences at 9:00 a.m.)
- 2. Place of the Meeting:** Main Hall of NakanoZERO
at 9-7, Nakano 2-chome, Nakano-ku, Tokyo, Japan
- 3. Matters to be Addressed at the Meeting:**

Matters to be Reported:

1. Report on the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 80th Fiscal Year (from April 1, 2015 to March 31, 2016).
2. Report on the Results of the Audits of Consolidated Financial Statements by the Accounting Auditors and the Audit & Supervisory Board.

Matters to be Resolved:

Proposal 1: Proposed Disposal of Surplus

Proposal 2: Election of Six (6) Directors

Proposal 3: Election of Two (2) Audit & Supervisory Board Member

Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

Proposal 5: Revision of Compensation Plan for Directors

Guidance for Exercising Voting Rights:

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

- End -

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

(Attached Materials)

Business Report

(For the fiscal year from April 1, 2015 to March 31, 2016)

1. Information on the Status of Marui Corporate Group

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

The management environment during the fiscal year under review was characterized by a continuing gradual recovery trend, with improvements in corporate earnings and the job market brought on by the government's economic measures and the Bank of Japan's monetary policies. However, due to concern for slowdown in the global economy since the beginning of 2016, the coming trend of consumer spending remained uncertain.

Under such an environment, the Marui Corporate Group promoted a three-year mid-term management plan that would end on March 31, 2017, and worked on to improve profitability and corporate value.

As a result, total group transactions for the fiscal year under review increased by 234,241 million yen (15.9%) from the preceding fiscal year to 1,703,353 million yen. While revenue decreased by 1.6% from the preceding fiscal year to 245,867 million yen due to changes in earnings structure as a result of the shift in business model for retailing and store operations, gross profit increased by 0.4% to 160,035 million yen due to steady expansion of shopping credit in credit card services, and operating income increased by 5.6% to 29,615 million yen, and net income attributable to owners of parent increased by 10.8% to 17,771 million yen. As a result, ROE reached 6.0%, the target of the mid-term management plan, one (1) year ahead of the original schedule. Earnings per share increased more than profit by 20.1% to 70.68 yen due to the decrease in the number of shares resulting from the purchase of treasury stock for approximately 35.0 billion yen and 20.72 million shares conducted during the fiscal year under review.

From the fiscal year under review, the Group has introduced the "total group transactions" as a new indicator of growth potential of the Group. In retailing and store operations, the Group has changed the method of presentation of sales related to consignment buying from presentation at total value to presentation at net value, the portion that represents income to the Group. Based on the change described above, the line item that was previously "net sales" is presented as "revenue." In line with this, the method of presentation of cost of sales associated with tenants under fixed-term lease contracts has also partially changed.

Retailing and Store Operations

Under an environment of an aging population and low birth rate and a drastic change in consumer needs, namely, the shift from goods to things and services, the retailing and store operations segment has implemented a revision of the conventional business focused on youth and apparel, and aims for increasing the number of customers by satisfying the diverse lifestyle needs of customers of all ages.

To develop a category that covers lifestyle in general including sundries and restaurants that have a large customers demand, the Group has promoted a shift from the business model based on purchasing inventory to shopping center (SC)-type stores, which is unique to Marui. Specifically, in Shibuya area, the Group conducted a large scale renovation for the first time in about a decade. In April 2015, the Group fully renovated "Marui JAM Shibuya" and reopened as "Shibuya Marui" that has a wide variety of goods that can satisfy customers of all ages, genders and nationalities. Subsequently, in November 2015, "Marui City Shibuya" was renovated and reopened as "Shibuya Modi" operated by AIM CREATE CO., LTD., a group company of Marui. "Marui City Shibuya" made a fresh start as a commercial facility that offers lifestyle solutions, consisting of cultural, music, restaurants, travel and entertainment facilities based on keywords including "learning" and "experience" not only for shopping by significantly changing the policy of selection of products that was mainly based on clothing items before, and as a landmark of Shibuya Park Street that is suitable for future Shibuya. Both "Shibuya Marui" and "Shibuya Modi" has performed well with support from a wide range of customers since their opening. Each store has proceeded remodeling to be a SC-type store for each retail space and

reviewed cost structure by streamlining its retail spaces and establishing the store operation system that is suitable for SC-type Marui.

For online shopping, the Group expanded sales of sundries over those of clothing items by reinforcing a selection of shoes and bags and developing promotion thereof with a focus on the PB product, “Rakuchin Kirei Pumps” supported by many customers.

As a result, the number of purchasing customers of the existing stores remained the same as the previous year even with the effect of closure of retail spaces due to renovation. However, due to a structural slump in apparel industry, total volume decreased to 312,511 million yen (3.2% decrease from the previous year), revenue decreased to 138,807 million yen (9.0% decrease from the previous year), and operating income decreased to 7,856 million yen (2.7% decrease from the previous year).

Credit Card Services

In the credit card services segment, the Group worked towards increasing the number of card members as well as the volume of transactions and the rate of credit card shopping through improvement of customer relations to strengthen the business base by further developing its unique business model where retails and credit cards are united.

In terms of increasing the number of card members, in addition to soliciting new card members at Marui stores, solicitation on the internet was enhanced. In addition, the use of “collaboration cards,” which is unique to EPOS card, such as affiliated cards with companies and commercial facilities and fan-club cards, has contributed to the development of various channels and a steady expansion. Particularly, the Group expanded collaboration with commercial facilities to which the Group’s personnel who have know-how of retailing and credit cards, the area in which the Group has advantage, can contribute. In the fiscal year under review, the Group started service to immediately issue collaboration cards over the counter at “AMU PLAZA OITA” (in Oita), “MALera Gifu” (in Gifu), etc. The Group also collaborated with TACHIBANA DEPARTMENT STORE Co., Ltd. and started issuance of “TACHIBANA EPOS card,” town cards to seek to enhance the bustle and attractiveness of the whole town by offering convenience for shopping and courtesy service through “Bon Belta TACHIBANA” (in Miyazaki) and the neighboring shopping area. Moreover, the Group commenced collaboration with CAPCOM CO., LTD. and KOEI TECMO GAMES CO., LTD., respectively for fan club cards, with design of popular game characters, etc. that are supported by young customers.

Through these measures, new card membership registered outside the Marui Group facilities expanded by 1.3 fold compared to the previous year, and amounted to 20% of all new memberships. Card members increased by 3.7% from the previous fiscal year to 6.13 million members. Particularly, in view of the opening of “Hakata Marui” in April 2016, the number of card members in the Kyushu area where the Group focused on increased by 40 thousand members from the previous year to 130 thousand members.

As for customer relations, the Group endeavored to further enrich services for credit card members so that EPOS card was used as their main credit card. In May and November 2015, the Group conducted the industry’s first special courtesy campaign called “EPOS card weeks” for a limited time mainly for EPOS cards. The Group offered more benefits than usual to customers who used facilities and services from nearly 5,500 specific facilities and services in Japan, and enhanced the satisfaction of customers and increased the number of customers directed to the participating partners.

As a result, due to the increase of use of shopping credit cards and steady growth of related businesses, such as rent guarantees and bank loan guarantees, total volume increased to 1,465,227 million yen (18.7% increase from the previous fiscal year), revenue increased to 76,446 million yen (8.2% increase from the previous fiscal year), and operating income increased to 22,186 million yen (10.2% increase from the previous fiscal year).

Retailing-Related Services

In the retailing-related services segment, continuous transactions with customers have been reinforced through the use of know-how and expertise in the development and operation of commercial facilities cultivated in the Marui Group. Consequently, revenue to outside customers increased to 37,279 million yen (10.2% increase from the previous fiscal year), revenue increased to 58,642 million yen (4.4% increase from the previous fiscal year) and operating income increased to 3,674 million yen (10.2% increase from the previous fiscal year).

(Segment Information)

(Millions of yen)

Category	Retailing and Store Operations	Credit Card Services	Retailing-Related Services	Total	Adjustments	Consolidated
Revenue						
To Outside Customers	134,263	74,323	37,279	245,867	-	245,867
Inter-Segment Revenue or Transferred Revenue	4,543	2,123	21,362	28,029	(28,029)	-
Total	138,807	76,446	58,642	273,896	(28,029)	245,867
[Year on Year (%)]	[91.0]	[108.2]	[104.4]	[98.1]	[-]	[98.4]
Segment Profit	7,856	22,186	3,674	33,717	(4,101)	29,615
[Year on Year (%)]	[97.3]	[110.2]	[110.2]	[106.9]	[-]	[105.6]
Operating Margin (%)	5.7	29.0	6.3	-	-	12.0

(Detail of Total Group Transactions)

Category	Total Transactions (Millions of yen)	Composition Ratio (%)	Year on Year (%)
Product sales	89,290	5.3	87.4
Consignment sales	181,968	10.7	93.6
Rent revenues and others	41,252	2.4	156.8
Retailing and store operation	312,511	18.4	96.8
Card shoppings	1,165,670	68.4	119.4
Cash advance	142,686	8.4	103.9
Others	156,870	9.2	130.2
Credit card services	1,465,227	86.0	118.7
Retailing-related services	37,279	2.2	110.2
Eliminations	(111,664)	(6.6)	-
Total	1,703,353	100.0	115.9

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

(2) Capital Investments

The capital investments of the Group were mainly for the renovation of sales floors at existing stores and the upgrading of information terminals. The total expenditures on capital investments during the fiscal year under review amounted to 12.8 billion yen.

(3) Fund Procurement

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

During the consolidated fiscal year under review, the Group raised funds of 98.0 billion yen in loans from financial institutions and 25.0 billion yen from the issuance of bonds in response to the repayment of loans. Additionally, the Group increased the amount of funds raised through the securitization of receivables by 2.0 billion yen.

(4) Issues to be Addressed

For the next fiscal year, while the future of the global economy remains uncertain, individual consumer values and purchasing behaviors are expected to become increasingly diversified. Thus it is expected that the management environment will continue to require a prompt response to changes.

Under these circumstances, the Group achieved the target ROE of 6% or higher, which had been set forth in the previous mid-term management plan, one year earlier than the plan. The Group developed a new mid-term management plan ending the fiscal year 2020, and will strive for the improvement of corporate value through the effective use of the management resources of the Group to achieve the target of ROE 10% or more, ROIC (return on invested capital) 4% or more and EPS (earnings per share) 130 yen or more in the final fiscal year.

The Group's reporting segments previously consisted of three (3) businesses, "retailing and store operations," "credit card services" and "retailing-related services" based on products and services, etc. provided. Since the fiscal year ending in March 2017, the Group has reorganized its business segments into two (2) business segments: "retail operations" that mainly treats retail business based on stores, omni-channels and platforms; and "FinTech operations" that mainly treats finance, service and information technology.

In the retailing operations segment, the Group will further promote a shift from the conventional business model based on purchasing inventory and respond to customer's diversifying lifestyle needs by developing the two (2) new SC-style store brands, "Marui" and "Modi."

Specifically, in April 2016, the Group opened "Hakata Marui" that was created through joint activities with customers and trading partners. More than 10,000 customers in cumulative total participated in the community site and customer planning meetings and the Group accumulated many ideas and opinions from customers regarding points to be noted for creating stores, floor structure and a selection of goods. Under the concept "the store you can find something exactly fitted to yourself," "Hakata Marui" has a wide range of tenants providing food and drinks and service, which are in high demand and has performed well since its opening due to its store structure of a new type that is not a conventional department store nor a SC-type store and customers of all ages and genders can easily stop by.

As for the existing stores, the Group will also accelerate creation of SC-type stores by executing fixed-term lease contracts. Two (2) stores in Shizuoka and Kashiwa, which are operated in two (2) store buildings, respectively, have commenced renewal to "Marui" and "Modi." They will have a wide range of categories of tenants including food, sundries and service-providing tenants and respond to requests of their local customers.

As for the PB products of women's shoes that have gained popularity, the Company will promote the PB products in commercial facilities throughout Japan by utilizing its own omni-channels and event experiencing type stores that collaborate with cards and websites. The Company will implement its omni-channel strategy that offers convenience to its customers and responds to customers' requests such as convenience and fitting on a full scale.

In the FinTech operations segment, the Group has promoted integration of information technology and cards on many occasions including application and issuance of EPOS cards and security for use without worry. The Group will, in the future, seek to increase the number of card members and improve the rate of credit card shopping and the amount of transactions and reinforce its business base by improving convenience and providing new financial service through further technological renovation.

In an effort to increase card membership, in addition to promotion activities at Marui stores, the Group will continuously exert its best efforts to develop affiliations with new companies and commercial facilities toward the nationwide deployment of card issuing sites. Particularly, the Group will expand collaboration with commercial facilities to which the Group's personnel who have know-how of retailing and credit cards, the area in which the Group has advantage, can contribute. In April, the Group started issuance of a new collaboration card, "Rera EPOS card" with the largest outlet mall in Hokkaido called "CHITOSE OUTLET MALL Rera" and made its first advance into the Hokkaido area. In addition, through promotions by TV ads, the Group intends to increase new credit card members throughout Japan by raising recognition with customers and thereby increasing applications from the website. Moreover, to further improve services for credit card members, the Group will advance its special courtesy campaign called "EPOS card weeks" for credit card members. Furthermore, the Group will expand its service such as rent guarantees by utilizing its credit know-how and exert its efforts to improve ROIC.

Lastly, the Group will effectively utilize the cash flow generated from its business, and enforce growth investments and shareholder returns based on its mid-term management plan ending the fiscal year 2020. For dividends, to meet the expectation of diverse shareholders who hold shares for long- and mid-term, the Group reviewed the dividend policy and will exert its efforts to continuously improve the dividend scale by raising the existing target of its consolidated payout ratio from 30% or more to 40% or more. As for acquisition of treasury stock, in comprehensive consideration of cash flow situation, etc., the Group will acquire treasury stock in a timely manner to improve capital efficiency and shareholders' profit. Treasury stock acquired will be cancelled as a general rule.

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

(5) Assets and Profits and Losses

Category	77th Fiscal year ended March 31, 2013	78th Fiscal year ended March 31, 2014	79th Fiscal year ended March 31, 2015	80th Fiscal year ended March 31, 2016
Total Group transactions * (Millions of yen)	-	-	1,469,111	1,703,353
Net Sales (Millions of yen)	407,366	416,460	404,947	-
Revenue * (Millions of yen)	-	-	249,847	245,867
Ordinary income (Millions of yen)	24,443	27,698	28,002	29,163
Profit attributable to owners of parent (Millions of yen)	13,255	15,409	16,036	17,771
Earnings per share (Yen)	48.43	56.29	58.87	70.68
ROE (%)	4.5	5.0	5.2	6.0
Total assets (Millions of yen)	624,173	664,019	675,627	730,126
Net assets (Millions of yen)	304,051	315,889	307,255	282,101

* From the fiscal year under review, the Group has introduced the “group total transaction” as a new indicator of growth potential of the Group. Furthermore, in conjunction with the change of the accounting policy, the line item that was previously “total operating revenues” has changed to “revenue.” In line with this change, the figures for the 79th fiscal year are those retroactively reflected the change of such accounting policy.

(6) Major Subsidiaries of the Group

i. Major Subsidiaries of the Group

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

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

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

Company Name	Address	Total Amount of Book Value (Millions of yen)	Total Assets of the Company (Millions of yen)
MARUI Co., Ltd.	3-2, Nakano 4-chome, Nakano-ku, Tokyo	222,529	645,562
Epos Card Co., Ltd.		149,850	

(7) Lines of Business of the Group

The Group’s lines of business are Retailing (retailing of apparel, luxury and accessory goods, etc.) and Store Operations (rental and operational management of commercial facilities), Credit Card Services, and Retailing-Related Services.

(8) Major Business Hubs

i. Head Office

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

ii. Stores

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

*Hakata Marui opened in Spring 2016

(9) Matters concerning Employees

Business Category	Number of Employees	Comparison with the Previous Fiscal Year End
	(Number of Person)	(Number of Person)
Retailing and Store Operations	3,566	401 (decrease)
Credit Card Services	1,016	208 (increase)
Retailing-Related Services	1,110	150 (increase)
Corporate (Common functions)	207	24 (increase)
Total	5,899	19 (decrease)

Notes:

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

part-time employees during the fiscal year (calculated based on monthly work hours) is 1,947.

2. Corporate (Common functions) refers to corporate management departments that cannot be included in any specific segment.

(10) Main Loan Lenders

Lenders	Outstanding Balance
	(Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	65,900
Syndicated loan	65,000
Sumitomo Mitsui Banking Corporation	37,000
Mitsubishi UFJ Trust and Banking Corporation	22,100
Mizuho Bank, Ltd.	21,300
Development Bank of Japan Inc.	5,000

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

2. Matters concerning the Shares of the Group

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

(2) Number of Shares Issued and Outstanding: 278,660,417 shares (including 36,270,334 shares of treasury stock)

(3) Number of Shareholders: 21,770 shareholders

(4) Principal Shareholders (Top 10)

Registered Name	Number of Shares Held	Percentage of Shareholding
	(thousand shares)	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,505	11.3
Japan Trustee Services Bank, Ltd. (Trust Account)	22,496	9.3
Aoi Real Estate Company	6,019	2.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,808	2.4
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,133	2.1
Toho Co., Ltd.	3,779	1.6
MSCO CUSTOMER SECURITIES	3,654	1.5
Aoi Scholarship Foundation	3,234	1.3
Karasuyama Co., Ltd.	3,104	1.3
STATE STREET BANK WEST CLIENT-TREATY 505234	3,048	1.3

Notes:

1. The Company holds 36,270 thousand shares of treasury stock which is excluded from the above principal shareholders.
2. Percentage of shareholding is calculated based on the total number of shares issued and outstanding, excluding the treasury stock.

(5) Other Significant Matters concerning Equity

1. Acquisition of treasury stock (purchased through Tokyo Stock Exchange)

Treasury stock acquired as authorized at the Board of Directors' Meeting held on May 14, 2015:
 Type and total number of shares acquired: 12,112,000 shares of common stock
 Total cost of acquisition: 19,999,952,600 yen
 Period of acquisition: From May 15, 2015 to August 20, 2015

2. Cancellation of treasury stock

Treasury stock acquired as authorized at the Board of Directors' Meeting held on November 6, 2015:
 Type and total number of shares acquired: 8,611,600 shares of common stock
 Total cost of acquisition: 14,999,906,500 yen
 Period of acquisition: From November 9, 2015 to March 18, 2016

3. Matters concerning Subscription Rights to Shares

(1) Subscription Rights to Shares Held by the Directors Issued in Consideration of Duty as of the End of This Fiscal Year

Name of Subscription Rights to Shares (Issue Date)	Exercise Period	Number of Subscription Rights to Shares	Class and Number of Shares to Be Issued Upon Exercise of Subscription Rights to Shares	Number of Holders (of which External Directors)	Amount Paid for Subscription Rights to Shares	Exercise Price of Subscription Rights to Shares
Subscription Rights to Shares, 2015 (July 10, 2015)	From April 1, 2016 to March 31, 2026	139 rights	Common Stock of the Company 13,900 shares	4 persons (0 persons)	1,589 yen per share	1 yen per share

Notes: Conditions for exercising subscription rights to shares:

1. Holders of subscription rights to shares must be Directors, Audit & Supervisory Board Members or Executive Officers of the Company or of subsidiaries of the Company when they exercise subscription rights to shares. In the event that a holder of subscription rights to shares loses the position of Director, Audit & Supervisory Board Member or Executive Officer due to expiration of a term or for any other reasons, the holder may exercise the rights within 5 years following the day on which the holder lost the position.
2. Notwithstanding paragraph (1) above, in the event that a proposal to approve a merger in which the Company becomes the non-surviving company, a proposal to approve a corporate split agreement or plan in which the Company becomes the split company, or a proposal to approve a share exchange agreement or plan in which the Company becomes the wholly-owned subsidiary, is approved at the general meeting of shareholders of the Company (or is resolved at the Board of Directors of the Company, if a resolution of the general meeting of shareholders is not required); the holder may exercise the rights within 30 days following the day on which said approval was given.
3. Any other conditions shall be as provided in the "Subscription Rights to Shares Allotment Agreement" to be concluded between the Company and the holder of subscription rights to shares.

(2) Subscription Rights to Shares Held by the Executive Officers Issued in Consideration of Duty during This Term

Name of Subscription Rights to Shares (Issue Date)	Exercise Period	Number of Subscription Rights to Shares	Class and Number of Shares to Be Issued Upon Exercise of Subscription Rights to Shares	Number of Grantee	Amount Paid for Subscription Rights to Shares	Exercise Price of Subscription Rights to Shares
Subscription Rights to Shares, 2015 (July 10, 2015)	From April 1, 2016 to March 31, 2026	181 rights	Common Stock of the Company 18,100 shares	12 persons	1,589 yen per share	1 yen per share

Note: Conditions for exercising subscription rights to shares are the same as (1) above.

4. Matters concerning Officers of the Group

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

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

Notes:

1. Directors, Mr. Koichiro Horiuchi and Ms. Etsuko Okajima are External Directors. The Group has submitted a notification to Tokyo Stock Exchange, Inc. designating them as an independent director.
2. Audit & Supervisory Board Members, Mr. Tadashi Ooe and Mr. Takehiko Takagi are both External Audit & Supervisory Board Members. The Group has submitted a notification to Tokyo Stock Exchange, Inc., designating them as an independent audit & supervisory board member.
3. The Group has no special relations with entities in which Director Mr. Koichiro Horiuchi and Audit & Supervisory Board Members Mr. Tadashi Ooe and Mr. Takehiko Takagi concurrently assume office.
4. Director, Ms. Etsuko Okajima's name on the family register is Ms. Etsuko Mino.
5. Director, Ms. Etsuko Okajima is President and Representative Director of ProNova Inc., a company with deep knowledge on diversity. ProNova Inc. is providing training support for the Company in

promoting women at work place. The training support was provided a total of 8 times, and the payment amount is 4 million yen. In addition, she assumed office of external director of Link and Motivation Inc. on March 30, 2016. The Group has no special relations with Astellas Pharma Inc. and Link and Motivation Inc.

6. Audit & Supervisory Board Member, Mr. Tadashi Ooe is a qualified attorney and well-versed in corporate law. He assumed office of outside director of NISSAN CHEMICAL INDUSTRIES, LTD. on June 25, 2015.
7. Audit & Supervisory Board Member, Mr. Takehiko Takagi is a certified public tax accountant and has an appreciable extent of knowledge in finance and accounting.
8. There were changes in directors' positions, duties and important concurrent offices as of April 1, 2016.

Name	Previous	Present
Motohiko Sato	Director and Senior Managing Executive Officer CFO, in charge of Corporate Planning and Finance Responsible for Credit Card Business and Information System	Director and Senior Managing Executive Officer, and CFO In charge of Corporate Planning, IR and Finance
Masao Nakamura	Director and Managing Executive Officer Responsible for Retailing and Store Operations Business President and Representative Director, MARUI Co., Ltd.	Director and Managing Executive Officer Responsible for Retailing and Store Operations Business* President and Representative Director, AIM CREATE CO., LTD.
Tomoo Ishii	Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion and General Manager, Personnel Division In charge of General Affairs and Healthcare Promotion	Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion

*The responsibility of Director Masao Nakamura changed from Retailing and Store Operations Business to Retailing Business as of May 12, 2016.

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

Category	Number of Persons subject to Payment	Total Amount of Remuneration (Millions of yen)
Director (External Director)	7 (2)	209 (21)
Audit & Supervisory Board Member (External Audit & Supervisory Board Member)	5 (2)	50 (15)
Total	12	260

Notes:

1. Basic remuneration for Directors with the resolution at the General Meeting of Shareholders has a maximum limit of 300 million yen per year (remuneration for Directors does not include salary portion payable to Directors who concurrently serve as employees of the Company.). In addition, remuneration for Director (Other than External Directors) by Subscription Rights to Shares as Stock Options has the ceiling of 100 million yen per year. (Resolution Date of the General Meeting of Shareholders: June 27, 2012)
2. Basic remuneration for Audit & Supervisory Board Member with the resolution at the General Meeting of Shareholders has the ceiling amount of 6 million yen per month. (Resolution Date of the General Meeting of Shareholders: April 28, 1987)
3. The above Remuneration and Other Amounts include 22 million yen of Subscription Rights to

Shares granted to four (4) Directors (Other than External Directors) as Stock Compensation-Type Stock Options.

4. In addition to above payments, 15 million yen was paid to three (3) directors from a subsidiary of the Company.

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

Members

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

(4) Information on External Officers

i. Principal Activities of External Officers

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

	Takehiko Takagi	<p>Attended all 10 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. Expressed his opinions in a timely and appropriate manner based mainly on his professional knowledge as a certified public tax accountant. In addition, held meetings periodically with the Representative Director; exchanged opinions regarding risks confronting the Company, major issues related to auditing of the Company, and other matters; and is working to deepen mutual understanding and trust.</p>
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ii. Outline of the Content of Liability Limitation Contracts

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

5. Matters concerning Accounting Auditors

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

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

1. Remuneration paid for services rendered as accounting auditors for the fiscal year under review: 94 million yen
2. Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditors: 140 million yen

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

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

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

(3) Content of Non-Auditing Activities

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

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

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

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

6. Company's Systems and Policies

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

o Systems

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

transparency.

- i. System which ensures that execution of duties by Directors comply with laws and regulations and the Articles of Incorporation
 - a. Directors shall discharge legally and duly duties in accordance with the Directors'/ Audit & Supervisory Board Members' Internal Regulations and the Code of Conduct of the Group.
 - b. The Board of Directors shall hold meetings in principle ten (10) times a year and supervise the execution of duties by Directors.
 - c. Audit & Supervisory Board Members shall audit independently the execution of business by Directors and Executive Officers in accordance with the Regulations of the Audit & Supervisory Boards.
 - d. Highly independent External Directors and External Audit & Supervisory Board Members shall be elected and the objectivity and transparency of operation shall be enhanced.

- ii. System for maintaining and managing information regarding execution of business by Directors
 - a. The Company shall arrange the regulations for controlling documents, pursuant to which minutes of the Board of Directors and other important documents related to the execution of business by Directors shall be maintained.

- iii. Regulations related to controlling risk of loss and other system
 - a. Though 6 committees established to control high-risk areas in business operations (Public Relations IR Committee, Internal Control Committee, Environment CSR Promotion Committee, Personal Information Protection Promotion Committee, Safety Control Committee and Insider Trading Prevention Committee), the Company shall strive for speedy operational improvement and the prevention of accidents. As a coordinating function of all committees, the Compliance Promotion Board, with the Representative Director as the chairperson, is set up for the Group's risk management.
 - b. The General Affairs Department and Audit Department shall cooperate in promoting internal control. Through documentation and the monitoring of the operation of each group company, in terms of predictable risks and countermeasures, they shall work to minimize operational risks.

- iv. System to ensure that Directors can execute their duties efficiently
 - a. In accordance with the Group's authorization rules, the duties of Directors and Executive Officers shall be explicitly defined, and the Group's Directors and Executive Officers shall perform their duties in an efficient and swift manner.

- v. System to ensure that financial reports are made properly
 - a. The policy and procedures covering the entire Company to ensure that financial report shall be carried out properly, shall be presented and the proper arrangement and operation shall be secured.
 - b. A system for evaluating risks arising from inappropriate statements with respect to important items of financial report and for reducing risks shall be proceeded to be established.
 - c. A system for monitoring the internal control system with respect to financial report shall be properly arranged to confirm the conditions and status of operation.

- vi. System to ensure that subsidiaries' Directors and the Group's employees execute business in compliance with laws and regulations and the Articles of Incorporation
 - a. The Group's Code of Conduct shall be fully understood, to promote sound corporate activities grounded on high ethical standards for the Group.
 - b. In order to ensure full compliance with laws and ordinances and company rules across the entire Group, operational manuals in every category shall be prepared and internal training is encouraged.
 - c. The Marui Group Hot Line (Internal Reporting System) shall be set up, which allows direct contact with

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

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

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

○ **Status of Operation of the Systems**

i. Overall internal control system

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

ii. Compliance system

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

iii. Risk management system

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

iv. Directors' execution of their duties

- a. The Group ensures that Directors execute their duties lawfully and properly in accordance with the Group's internal regulations such as the Code of Conduct of the Group and Regulations for Officers.
- b. The Group appoints two (2) External Directors who have extensive experience and expertise outside the Group and have satisfied the Group's Criteria for Independence of External Directors and Audit & Supervisory Board Members to reinforce the supervisory functions of the Board of Directors and improve the transparency of management.
- c. The Board of Directors conducts proper deliberations pursuant to the Group's Decision-Making Regulations and engages in fulfilling discussions on individual subjects such as the Group's strategies. In the fiscal year under review, the Board of Directors held its meetings ten (10) times.
- d. The Group has set up the Management Committee that is comprised of Executive Officers appointed by the Board of Directors and seeks to accelerate operational decision-making by commissioning such committee to make important management decisions regarding execution of duties within the scope of the Group's Decision-Making Regulations. In the fiscal year under review, the meetings of the Management Committee were held 26 times.

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

(2) Basic Policy toward Controlling the Company

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

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

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

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

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

However, there might exist an acquisition of a large scale of shares which does not contribute to the enhancement of corporate value and common interest of shareholders of a targeted company, such as an acquisition after which, judging from the purpose of the acquisition, the targeted company is not intended to be managed seriously and reasonably, which might threaten the targeted company such as by the incurrance unrecoverable damage, an acquisition which might in practice force shareholders to sell their shares, or an acquisition with respect to which a sufficient time and required information have not been provided to shareholders and the board of directors of the targeted company to enable them to examine the terms and conditions of the acquisition or the board of directors to make an alternative proposal.

The Company deems any of the aforesaid purchasers inappropriate as a person who should have control in determining the Company's policy regarding finance and business.

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

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

The Group is a corporate group supporting “all people's life style having young mind” through three (3) segments, namely retailing and store operations, credit card services and retailing-related services based on the corporate philosophies that are “keeping developing for the purpose of being useful to customers” and “people's growth equals to the corporate growth.” Through business operation, emphasizing on being useful to the shareholders, customers, business partners and people in the local communities, the Company will target to be a corporate group to be trusted furthermore by these parties.

The detailed approach by the Company is shown in above-mentioned (1) Development of the Businesses of the Corporate Group and Financial Results (page 3-5) and (4) Issues to be Addressed (page 6-7) in 1. Information on the Status of Marui Corporate Group

(b) Measures for social responsibility

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

(c) Measures for enforcing corporate governance

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

iii. Measures to prevent inappropriate person from controlling the Company

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

In the event that an acquisition of a large scale of shares is conducted, for the purpose of enabling shareholders to make appropriate judgment or the management of the Company or the Independent Committee of the Company to negotiate or discuss with the Purchaser, etc., the Plan purports to secure

necessary and sufficient information and time to be provided by the Purchaser, etc., so that corporate value and common interest of shareholders of the Company is secured and enhanced.

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

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

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

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

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

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

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

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

The measures stated in Paragraphs ii. and iii. above were introduced for the purpose of securing and enhancing corporate value and common interest of shareholders of the Company, in conformity with the basic policy of the Company. In particular, the Plan has been introduced upon approval at the General Meeting of Shareholders, provided with reasonable and objective requirements, requires that judgment by the Independent Committee constituted by independent External Director and Audit & Supervisory Board Member should be respected to the fullest extent. The Independent Committee may obtain advice from professional third parties. Since the term of office of Directors is one year, shareholders are able to express their opinions on the Plan through the election of Directors each year. The fairness and objectivity of the Plan is pledged by the provisions of the Plan that the General Meeting of Shareholders or the Board of Directors may at any time abolish the Plan. The Plan does not infringe corporate value and common interest of shareholders of the Company nor purports to cause the positions of Directors maintained.

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Amounts and shares in this business report have been rounded down to the nearest unit. Ratio etc. are rounded off to the nearest digit.

**Consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

| Item                                 | Amount         | Item                                                              | Amount          |
|--------------------------------------|----------------|-------------------------------------------------------------------|-----------------|
| <b><u>Assets</u></b>                 |                | <b><u>Liabilities</u></b>                                         |                 |
| <b>Current assets</b>                | <b>486,040</b> | <b>Current liabilities</b>                                        | <b>158,477</b>  |
| Cash and deposits                    | 32,586         | Accounts payable-trade                                            | 24,318          |
| Notes and accounts receivable-trade  | 7,459          | Short-term loans payable                                          | 48,324          |
| Accounts receivable-installment      | 279,763        | Current portion of bonds                                          | 30,000          |
| Operating loans                      | 134,107        | Commercial papers                                                 | 10,000          |
| Merchandise                          | 12,759         | Income taxes payable                                              | 4,731           |
| Deferred tax assets                  | 5,569          | Provision for bonuses                                             | 3,756           |
| Other                                | 21,594         | Provision for point card certificates                             | 6,586           |
| Allowance for doubtful accounts      | (7,800)        | Reserve for loss from redemption<br>of gift certificates          | 159             |
|                                      |                | Other                                                             | 30,601          |
| <b>Noncurrent assets</b>             | <b>244,085</b> | <b>Noncurrent liabilities</b>                                     | <b>289,547</b>  |
| <b>Property, plant and equipment</b> | <b>174,996</b> | Bonds payable                                                     | 80,000          |
| Buildings and structures             | 66,542         | Long-term loans payable                                           | 191,000         |
| Land                                 | 99,683         | Deferred tax liabilities                                          | 1,855           |
| Construction in progress             | 420            | Provision for loss on interest<br>repayment                       | 6,078           |
| Other                                | 8,350          | Provision for loss on guarantees                                  | 164             |
|                                      |                | Asset retirement obligations                                      | 881             |
| <b>Intangible assets</b>             | <b>6,502</b>   | Other                                                             | 9,567           |
| Software                             | 5,216          |                                                                   |                 |
| Other                                | 1,285          | <b>Total liabilities</b>                                          | <b>448,025</b>  |
|                                      |                | <b><u>Net Assets</u></b>                                          |                 |
| <b>Investments and other assets</b>  | <b>62,586</b>  | <b>Shareholders' equity</b>                                       | <b>283,226</b>  |
| Investment securities                | 20,250         | <b>Capital stock</b>                                              | <b>35,920</b>   |
| Guarantee deposits                   | 34,895         | <b>Capital surplus</b>                                            | <b>91,307</b>   |
| Deferred tax assets                  | 4,619          | <b>Retained earnings</b>                                          | <b>210,237</b>  |
| Other                                | 2,820          | <b>Treasury stock</b>                                             | <b>(54,238)</b> |
|                                      |                | <b>Accumulated other comprehensive<br/>income</b>                 | <b>(1,616)</b>  |
|                                      |                | <b>Valuation difference on available-<br/>for-sale securities</b> | <b>(1,616)</b>  |
|                                      |                | <b>Subscription rights to shares</b>                              | <b>53</b>       |
|                                      |                | <b>Non-controlling interests</b>                                  | <b>437</b>      |
|                                      |                | <b>Total net assets</b>                                           | <b>282,101</b>  |
| <b>Total assets</b>                  | <b>730,126</b> | <b>Total liabilities and net assets</b>                           | <b>730,126</b>  |

**Consolidated Statement of Income**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

| Item                                                 | Amount |                |
|------------------------------------------------------|--------|----------------|
| <b>Revenue</b>                                       |        | <b>245,867</b> |
| Cost of sales                                        |        | 85,832         |
| Gross profit                                         |        | 160,035        |
| Selling, general and administrative expenses         |        | 130,419        |
| <b>Operating income</b>                              |        | <b>29,615</b>  |
| <b>Non-operating income</b>                          |        |                |
| Interest income                                      | 86     |                |
| Dividends income                                     | 370    |                |
| Gain on bad debts recovered                          | 1,190  |                |
| Other                                                | 268    | 1,915          |
| <b>Non-operating expenses</b>                        |        |                |
| Interest expenses                                    | 1,797  |                |
| Financing expenses                                   | 296    |                |
| Other                                                | 273    | 2,367          |
| <b>Ordinary income</b>                               |        | <b>29,163</b>  |
| <b>Extraordinary income</b>                          |        |                |
| Gain on sales of investment securities               | 972    | 972            |
| <b>Extraordinary loss</b>                            |        |                |
| Loss on retirement of noncurrent assets              | 1,920  |                |
| Provision for loss on interest repayment             | 1,201  |                |
| Other                                                | 107    | 3,230          |
| <b>Income before income taxes</b>                    |        | <b>26,905</b>  |
| Income taxes-current                                 | 5,676  |                |
| Income taxes-deferred                                | 3,434  | 9,110          |
| <b>Net income</b>                                    |        | <b>17,794</b>  |
| Net income attributable to non-controlling interests |        | 23             |
| <b>Net income attributable to owners of parent</b>   |        | <b>17,771</b>  |

**Consolidated Statement of Changes in Net Assets**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| <b>Balance as of April 1, 2015</b>                   | 35,920               | 91,307          | 197,875           | (19,290)       | 305,813                    |
| <b>Changes in the fiscal year:</b>                   |                      |                 |                   |                |                            |
| Dividends                                            |                      |                 | (5,391)           |                | (5,391)                    |
| Net income attributable to owners of parent          |                      |                 | 17,771            |                | 17,771                     |
| Acquisition of treasury stock                        |                      |                 |                   | (35,002)       | (35,002)                   |
| Disposition of treasury stock                        |                      | (17)            |                   | 54             | 36                         |
| Transfer to capital surplus from retained earnings   |                      | 17              | (17)              |                | —                          |
| Changes in items other than shareholders' equity-net |                      |                 |                   |                |                            |
| <b>Total changes in the fiscal year</b>              | —                    | —               | 12,361            | (34,947)       | (22,586)                   |
| <b>Balance as of March 31, 2016</b>                  | 35,920               | 91,307          | 210,237           | (54,238)       | 283,226                    |

(Millions of yen)

|                                                      | Accumulated other comprehensive income                |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                               |                           |                  |
| <b>Balance as of April 1, 2015</b>                   | 982                                                   | 982                                          | 39                            | 420                       | 307,255          |
| <b>Changes in the fiscal year:</b>                   |                                                       |                                              |                               |                           |                  |
| Dividends                                            |                                                       |                                              |                               |                           | (5,391)          |
| Net income attributable to owners of parent          |                                                       |                                              |                               |                           | 17,771           |
| Acquisition of treasury stock                        |                                                       |                                              |                               |                           | (35,002)         |
| Disposition of treasury stock                        |                                                       |                                              |                               |                           | 36               |
| Transfer to capital surplus from retained earnings   |                                                       |                                              |                               |                           | —                |
| Changes in items other than shareholders' equity-net | (2,598)                                               | (2,598)                                      | 13                            | 16                        | (2,568)          |
| <b>Total changes in the fiscal year</b>              | (2,598)                                               | (2,598)                                      | 13                            | 16                        | (25,154)         |
| <b>Balance as of March 31, 2016</b>                  | (1,616)                                               | (1,616)                                      | 53                            | 437                       | 282,101          |
|                                                      |                                                       |                                              |                               |                           |                  |

## Notes to Consolidated Financial Statement

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

#### (1) Scope of consolidation

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

Names of principal consolidated subsidiaries:

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

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

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

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

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

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

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

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

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

###### (a) Inventories

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

###### (b) Securities

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

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

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

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

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

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

###### (c) Lease assets

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

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

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

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

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

(Additional Information)

Revision to amounts of deferred tax assets and deferred tax liabilities due to changes in taxation rate of corporate tax and others.

With the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (2016, Act No. 15) and “Act on Partial Revision of the Local Tax Act, etc.” (2016, Act No. 13) in the Diet session on March 29, 2016, the income tax rates, etc. will be reduced from the consolidated fiscal year starting on or after April 1, 2016.

Accordingly, the effective tax rate used in calculating deferred tax assets and deferred tax liabilities will be changed from 33.1% of the previous consolidated fiscal year to 30.9% during the consolidated fiscal years from that starting on April 1, 2016 to that ending on March 31, 2018 and to 30.6% from the consolidated fiscal year starting on or after April 1, 2018, for the temporary differences that are expected to be eliminated.

Due to the change of tax rate, the amount of deferred tax assets (the amount after deducting the amount of deferred tax liability) decreased by 110 million yen and the amount of valuation difference on available-for-sale securities decreased by 6 million yen, respectively, and the amount of income taxes-deferred increased by 104 million yen.

## 2. Notes to Changes in Accounting Policy

- (1) Application of accounting standard, etc. for business combination  
“Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of September 13, 2013), “Accounting Standard for Business Divestiture” (ASBJ Statement No. 7 of September 13, 2015) and related standards have been applied from the consolidated fiscal year under review. Net income and other statements have been changed accordingly, and minority interest has been changed to non-controlling interest.
- (2) Changes in accounting treatment of net sales

The Group utilizes the consignment buying system in which products are procured from suppliers at the same time they are sold to customers. Previously, sales and cost of sales related to consignment buying was displayed at total value. However, based on a comprehensive evaluation of the content of the 13th research report issued by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants (an interim report on the recognition of revenues in Japan), the Group has decided to display sales from consignment buying at net value, the portion that represents income to the Group, beginning in the fiscal year under review. This decision was made based on the fact that consignment buying transactions do not entail the serious inventory and other risks that are associated with normal transactions.

In response to changes in the consumer market environment, the Group has been moving away from its traditional consignment buying-centric business model in accordance with the medium-term management plan. As part of this transition, Marui is developing its own unique style of shopping centers, and these efforts will be accelerated going forward. The Group plans to institute the aforementioned change in display method in response to the need resulting from this transition to display business performance in a manner that is more appropriate for measuring the medium-term management plan's progress and to increase the viability of total operating revenues as a management indicator.

Based on the change described above, the line item that was previously "net sales" has been displayed as "revenue."

In line with the change described above and in conjunction with the shift in a business model, the Group has been concluding fixed-term rental contracts with tenants. Previously, fixed costs associated with tenants, such as depreciation and amortization related to stores, had been deducted from rent revenues in the form of cost of sales. Since the fiscal year under review, fixed costs associated with tenants under contracts that entail the incurring of percentage rent have been recorded under selling, general and administrative expenses. This decision was made to conform with the treatment of costs associated with the abovementioned consignment buying system, which are also recorded under selling, general and administrative expenses, as well as to more clearly display business performance.

### 3. Notes to Consolidated Balance Sheet

|                                                                                                           |                     |
|-----------------------------------------------------------------------------------------------------------|---------------------|
| (1) Accumulated depreciation of property, plant and equipment                                             | 221,121 million yen |
| (2) Guarantee liabilities                                                                                 |                     |
| Loan guarantees for personal loans offered by financial institutions                                      | 23,018 million yen  |
| (3) Balance of securitized receivables                                                                    | 68,928 million yen  |
| (4) Accumulated reduction entry excluded national subsidy from acquisition costs of tangible fixed assets | 66 million yen      |

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

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

| Share Class  | Number of Shares as of April 1, 2015 | Increase in Shares in the Fiscal Year | Decrease in Shares in the Fiscal Year | Number of Shares as of March 31, 2016 |
|--------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Common stock | 278,660,417 shares                   | -                                     | -                                     | 278,660,417 shares                    |

##### (2) Dividends

###### i) Cash dividends paid

| Resolution                                                | Share Class  | Total Amount of Dividend (Millions of yen) | Dividend per Share (Yen) | Record Date        | Effective Date   |
|-----------------------------------------------------------|--------------|--------------------------------------------|--------------------------|--------------------|------------------|
| Ordinary General Meeting of Shareholders on June 25, 2015 | Common stock | 2,630                                      | 10                       | March 31, 2015     | June 26, 2015    |
| Board of Directors Meeting on November 6, 2015            | Common stock | 2,761                                      | 11                       | September 30, 2015 | December 4, 2015 |

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

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

| Resolution                                                | Share Class  | Total Amount of Dividend (Millions of yen) | Resource for Dividend | Dividend per Share (Yen) | Record Date    | Effective Date |
|-----------------------------------------------------------|--------------|--------------------------------------------|-----------------------|--------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders on June 29, 2016 | Common stock | 2,666                                      | Retained earnings     | 11                       | March 31, 2016 | June 30, 2016  |

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

Common stock 4,700 shares

## 5. Notes to Financial Instruments

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

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

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

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

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

Carrying amount in the consolidated balance sheets, fair value and net unrealized gain/loss of financial instruments as of March 31, 2016 are shown in the table below.

(Millions of yen)

|                                         | Consolidated Balance Sheets<br>Carrying Amount | Fair Value     | Unrealized Gain/Loss |
|-----------------------------------------|------------------------------------------------|----------------|----------------------|
| (1) Cash and deposits                   | 32,586                                         | 32,586         | -                    |
| (2) Notes and accounts receivable-trade | 7,459                                          | 7,459          | -                    |
| (3) Accounts receivable-installment     | 279,763                                        |                |                      |
| Allowance for doubtful accounts         | (5,246)                                        |                |                      |
|                                         | 274,517                                        | 312,365        | 37,847               |
| (4) Operating loans                     | 134,107                                        |                |                      |
| Allowance for doubtful accounts         | (2,114)                                        |                |                      |
|                                         | 131,993                                        | 152,737        | 20,744               |
| (5) Investment securities               |                                                |                |                      |
| Other securities                        | 19,329                                         | 19,329         | -                    |
| (6) Guarantee deposits                  | 8,404                                          | 8,324          | (80)                 |
| <b>Total assets</b>                     | <b>474,290</b>                                 | <b>532,801</b> | <b>58,510</b>        |
| (1) Accounts payable-trade              | 24,318                                         | 24,318         | -                    |
| (2) Short-term loans payable            | 48,324                                         | 48,324         | -                    |
| (3) Current portion of bonds            | 30,000                                         | 30,000         | -                    |
| (4) Commercial papers                   | 10,000                                         | 10,000         | -                    |
| (5) Income taxes payable                | 4,731                                          | 4,731          | -                    |
| (6) Bonds payable                       | 80,000                                         | 80,650         | 650                  |
| (7) Long-term loans payable             | 191,000                                        | 191,382        | 382                  |
| (8) Derivative transactions             | -                                              | -              | -                    |
| <b>Total liabilities</b>                | <b>388,374</b>                                 | <b>389,407</b> | <b>1,032</b>         |

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

#### Assets

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

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

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

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

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

(5) Investment securities

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

(6) Guarantee deposits

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

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

Liabilities

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

Commercial papers, and (5) Income taxes payable

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

(6) Bonds payable

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

(7) Long-term loans payable

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

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

(8) Derivative transactions

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

2. As it is extremely difficult to determine the fair value of non-publicly traded stocks (in the amount of 921 million yen on the consolidated balance sheets) for which no market prices are available and the future cash flows cannot be estimated, they are not included in item (5) Investment securities above.

As it is also extremely difficult to determine the fair value of part of the lease deposits (in the amount of 28,103 million yen on the consolidated balance sheets) for which no market prices are available and the future cash flows cannot be estimated, they are not included in item (6) Guarantee deposits.

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

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

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

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

(Millions of yen)

| Consolidated Balance Sheets Carrying Amount | Fair Value |
|---------------------------------------------|------------|
| 45,240                                      | 95,079     |

Notes:

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

## 7. Notes to Per Share Information

- |                          |              |
|--------------------------|--------------|
| (1) Net asset per share  | 1,161.81 yen |
| (2) Net income per share | 70.68 yen    |

## 8. Notes to Significant Subsequent Events

Not applicable.

**Non-Consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

| Item                                                         | Amount         | Item                                                         | Amount          |
|--------------------------------------------------------------|----------------|--------------------------------------------------------------|-----------------|
| <b><u>Assets</u></b>                                         |                | <b><u>Liabilities</u></b>                                    |                 |
| <b>Current assets</b>                                        | <b>239,296</b> | <b>Current liabilities</b>                                   | <b>142,399</b>  |
| Cash and deposits                                            | 23,133         | Short-term loans payable                                     | 48,200          |
| Deferred tax assets                                          | 44             | Current portion of bonds                                     | 30,000          |
| Short-term loans receivable from subsidiaries and affiliates | 213,276        | Short-term loans payable to subsidiaries and affiliates      | 52,759          |
| Other                                                        | 2,866          | Commercial papers                                            | 10,000          |
| Allowance for doubtful accounts                              | (24)           | Accounts payable-other                                       | 249             |
| <b>Noncurrent assets</b>                                     | <b>406,266</b> | Accrued expenses                                             | 381             |
| <b>Property, plant and equipment</b>                         | <b>1,399</b>   | Income taxes payable                                         | 6               |
| Buildings                                                    | 15             | Deposits received                                            | 208             |
| Structures                                                   | 2              | Provision for bonuses                                        | 214             |
| Vehicles                                                     | 0              | Other                                                        | 379             |
| Furniture and fixtures                                       | 1,381          | <b>Noncurrent liabilities</b>                                | <b>271,067</b>  |
| <b>Intangible assets</b>                                     | <b>8</b>       | Bonds payable                                                | 80,000          |
| <b>Investments and other assets</b>                          | <b>404,858</b> | Long-term loans payable                                      | 191,000         |
| Investment securities                                        | 19,265         | Other                                                        | 67              |
| Stocks of subsidiaries and affiliates                        | 377,746        | <b>Total liabilities</b>                                     | <b>413,466</b>  |
| Investments in capital of subsidiaries and affiliates        | 132            | <b><u>Net Assets</u></b>                                     |                 |
| Deferred tax assets                                          | 7,363          | <b>Shareholders' equity</b>                                  | <b>233,666</b>  |
| Other                                                        | 351            | <b>Capital stock</b>                                         | <b>35,920</b>   |
|                                                              |                | <b>Capital surplus</b>                                       | <b>91,307</b>   |
|                                                              |                | Legal capital surplus                                        | 91,307          |
|                                                              |                | <b>Retained earnings</b>                                     | <b>160,676</b>  |
|                                                              |                | Legal retained earnings                                      | 8,980           |
|                                                              |                | Other retained earnings                                      | 151,696         |
|                                                              |                | Retained earnings brought forward                            | 151,696         |
|                                                              |                | <b>Treasury stock</b>                                        | <b>(54,238)</b> |
|                                                              |                | <b>Valuation and translation adjustments</b>                 | <b>(1,623)</b>  |
|                                                              |                | <b>Valuation difference on available-for-sale securities</b> | <b>(1,623)</b>  |
|                                                              |                | <b>Subscription rights to shares</b>                         | <b>53</b>       |
|                                                              |                | <b>Total net assets</b>                                      | <b>232,096</b>  |
| <b>Total assets</b>                                          | <b>645,562</b> | <b>Total liabilities and net assets</b>                      | <b>645,562</b>  |

**Non-Consolidated Statement of Income**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

| Item                                   | Amount |               |
|----------------------------------------|--------|---------------|
| <b>Operating revenue</b>               |        | <b>13,076</b> |
| Operating expenses                     |        | 4,648         |
| <b>Operating income</b>                |        | <b>8,427</b>  |
| <b>Non-operating income</b>            |        |               |
| Interest income                        | 1,556  |               |
| Dividends income                       | 368    |               |
| Other                                  | 16     | 1,941         |
| <b>Non-operating expenses</b>          |        |               |
| Interest expenses                      | 1,844  |               |
| Financing expenses                     | 296    |               |
| Other                                  | 191    | 2,332         |
| <b>Ordinary income</b>                 |        | <b>8,036</b>  |
| <b>Extraordinary income</b>            |        |               |
| Gain on sales of investment securities | 972    | 972           |
| <b>Extraordinary loss</b>              |        | 0             |
| <b>Income before income taxes</b>      |        | <b>9,008</b>  |
| Income taxes-current                   | 4      |               |
| Income taxes-deferred                  | 600    | 604           |
| <b>Net income</b>                      |        | <b>8,404</b>  |

**Non-Consolidated Statement of Changes in Net Assets**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

|                                                     | Shareholders' equity |                       |                       |                       |                         |                         |                                   |                         |
|-----------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|
|                                                     | Capital stock        | Capital surplus       |                       |                       | Legal retained earnings | Retained earnings       |                                   | Total retained earnings |
|                                                     |                      | Legal capital surplus | Other capital surplus | Total capital surplus |                         | Other retained earnings |                                   |                         |
|                                                     |                      |                       |                       |                       |                         | Other reserve           | Retained earnings brought forward |                         |
| <b>Balance as of April 1, 2015</b>                  | 35,920               | 91,307                | -                     | 91,307                | 8,980                   | 135,600                 | 13,101                            | 157,681                 |
| <b>Changes in the fiscal year:</b>                  |                      |                       |                       |                       |                         |                         |                                   |                         |
| Dividends                                           |                      |                       |                       |                       |                         |                         | (2,630)                           | (2,630)                 |
| Dividends (interim)                                 |                      |                       |                       |                       |                         |                         | (2,761)                           | (2,761)                 |
| Net income                                          |                      |                       |                       |                       |                         |                         | 8,404                             | 8,404                   |
| Reversal of general reserve                         |                      |                       |                       |                       |                         | (135,600)               | 135,600                           | -                       |
| Acquisition of treasury stock                       |                      |                       |                       |                       |                         |                         |                                   |                         |
| Disposition of treasury stock                       |                      |                       | (17)                  | (17)                  |                         |                         |                                   |                         |
| Transfer to capital surplus from retained earnings  |                      |                       | 17                    | 17                    |                         |                         | (17)                              | (17)                    |
| Change in items other than shareholders' equity-net |                      |                       |                       |                       |                         |                         |                                   |                         |
| <b>Total changes in the fiscal year</b>             | -                    | -                     | -                     | -                     | -                       | (135,600)               | 138,594                           | 2,994                   |
| <b>Balance as of March 31, 2016</b>                 | 35,920               | 91,307                | -                     | 91,307                | 8,980                   | -                       | 151,696                           | 160,676                 |

(Millions of yen)

|                                                     | Shareholders' equity |                            | Valuation and translation adjustments                 |                                             | Subscription rights to shares | Total net assets |
|-----------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|-------------------------------|------------------|
|                                                     | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                               |                  |
| <b>Balance as of April 1, 2015</b>                  | (19,290)             | 265,619                    | 996                                                   | 996                                         | 39                            | 266,655          |
| <b>Changes in the fiscal year:</b>                  |                      |                            |                                                       |                                             |                               |                  |
| Dividends                                           |                      | (2,630)                    |                                                       |                                             |                               | (2,630)          |
| Dividends (interim)                                 |                      | (2,761)                    |                                                       |                                             |                               | (2,761)          |
| Net income                                          |                      | 8,404                      |                                                       |                                             |                               | 8,404            |
| Reversal of general reserve                         |                      | -                          |                                                       |                                             |                               | -                |
| Acquisition of treasury stock                       | (35,002)             | (35,002)                   |                                                       |                                             |                               | (35,002)         |
| Disposition of treasury stock                       | 54                   | 36                         |                                                       |                                             |                               | 36               |
| Transfer to capital surplus from retained earnings  |                      | -                          |                                                       |                                             |                               | -                |
| Change in items other than shareholders' equity-net |                      |                            | (2,620)                                               | (2,620)                                     | 13                            | (2,606)          |
| <b>Total changes in the fiscal year</b>             | <b>(34,947)</b>      | <b>(31,953)</b>            | <b>(2,620)</b>                                        | <b>(2,620)</b>                              | <b>13</b>                     | <b>(34,559)</b>  |
| <b>Balance as of March 31, 2016</b>                 | <b>(54,238)</b>      | <b>233,666</b>             | <b>(1,623)</b>                                        | <b>(1,623)</b>                              | <b>53</b>                     | <b>232,096</b>   |

## Notes to Non-Consolidated Financial Statements

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

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

##### Securities

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

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

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

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

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

##### (b) Intangible assets

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

#### (3) Basis for recognizing provisions

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

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

##### (b) Provision for bonuses

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

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

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

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

|                                                                                                                                          |                     |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| (1) Accumulated depreciation of property, plant and equipment                                                                            | 820 million yen     |
| (2) Guarantee liabilities                                                                                                                |                     |
| Guarantee liabilities in respect to the amount of payables of the consolidated subsidiary, Epos Card Co., Ltd. to their business partner | 9,561 million yen   |
| (3) Receivables and payables to subsidiaries and affiliates                                                                              |                     |
| Short-term receivables                                                                                                                   | 213,489 million yen |
| Short-term payables                                                                                                                      | 52,968 million yen  |

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

#### Transaction with subsidiaries and affiliates

##### Operating transactions

    Operating revenues 13,076 million yen

    Operating expenses 771 million yen

Non-operating transactions 1,701 million yen

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

##### Class and number of shares of treasury stock

| Share Class  | Number of Shares as of April 1, 2015 | Increase in Shares in the Fiscal Year | Decrease in Shares in the Fiscal Year | Number of Shares as of March 31, 2016 |
|--------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Common stock | 15,588,364 shares                    | 20,725,370 shares                     | 43,400 shares                         | 36,270,334 shares                     |

##### Notes:

- Shares of common stock held as treasury stock increased by 20,725,370 shares due to the purchase of treasury stock (20,723,600 shares) and the purchase of shares in response to purchase demands for less than one unit (1,770 shares).
- Shares of common stock held as treasury stock decreased by 43,400 shares due to the exercise of stock options.

#### 5. Notes to Tax Effect Accounting

##### (1) Principal components of deferred tax assets and deferred tax liabilities

###### (Deferred tax assets)

|                                                                                           |                     |
|-------------------------------------------------------------------------------------------|---------------------|
| Impairment loss of investment securities in subsidiaries and affiliates for restructuring | 7,238 million yen   |
| Other                                                                                     | 3,266 million yen   |
| Sub-total                                                                                 | 10,504 million yen  |
| Valuation allowance                                                                       | (3,036) million yen |
| Total                                                                                     | 7,468 million yen   |

###### (Deferred tax liabilities)

|                                   |                   |
|-----------------------------------|-------------------|
| Enterprise tax refund receivable  | 61 million yen    |
| Total                             | 61 million yen    |
| Net amount of deferred tax assets | 7,407 million yen |

##### (2) Revision to amounts of deferred tax assets and deferred tax liabilities due to changes in taxation rate of corporate tax and others

With the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (2016, Act No. 15) and “Act on Partial Revision of the Local Tax Act, etc.” (2016, Act No. 13) in the Diet session on March 29, 2016, the income tax rates, etc. will be reduced from the consolidated fiscal year starting on or after April 1, 2016.

Accordingly, the effective tax rate used in calculating deferred tax assets and deferred tax liabilities will be changed from 33.1% of the previous fiscal year to 30.9% during the fiscal years from that starting on April 1, 2016 to that ending on March 31, 2018 and to 30.6% from the fiscal year starting on or after April 1, 2018 for the temporary differences that are expected to be eliminated.

Due to the change of tax rate, the amount of deferred tax assets (the amount after deducting the amount of deferred tax liabilities) decreased by 411 million yen and the amount of valuation difference on available-for-sale securities decreased by 6 million yen, respectively, and the amount of income taxes-deferred increased by 405 million yen.

## 6. Notes to Transactions with Related Parties

Subsidiaries, affiliates and other related parties

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

| Type         | Name                | Transactions                      | Amount of Transactions (Millions of yen) | Account Item                                                 | Balance as of March 31, 2016 (Millions of yen) |
|--------------|---------------------|-----------------------------------|------------------------------------------|--------------------------------------------------------------|------------------------------------------------|
| Subsidiaries | MARUI Co., Ltd.     | Borrowing of funds<br>*Note1      | 36,477                                   | Short-term loans payable to subsidiaries and affiliates      | 40,757                                         |
|              |                     | Business management fee<br>*Note2 | 1,447                                    | -                                                            | -                                              |
|              | Epos Card Co., Ltd. | Lending of funds<br>*Note1        | 205,791                                  | Short-term loans receivable from subsidiaries and affiliates | 210,753                                        |
|              |                     | Business management fee<br>*Note2 | 2,194                                    | -                                                            | -                                              |
|              |                     | Receipt of interests              | 1,543                                    | -                                                            | -                                              |

Terms of transactions and policy for deciding transaction terms

Notes:

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

## 8. Notes to Per-Share Information

|                          |            |
|--------------------------|------------|
| (1) Net assets per share | 957.31 yen |
| (2) Net income per share | 33.43 yen  |

## 9. Notes to Significant Subsequent Events

Not applicable.

Amounts in Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements have been rounded down to the nearest unit. Ratio etc. are rounded off to the nearest digit.

## Reference Document Concerning the General Meeting of Shareholders

### Proposals and Reference Materials

#### Proposal 1: Proposed Disposal of Surplus

The Company considers that returning the profit to the shareholders is one of the important management priorities. The Company has a basic policy of continuing to return profits to the shareholders in proportion to the operating results with a view to retaining the consolidated payout ratio at least 30% for the fiscal year under review. The Company will carry out return of profit to the shareholders taking into consideration results of operation and financial conditions and other relevant factors.

It is proposed that the year-end dividends for the fiscal year under review be 11 yen per share in accordance with the basic policy. Together with the interim dividends of 11 yen per share which have been paid, the annual payment of dividends for the fiscal year under review shall be 22 yen per share, an increase of 3 yen per share compared with the previous fiscal year, which is the increase in dividends for four (4) consecutive fiscal years.

1. Matters related to the year-end dividend:

(1) Type of assets distributed: Cash

(2) Matter related to distribution of cash and total amount:

11 yen per share of common stock of the Company

Total amount: 2,666,290,913 yen

(3) Effective date for distribution of surplus: June 30, 2016

\* The Company made a resolution to amend its dividend policy to increase the consolidated payout ratio to “40% or more” based on the mid-term management plan newly formulated at the meeting of the Board of Directors held on May 12, 2016.

For more information, please refer to pages 58 and 59 below.

## Proposal 2: Election of Six (6) Directors

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

Mr. Motohiko Sato, Director will resign from his office at the close of this General Meeting.

The Company has intention to strengthen supervisory function by the Board of Directors, enhance mobility in the area of execution of operation through further exploiting Executive Officer system and reduce the number of Directors with a view to making it easier for opinions of External Directors who are independent from management to be reflected to the Board of Directors.

In line with above, the Company would like to propose to elect six (6) Directors, including two (2) External Directors.

The candidates for Directors are as follows:

|   | Name<br>(Date of Birth)                              | (Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of Shares Held |
|---|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1 | Hiroshi Aoi<br>(January 17, 1961)<br>【Reappointment】 | <p>Jul. 1986      Joined the Company</p> <p>Apr. 1991      Director and General Manager, Sales Planning Headquarters</p> <p>Apr. 1995      Managing Director, Deputy General Manager, Sales Promotion Headquarters and General Manager, Sales Planning Division</p> <p>Jan. 2001      Managing Director and General Manager, Sales Promotion Headquarters</p> <p>Jun. 2004      Executive Vice President and Representative Director</p> <p>Apr. 2005      President and Representative Director</p> <p>Oct. 2006      President and Representative Director, and Group Representative Executive Officer (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hiroshi Aoi has properly operated the Board of Directors as the chairman and duly performed his supervisory functions for important management decision making and operational execution as President and Representative Director of the Company since 2005. He has ample business experience and knowledge as a corporate manager, and has controlled overall operation of the Group and performed his duties properly as Group Representative Executive Officer. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid- term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p> | 1,611,700             |

|   | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                              | (Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of Shares Held |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 2 | <p>Koichiro Horiuchi<br/>(September 17, 1960)</p> <p><b>【Reappointment】</b><br/><b>【Candidate for External Director】</b></p> <ul style="list-style-type: none"> <li>▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 8 years</li> <li>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</li> </ul> | <p>Apr. 1983    Joined The Long-Term Credit Bank of Japan</p> <p>Mar. 1988    Joined FUJI KYUKO CO., LTD., General Manager, Corporate Planning Division, FUJI KYUKO CO., LTD.</p> <p>Jun. 1988    Director, FUJI KYUKO CO., LTD.</p> <p>Feb. 1989    Senior Managing Director, FUJI KYUKO CO., LTD.</p> <p>Jun. 1989    Representative Director and Senior Managing Director, FUJI KYUKO CO., LTD.</p> <p>Sep. 1989    President and Representative Director, FUJI KYUKO CO., LTD. (Incumbent)</p> <p>Jun. 2008    External Director (Incumbent)</p> <p>Jun. 2012    External Audit &amp; Supervisory Board Member, THE YAMANASHI CHUO BANK, LTD. (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Mr. Koichiro Horiuchi has experience and extensive knowledge of corporate management. He also has actively made comments as External Director of the Company from an independent, objective position and have currently performed his duties for the Company properly. As the Company believes that he can continue to contribute to the reinforcement of supervisory function for management of the Company, the Company has nominated him as a candidate for an External Director.</p> | 0                     |
| 3 | <p>Etsuko Okajima<br/>(May 16, 1966)</p> <p><b>【Reappointment】</b><br/><b>【Candidate for External Director】</b></p> <ul style="list-style-type: none"> <li>▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 2 years</li> <li>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</li> </ul>          | <p>Apr. 1989    Joined Mitsubishi Corporation</p> <p>Jan. 2001    Joined McKinsey &amp; Company</p> <p>Jul. 2005    Representative and CEO, GLOBIS Management Bank</p> <p>Jun. 2007    Representative and CEO, ProNova Inc. (Incumbent)</p> <p>Jun. 2014    External Director, Astellas Pharma Inc. (Incumbent)</p> <p>External Director (Incumbent)</p> <p>March 2016    External Director, Link and Motivation Inc. (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Ms. Etsuko Okajima has experience and extensive knowledge of corporate management and is well versed in diversity. She has currently performed her duties as External Director of the Company properly from an independent, objective position. As the Company believes that she can continue to contribute to the reinforcement of supervisory function for management of the Company, the Company has nominated her as a candidate for an External Director.</p>                                                                                                                                                                                                                                                   | 0                     |

|   | Name<br>(Date of Birth)                              | (Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number of Shares Held |
|---|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 4 | Masao Nakamura<br>(June 11, 1960)<br>【Reappointment】 | <p>Apr. 1983    Joined the Company</p> <p>May. 2003    General Manager, Store Planning Division, Sales Promotion Headquarters</p> <p>Apr. 2007    Executive Officer and General Manager, Group Business Promotion Division</p> <p>Jun. 2008    Director and Executive Officer, General Manager, Corporate Planning Division and General Manager, Business Development Division</p> <p>Apr. 2011    Managing Director and Managing Executive Officer<br/>President and Representative Director, MARUI Co., Ltd.</p> <p>Apr. 2015    Director and Managing Executive Officer<br/>Responsible for Retailing and Store Operations Business</p> <p>Apr. 2016    President and Representative Director, AIM CREATE CO., LTD. (Incumbent)</p> <p>May 2016    Director and Managing Executive Officer<br/>Responsible for Retailing Business (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Masao Nakamura has business experience in corporate planning, business development, store planning, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2008. He has controlled Retailing Business and performed his duties properly as Managing Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p> | 17,600                |

|   | Name<br>(Date of Birth)                                | (Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of Shares Held |
|---|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 5 | Tomoo Ishii<br>(July 16, 1960)<br>【Reappointment】      | <p>Apr. 1983    Joined the Company</p> <p>Oct. 2005    General Manager, Group Compliance Division</p> <p>Apr. 2007    Executive Officer and General Manager, Group Compliance Division</p> <p>Jun. 2009    Director and Executive Officer, and General Manager, General Affairs Division</p> <p>Apr. 2013    Director and Executive Officer, and General Manager, Personnel Division</p> <p>Apr. 2015    Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion and General Manager, Personnel Division<br/>In charge of General Affairs and Healthcare Promotion</p> <p>Apr. 2016    Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion and General Manager, Personnel Division<br/>In charge of General Affairs, Personnel and Healthcare Promotion (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Tomoo Ishii has business experience in Personnel, General Affairs and Compliance Division, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2009. He also has controlled general affairs, personnel and healthcare promotion and performed his duties properly as Managing Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p> | 16,800                |
| 6 | Hirotsugu Kato<br>(July 30, 1963)<br>【New appointment】 | <p>Mar. 1987    Joined the Company</p> <p>Apr. 2013    General Manager, Corporate Planning Division</p> <p>Apr. 2015    Executive Officer and General Manager, Corporate Planning Division</p> <p>Oct. 2015    Executive Officer and General Manager, Corporate Planning Division and IR Division (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hirotsugu Kato has business experience in Corporate Planning, Finance and IR Divisions, etc. has performed his duties as Executive Officer and General Manager of Corporate Planning Division and IR Division in developing new corporate governance structure and development of management and finance strategies. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2,000                 |

Notes:

1. Mr. Koichiro Horiuchi and Ms. Etsuko Okajima are candidates for External Directors and the Company has submitted a notification designating them as independent directors to Tokyo Stock Exchange, Inc.

2. Ms. Etsuko Okajima's name on the family register is Ms. Etsuko Mino.
3. Ms. Etsuko Okajima is Representative and CEO of ProNova Inc., a company with deep knowledge on diversity. ProNova Inc. is providing training support for the Company in promoting active participation of women at the work place. The training support was provided for a total of eight (8) times, and the payment amount is 4 million yen. She satisfies "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company and the relationship with the Company and ProNova has substantially no negative effect on her independence. For the "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company, please see "Criteria for Independence for External Directors and Audit & Supervisory Board Members" set forth below.
4. The Company has entered into a liability limit agreement with each of Mr. Koichiro Horiuchi and Ms. Etsuko Okajima under which his/her liability shall be limited to the minimum amount provided for in laws and regulations. In the event that they are re-elected as External Directors, the Company is scheduled to enter into the same agreement with each of them.

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

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

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

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

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

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

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

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

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

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

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

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

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

### Proposal 3: Election of Two (2) Audit & Supervisory Board Member

The term of Audit & Supervisory Board Member, Mr. Tadashi Ooe and Mr. Takehiko Takagi, among the four (4) Audit & Supervisory Board Members currently in office will expire as Audit & Supervisory Board Member at the close of this Meeting.

Accordingly, the Company would like to propose to elect two (2) Audit & Supervisory Board Members. The Audit & Supervisory Board has consented to this proposal.

A candidate for Audit & Supervisory Board Member is as follows:

| Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (Brief History, Positions and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of Shares Held |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <p>Tadashi Ooe<br/>(May 20, 1944)</p> <p><b>【Reappointment】</b><br/><b>【Candidate for External Audit &amp; Supervisory Board Member】</b><br/><b>【Candidate for independent Audit &amp; Supervisory Board Member】</b></p> <ul style="list-style-type: none"> <li>▶ Term of office from the appointment as Audit &amp; Supervisory Board Member of the Company to the close of this Ordinary General Meeting of Shareholders: 12 years</li> <li>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</li> <li>▶ Attendance to the Meetings of the Audit &amp; Supervisory Board: 16 out of 16</li> </ul> | <p>Apr. 1969 Registered as Attorney<br/>Apr. 1989 Practicing-Attorney-Professor for Civil Advocacy, Legal Training and Research Institute of the Supreme Court of Japan<br/>Mar. 1994 External Audit &amp; Supervisory Board Member, Canon Inc. (Incumbent)<br/>Jun. 2004 External Audit &amp; Supervisory Board Member, the Company (Incumbent)<br/>Jun. 2011 External Director, Jeco Co., Ltd. (Incumbent)<br/>Jun. 2015 External Director, NISSAN CHEMICAL INDUSTRIES. LTD. (Incumbent)</p> <hr/> <p>Reasons for nomination as a candidate for External Audit &amp; Supervisory Board Member</p> <p>Mr. Tadashi Ooe has been currently performing his duties properly as an External Audit &amp; Supervisory Board Member of the Company based on his legal knowledge and experience obtained through his long-term practice as a lawyer. As the Company believes that he can continue to fully perform his duties for the Company, the Company has nominated him as a candidate for an External Audit &amp; Supervisory Board Member.</p> | <p>68,400</p>         |

| Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (Brief History, Positions and Important Positions at Other Organizations Concurrently Assumed, If Any)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of Shares Held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <p>Takehiko Takagi<br/>(January 23, 1945)</p> <p><b>【Reappointment】</b></p> <p><b>【Candidate for External Audit &amp; Supervisory Board Member】</b></p> <p><b>【Candidate for independent Audit &amp; Supervisory Board Member】</b></p> <ul style="list-style-type: none"> <li>▶ Term of office from the appointment as Audit &amp; Supervisory Board Member of the Company to the close of this Ordinary General Meeting of Shareholders: 8 years</li> <li>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</li> <li>▶ Attendance to the Meetings of the Audit &amp; Supervisory Board: 16 out of 16</li> </ul> | <p>Jul. 2001    Commissioner, Kanazawa Regional Taxation Bureau</p> <p>Jul. 2002    President, National Tax College</p> <p>Jul. 2003    Retired from National Tax Agency</p> <p>Aug. 2003    Registered as Tax Accountant</p> <p>May. 2006    External Audit &amp; Supervisory Board Member, Totenko Co., Ltd. (Incumbent)</p> <p>Jun. 2008    External Audit &amp; Supervisory Board Member, the Company (Incumbent)</p> <p>Jun. 2010    External Audit &amp; Supervisory Board Member, KAWADA technologies, inc. (Incumbent)</p> <hr/> <p>Reasons for nomination as a candidate for External Audit &amp; Supervisory Board Member</p> <p>Mr. Takehiko Takagi is a qualified tax accountant and has been currently performing his duties properly as an External Audit &amp; Supervisory Board Member of the Company. As the Company believes that he can continue to perform his duties for the Company, the Company has nominated him as a candidate for an External Audit &amp; Supervisory Board Member.</p> | <p>2,400</p>          |

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Tadashi Ooe and Mr. Takehiko Takagi are both candidates for External Audit & Supervisory Board Members of the Company. The Group has submitted a notification to Tokyo Stock Exchange, Inc., designating them as an independent audit & supervisory board member.
3. The Company has entered into a liability limit agreement with each of Mr. Tadashi Ooe and Mr. Takehiko Takagi under which their liability shall be limited to the minimum amount provided for in laws and regulations. In the event that they are re-elected as Audit & Supervisory Board Members, the Company is scheduled to enter into the same agreement with each of them.

**Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member**

The resolution of electing Mr. Akira Nozaki as a Substitute Audit & Supervisory Board Member made at the 79th Ordinary General Meeting of Shareholders of the Company held on June 25, 2015 will be in effect until the start of this General Meeting.

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

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

Candidate for Substitute Audit & Supervisory Board Member is as follows

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

Notes:

1. There is no special interest between the candidate and the Company.
2. Mr. Akira Nozaki is a candidate for Substitute External Audit & Supervisory Board Member of the Company.
3. In the event that Mr. Akira Nozaki is elected, the Company plans to enter into a liability limiting agreement with Mr. Akira Nozaki, under which his responsibility would be limited to the extent of the minimum amount provided for in the laws and regulations, upon his assumption of office as Audit & Supervisory Board Member.

## **Proposal 5: Revision of Compensation Plan for Directors**

### **1. Reason for the Proposal and Reason Why the Revised Compensation is Reasonable**

The Company proposes to revise the current compensation system for Directors excluding External Directors that is comprised of fixed basic compensation and stock option scheme as share-based compensation linked to stock prices for the purpose of improving performance of the Company and corporate value in a long- and mid-term.

Specifically, in addition to fixed basic compensation, the Group intends to introduce performance-linked bonus based on performance of the Company for each fiscal year as a short term incentive (the “Performance-linked Bonus Plan”) and a performance-linked stock compensation plan based on medium-to-long term performance of the Company as a long- and mid-term incentive (the “Stock Compensation Plan”) to increase the ratio of compensation that is linked to performance of the Company.

Amount of compensation under the Performance-linked Bonus Plan and the Stock Compensation Plan will be paid separately from the maximum amount of compensation for Directors approved by shareholders at the 76th Ordinary General Meeting of Shareholders held on June 27, 2012 (up to 300 million yen per year, excluding portions of compensation as employees). Accordingly, the limit of compensation amount set for stock options approved by shareholders at the 76th Ordinary General Meeting of Shareholders held on June 27, 2012 (up to 100 million yen per year) will be abolished.

Compensation for External Directors will continue to consist only of fixed basic compensation. The Company proposes to increase the limit of compensation from “up to 35 million yen per year,” which was approved to be included in the above-mentioned maximum amount of compensation for Directors by shareholders at the 76th Ordinary General Meeting of Shareholders mentioned above to “up to 50 million yen per year,” in consideration of factors such as the expansion of the duties of External Directors such as serving as a newly established Nomination and Compensation Committee with the objective of further enhancing the corporate governance, and the fact that increase in the number of External Directors is planned, etc. The maximum amount of compensation for Directors of 300 million yen per year will not be changed.

Number of Directors who will be eligible for the Performance-linked Bonus Plan and the Stock Compensation Plan is four (4) if Proposal 2 “Election of Six (6) Directors” is approved as originally proposed, and the number of External Directors who will be subject to the change of the limit of compensation for External Directors will be two (2) if the proposal is approved as originally proposed.

\* In order to secure appropriateness of compensation for Directors and transparency of decision-making process, the Company has set up the Nomination and Compensation Committee that mainly consist of External Directors.

### **2. Details of Revision of Compensation Plan**

#### **(1) Introduction of performance-linked bonus**

Under the Performance-linked Bonus Plan, performance-linked bonuses will be paid to Directors of the Company (excluding External Directors; hereinafter the same shall apply in this paragraph (1)) up to the amount of 100 million yen (excluding portions of compensation as employees) based on the level of

achievement, etc. of a performance target (e.g., consolidated operating income) for each fiscal year. The amount of bonus for each Director will vary depending on duties of each Director. The Company proposes that the details of the Performance-linked Bonus Plan be delegated to the Board of Directors.

## (2) Introduction of stock compensation plan linked to performance

The Stock Compensation Plan will be introduced to Directors of the Company (excluding External Directors and non-residents; hereinafter the same shall apply in this paragraph (2)) for the purpose of clarifying the connection between compensation for Directors and stock value of the Company as well as raising Directors' consciousness to long- and mid- term improvement in performance and corporate value.

### (i) Outlines of the Stock Compensation Plan

Under the Stock Compensation Plan, the Company causes a trust to acquire shares of the Company by using the amount of compensation for Directors contributed by the Company and to make delivery and payment ("Delivery, etc.") of the shares of the Company and the amount of money equivalent to conversion value of the shares of the Company into cash (the "Shares of the Company, etc.") to Directors of the Company.

|                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Eligible persons who are entitled to receive Delivery, etc. of the Shares of the Company, etc. under the Stock Compensation Plan        | <ul style="list-style-type: none"> <li>Directors of the Company (excluding External Directors and non-residents)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (b) Effect of the shares of the Company delivered under the Stock Compensation Plan on the aggregate number of issued shares of the Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Maximum amount contributed by the Company                                                                                                   | <ul style="list-style-type: none"> <li>300 million yen in total for three (3) fiscal years (Equivalent to 100 million yen per fiscal year)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Maximum number of the Shares of the Company, etc. acquired by Directors and the method of acquisition of the shares of the Company          | <ul style="list-style-type: none"> <li>The maximum number of points to be granted to Directors per year is 60,000 points (one (1) point represents one (1) share of the Company).</li> <li>The maximum number of shares to be acquired by Directors of the Company is 180,000 shares in total in three (3) years, which accounts for approximately 0.07% of the aggregate number of issued shares of the Company (excluding treasury stock as of March 31, 2016)</li> <li>The shares of the Company will be acquired from the stock market or the Company (disposition of treasury stock) (For the initial period, the shares will be acquired from the stock market.)</li> </ul> |
| (c) Details of conditions of performance achievement                                                                                        | <ul style="list-style-type: none"> <li>The number of shares to be granted will be determined in the range from 0 to 100% based on the level of achievement against the target value of corporate performance indicators in the final fiscal year.</li> <li>For the trust period, ROE, EPS, ROIC, etc. will be used as corporate performance indicators.</li> </ul>                                                                                                                                                                                                                                                                                                                |
| (d) Timing of Delivery, etc. of the Shares of the Company, etc. to Directors                                                                | <ul style="list-style-type: none"> <li>Every three (3) fiscal years</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

**(ii) Maximum amount contributed by the Company**

The Company will introduce the Stock Compensation Plan by setting each consecutive three (3) fiscal years (initially, for the three (3) fiscal years from the fiscal year ending March 31, 2017 through the fiscal year ending March 31, 2019. If the trust period is extended as set forth below, each subsequent three (3) fiscal years) as a period subject to the Stock Compensation Plan (“Target Period”).

The Company will set up a trust (the “Trust”) for a three (3) year trust period (including an extended period of the trust period set forth below; hereinafter the same shall apply), beneficiaries of which are Directors of the Company who satisfy the eligibility requirements by contributing trust fund up to 300 million yen in total in every three (3) years, i.e., each Target Period as compensation for Directors. The Trust will acquire shares of the Company from the stock market or the Company (disposition of treasury stock) up to 180,000 shares for each Target Period by using funds trusted in accordance with directions of the administrator of the Trust. The Company will contribute trust fund for acquisition of shares of the Company to be delivered separately to executive officers and trust fund contributed by certain subsidiaries of the Company (the “Target Subsidiaries”) for acquisition of shares of the Company to be delivered to directors of each Target Subsidiary. The Company will collectively hold the shares of the Company to be delivered to Directors of the Company and the shares of the Company to be delivered to executive officers and directors of each Target Subsidiary (the “Executive Officers, etc.”) as compensation and manage them in separate accounts.

Upon expiration of a trust period of the Trust, the Company may continue the Trust by amending the trust agreement and contributing additional trust fund. In such case, the Company extends a trust period of the Trust for another three (3) years and make additional contribution for each extended trust period to continue provision of points to Directors and Delivery, etc. of the Shares of the Company; provided, however, that upon making such additional contribution, if shares of the Company (excluding the Shares of the Company equivalent to the relevant points granted to Directors, for which Delivery, etc. has not yet completed) and money to be delivered and paid to Directors of the Company remain in the assets of the Trust on the last day of the trust period to be extended (such shares and money shall be hereinafter referred to as the “Remaining Shares, etc.”), the total amount of the amount of the Remaining Shares, etc. and the amount of trust fund to be additionally contributed as compensation for Directors of the Company shall be up to 300 million yen. In such case, the Company will also separately make additional contribution of fund as compensation for the Executive Officers, etc. for the extended trust period.

**(iii) Method of calculation of number of the Shares of the Company Acquired by Directors and Maximum Number Thereof**

The number of the Shares of the Company to be delivered and paid to Directors will be calculated by multiplying the accumulated number of points granted to Directors based on their position for three (3) years by the performance-linked coefficient at a certain time each year. The performance-linked coefficient will be determined in the range from 0 to 100% based on the level of achievement against the target value of corporate performance indicators in the final fiscal year for the Target Period (for the initial Target Period, ROE, EPS, ROIC, etc. will be used), and one (1) share of the Company will be delivered for one (1) point.

In the case where an event that is deemed fair to adjust the number of points due to stock split and stock consolidation occurs during a trust period, the number of points will be adjusted in accordance with the

split ratio, consolidation ratio, etc.

Directors who satisfy the eligibility requirements will receive Delivery, etc. of the Shares of the Company, etc. in accordance with the number of points calculated after June immediately following the end of the final fiscal year for the Target Period, as a general rule. Such Directors will receive delivery of the number of shares of the Company equivalent to a certain percentage of the points. The remaining shares of the Company will be converted into cash in the Trust and paid to such Directors as the amount of money equivalent to conversion value of the shares of the Company into cash.

The maximum number of points to be granted to Directors of the Company per year is 60,000 points (equivalent to 60,000 shares). The total number of the Shares of the Company to be delivered and paid to Directors from the Trust shall be up to 180,000 shares for each three (3) years, i.e., each Target Period. The maximum number of shares to be delivered is determined based on the recent stock price, etc., taking into consideration the maximum amount of trust fund set forth in (ii) above.

**(iv) Treatment of dividends from shares of the Company in the Trust**

Dividends from shares of the Company in the Trust will be received by the Trust and appropriated to trust fee and cost of the Trust.

**(v) Other matters**

To secure neutrality of management, any voting right may not be exercised against the shares of the Company in the Trust during a trust period.

Other matters regarding the Share Compensation Plan will be determined by the Board of Directors in each time when Trust is set up, a trust agreement is amended and additional contribution is made to the Trust.

**(3) Abolition of Stock Option Scheme as Share-based Compensation**

In conjunction with the introduction of the Performance-linked Bonus Plan and the Stock Compensation Plan, the limit of compensation amount set for stock options approved by shareholders at the 76th Ordinary General Meeting of Shareholders held on June 27, 2012 (up to 100 million yen per year) will be abolished.

**(4) Change of the Limit of the Compensation for External Directors**

The compensation for External Directors of the Company was approved to be “up to 35 million yen per year” and to be included in the maximum amount of compensation for Directors, which was 300 million yen per year, by shareholders at the 76th Ordinary General Meeting of Shareholders mentioned above, and has remain the same since.

In consideration of factors such as the expansion of the duties of External Directors such as serving as a newly established Nomination and Compensation Committee with the objective of further enhancing the corporate governance, and the fact that increase in the number of External Directors is planned, etc., the Company proposes to revise the compensation to “up to 50 million yen per year.” The maximum amount of compensation for Directors of 300 million yen per year, which was approved by shareholders at the 76th Ordinary General Meeting of Shareholders mentioned above, will not change.

(Reference)

For more information on the Stock Compensation Plan, please refer to the Company's press release "Notice Regarding Introduction of Performance-linked Stock Compensation Plan" dated May 12, 2016.

End

## Reference

### Notice regarding matters related to acquisition of shares of the Company, change in dividend policy and establishment of the Nomination and Compensation Committee

The Company made a resolution with respect to the following matters at the meeting of the Board of Directors held on May 12, 2016. In this regard, we would like to make a notice with respect to this resolution:

#### 1. Notice regarding determination of matters related to acquisition of shares of the Company

##### (1) Reason for acquisition of shares of the Company

The Group formulated a mid-term management plan ending the fiscal year ending March 31, 2020. The Group will aim to increase profits by reforming the Group's business and conducting integrated operations, taking into consideration changes in business environment. In the fiscal strategy, the Group will effectively utilize basic operational cash flows generated over the five (5) year period, and reinforce growth investment to form the most appropriate capital structure for the Group's business structure. Based on the above efforts, the Group will aim to achieve 10% or higher ROE, 4% or higher ROIC and 130 yen or more EPS at an early stage and improve in corporate value. Based on the above belief, the Company resolved upon the following matters:

##### (2) Details of matters related to acquisition of shares of the Company

- |                                                        |                                                                                                      |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| (i) Type of shares to be acquired:                     | Common stock of the Company                                                                          |
| (ii) Total number of shares to be acquired:            | Up to 10 million shares<br>(4.1% of the total number of outstanding shares excluding treasury stock) |
| (iii) Total acquisition cost of shares to be acquired: | Up to 15 billion yen                                                                                 |
| (iv) Period of acquisition:                            | From May 13, 2016 to September 30, 2016                                                              |

#### 2. Notice regarding change in dividend policy

##### (1) Reason for the change

The Group will effectively utilize cash flow generated from its business, and enforce growth investments and shareholder returns based on its newly formulated mid-term management plan ending the fiscal year ending March 31, 2020. In this regard, to respond to expectation of our various shareholders and medium-to-long term shareholders, the Group has decided to enhance shareholder returns through dividend increases.

##### (2) Details of the change

The Group will raise its consolidated payout ratio, the target of dividend scale from "30% or more" to "40% or more." Accordingly, the Group will revise its "Corporate Governance Guidelines" as follows:

<Before Revision>

The Company shall maintain the basic policy of issuing appropriate and ongoing shareholder returns. The Company will target a consolidated payout ratio of 30% or more, and it will strive to stably and

continually raise the level of dividend payments while taking into account such factors as performance trends and financial position.

<After Revision>

The Company shall maintain the basic policy of issuing appropriate and ongoing shareholder returns. The Company will target a consolidated payout ratio of 40% or more, and it will strive to stably and continually raise the level of dividend payments while taking into account such factors as performance trends and financial position.

(3) Expected dividend for fiscal year ending March 31, 2017

|                                                         | Dividend per share |          |       | (Reference)<br>Consolidated<br>payout ratio |
|---------------------------------------------------------|--------------------|----------|-------|---------------------------------------------|
|                                                         | 2Q-end             | Year-end | Total |                                             |
| Expected dividend for fiscal year ending March 31, 2017 | 16.00              | 16.00    | 32.00 | 40.0%                                       |
| Actual dividend for fiscal year ended March 31, 2016    | 11.00              | 11.00    | 22.00 | 31.1%                                       |

3. Notice regarding establishment of Nomination and Compensation Committee

(1) Purpose of establishment of the committee

The Group will secure objectivity and transparency of nomination of Directors, etc. and compensation, etc. for the management of the Group and further improve its corporate governance system by establishing the committee that mainly consist of External Directors to discuss nomination of Directors, etc. and compensation, etc. for the management of the Group.

(2) Function of the committee

(i) The committee discusses the following matters related to nomination of Directors and Executive Officers based on inquiries from the Board of Directors:

- Matters concerning election of candidates for Directors to be submitted to a general meeting of shareholders;
- Matters concerning election of executive officers with titles; and
- In addition to the above matters, matters inquired by the Board of Directors

(ii) As for compensation for Directors, the committee discusses and decides on the following matters related to compensation for Directors and Executive Officers within the framework of the compensation system and within the scope of the maximum amount of compensation resolved at a general meeting of shareholders by commission from the Board of Directors.

- Matters concerning individual compensation for Directors and Executive Officers;
- Matters concerning amendments to the compensation system for Directors and Executive Officers; and
- In addition to the above matters, matters inquired or commissioned by the Board of

## Directors

### (3) Composition of the committee

The Nomination and Compensation Committee consists of three (3) or more members (two (2) of which are External Directors) selected by a resolution of the Board of Directors. The following three (3) members have been selected as members of the committee:

Koichi Horiuchi (External Director)  
Etsuko Okajima (External Director)  
Hiroshi Aoi (Representative Director)

\* The Compensation Committee established on April 27, 2012 has been integrated into the Nomination and Compensation Committee.

End